

Comstock Holding Companies, Inc.  
Form SC 13G/A  
February 14, 2013

# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

## SCHEDULE 13G/A

(Amendment No. 2)

(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO  
RULES 13d-1(b), (c) AND (d) AND AMENDMENTS THERETO FILED  
PURSUANT TO RULE 13d-2(b)

**Comstock Holding Companies, Inc.**

(Name of Issuer)

Class A common stock, par value \$.01 per share  
(Title of Class of Securities)

205684103  
(CUSIP Number)

December 31, 2012  
(Date of Event Which Requires Filing of this Statement)

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Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

CUSIP No. 205684103

13G/A

1 NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

2 Prescott Group Capital Management, L.L.C.  
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\*

(a) ..

3 (b) ..  
SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

State of Oklahoma  
5 SOLE VOTING POWER

NUMBER OF

SHARES 1,787,141  
6 SHARED VOTING POWER

BENEFICIALLY

OWNED BY 0  
EACH 7 SOLE DISPOSITIVE POWER

REPORTING

PERSON 1,787,141  
8 SHARED DISPOSITIVE POWER

WITH

9 0  
AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

10 1,787,141  
CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES\*

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11 ..  
PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

12 9.6%\*\*  
TYPE OF REPORTING PERSON\*

IA

\* SEE INSTRUCTIONS BEFORE FILLING OUT

\*\* SEE ITEM 4(b).

CUSIP No. 205684103

13G/A

1 NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

2 Prescott Group Aggressive Small Cap, L.P.  
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\*

(a)

3 (b)   
SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

State of Oklahoma  
5  SOLE VOTING POWER

NUMBER OF

SHARES 0  
6  SHARED VOTING POWER

BENEFICIALLY

OWNED BY 1,787,141  
7  SOLE DISPOSITIVE POWER  
EACH

REPORTING

PERSON 0  
8  SHARED DISPOSITIVE POWER

WITH

9 1,787,141  
AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

10 1,787,141  
CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES\*

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11 ..  
PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

12 9.6%\*\*  
TYPE OF REPORTING PERSON\*

PN

\* SEE INSTRUCTIONS BEFORE FILLING OUT

\*\* SEE ITEM 4(b).

CUSIP No. 205684103

13G/A

1 NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

2 Prescott Group Aggressive Small Cap II, L.P.  
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\*

(a)

3 (b)   
SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

State of Oklahoma  
5 SOLE VOTING POWER

NUMBER OF

SHARES 0  
6 SHARED VOTING POWER

BENEFICIALLY

OWNED BY 1,787,141  
7 SOLE DISPOSITIVE POWER  
EACH

REPORTING

PERSON 0  
8 SHARED DISPOSITIVE POWER

WITH

9 1,787,141  
AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

10 1,787,141  
CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES\*

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11 ..  
PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

12 9.6%\*\*  
TYPE OF REPORTING PERSON\*

PN

\* SEE INSTRUCTIONS BEFORE FILLING OUT

\*\* SEE ITEM 4(b).



CUSIP No. 205684103

13G/A

1 NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

2 Phil Frohlich  
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\*

(a)

3 (b)   
SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

U.S. Citizen  
5 SOLE VOTING POWER

NUMBER OF

SHARES 1,787,141  
6 SHARED VOTING POWER

BENEFICIALLY

OWNED BY 0  
7 SOLE DISPOSITIVE POWER  
EACH

REPORTING

PERSON 1,787,141  
8 SHARED DISPOSITIVE POWER

WITH

9 0  
AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

10 1,787,141  
CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES\*

11 ..  
PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

12 9.6%\*\*  
TYPE OF REPORTING PERSON\*

IN

\* SEE INSTRUCTIONS BEFORE FILLING OUT

\*\* SEE ITEM 4(b).

**SCHEDULE 13G/A**

This Amendment No. 2 (this Amendment) to the Schedule 13G (the Schedule 13G) is being filed on behalf of Prescott Group Capital Management, L.L.C., an Oklahoma limited liability company ( Prescott Capital ), Prescott Group Aggressive Small Cap, L.P., an Oklahoma limited partnership ( Prescott Small Cap ), Prescott Group Aggressive Small Cap II, L.P., an Oklahoma limited partnership ( Prescott Small Cap II and, together with Prescott Small Cap, the Small Cap Funds ), and Mr. Phil Frohlich, the principal of Prescott Capital, relating to shares of Class A common stock, par value \$.01 per share (the Common Stock ), of Comstock Holding Companies, Inc., a Delaware corporation (the Issuer ).

This Amendment relates to shares of Common Stock of the Issuer purchased by the Small Cap Funds through the account of Prescott Group Aggressive Small Cap Master Fund, G.P., an Oklahoma general partnership ( Prescott Master Fund ), of which the Small Cap Funds are general partners. Prescott Capital serves as the general partner of the Small Cap Funds and may direct the Small Cap Funds, the general partners of Prescott Master Fund, to direct the vote and disposition of the 1,787,141 shares of Common Stock held by the Master Fund. As the principal of Prescott Capital, Mr. Frohlich may direct the vote and disposition of the 1,787,141 shares of Common Stock held by Prescott Master Fund.

This Amendment amends and restates the Schedule 13G as follows.

**Item 1(a) Name of Issuer.**

Comstock Holding Companies, Inc.

**Item 1(b) Address of Issuer's Principal Executive Offices.**

1886 Metro Center Drive, Fourth Floor  
Reston, Virginia 20190

**Item 2(a) Name of Person Filing.**

Prescott Group Capital Management, L.L.C. ( Prescott Capital ), Prescott Group Aggressive Small Cap, L.P. ( Prescott Small Cap ), Prescott Group Aggressive Small Cap II, L.P. ( Prescott Small Cap II and, together with Prescott Small Cap, the Small Cap Funds ) and Mr. Phil Frohlich.

**Item 2(b) Address of Principal Business Office, or, if none, Residence.**

1924 South Utica, Suite 1120  
Tulsa, Oklahoma 74104-6529

**Item 2(c)      Citizenship or Place of Organization.**

Prescott Capital is an Oklahoma limited liability company. The Small Cap Funds are Oklahoma limited partnerships. Mr. Phil Frohlich is the principal of Prescott Capital and is a U.S. citizen.

**Item 2(d)      Title of Class of Securities.**

Class A common stock, par value \$.01 per share (the Common Stock ).

**Item 2(e)      CUSIP Number.**

205684103

**Item 3            Reporting Person.**

**If this statement is filed pursuant to Rule 13d-1(b), or 13d-2(b), check whether the person filing is a:**

- (a)  Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
- (b)  Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c)  Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d)  Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
- (e)  An investment advisor in accordance with §240.13d-1(b)(1)(ii)(E).
- (f)  An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F).
- (g)  A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G).
- (h)  A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813).
- (i)  A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3).
- (j)  Group, in accordance with §240.13d-1(b)(1)(ii)(J).

**Item 4 Ownership.**

- (a) Prescott Capital is the beneficial owner of 1,787,141 shares of Common Stock and Mr. Phil Frohlich is the beneficial owner of 1,787,141 shares of Common Stock.
- (b) Prescott Capital and Mr. Phil Frohlich are the beneficial owners of 9.6% of the outstanding shares of Common Stock. This percentage is determined by dividing 1,787,141 by 18,533,045, the number of shares of Common Stock issued and outstanding as of November 14, 2012, as reported in the Issuer's 10-Q/A filed on December 21, 2012.
- (c) Prescott Capital, as the general partner of the Small Cap Funds, the general partners of Prescott Master Fund, may direct the Small Cap Funds to direct the vote and disposition of the 1,787,141 shares of Common Stock held by Prescott Master Fund. As the principal of Prescott Capital, Mr. Phil Frohlich may direct the vote and disposition of the 1,787,141 shares of Common Stock held by Prescott Master Fund.

**Item 5 Ownership of Five Percent or Less of a Class.**

Inapplicable.

**Item 6 Ownership of More Than Five Percent on Behalf of Another Person.**

Inapplicable.

**Item 7 Identification and Classification of the Subsidiary which Acquired the Security Being Reported On by the Parent Holding Company.**

Inapplicable.

**Item 8 Identification and Classification of Members of the Group.**

Inapplicable.

**Item 9 Notice of Dissolution of Group.**

Inapplicable.

**Item 10 Certification.**

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 14, 2013

Prescott Group Capital Management, L.L.C.

By: /s/ Phil Frohlich  
PHIL FROHLICH, Managing Member

Prescott Group Aggressive Small Cap, L.P.

By: Prescott Group Capital Management, L.L.C., its  
general partner

By: /s/ Phil Frohlich  
PHIL FROHLICH, Managing Member

Prescott Group Aggressive Small Cap II, L.P.

By: Prescott Group Capital Management, L.L.C., its  
general partner

By: /s/ Phil Frohlich  
PHIL FROHLICH, Managing Member

/s/ Phil Frohlich  
Phil Frohlich

9

>

Net income

30,697      30,697    2,582    33,279

Other comprehensive income(loss), for the period, net of tax

Foreign currency translation adjustments

(35,245)    (35,245)    (2,983)    (38,228)

Net unrealized holding gains (losses) on securities available for sale (Note 8)

(3,350)    (3,350)    (3,350)

Pension liability adjustments

(215)    (215)    (215)

Net unrealized holding gains (losses) on derivative instruments

938    938    (60)    878

Comprehensive income (loss)

**(7,175)    (461)    (7,636)**

Purchase of treasury stock  
 (545) (545) (545)  
 Sales of treasury stock

Balance at June 30, 2010  
 ¥67,870 ¥140,421 ¥32,726 ¥746,295 ¥(133,506) ¥(35,300) ¥818,506 ¥42,261 ¥860,767

Three months ended June 30, 2009

Millions of yen

	Retained earnings Accumulated				comprehensive income	treasury stock	Total Komatsu Ltd. shareholders' equity	Noncontrolling interests	Total equity
	Common stock	Capital surplus	Appropriated for legal reserve	other unappropriated					
Balance at March 31, 2009	¥67,870	¥140,092	¥28,472	¥719,222	¥(105,744)	¥(34,971)	¥814,941	¥33,393	¥848,334
Cash dividends				(17,431)			(17,431)	(300)	(17,731)
Transfer to retained earnings appropriated for legal reserve			2,309	(2,309)					
Other changes Comprehensive income(loss)								1,753	1,753
Net income				4,763			4,763	1,683	6,446
Other comprehensive income(loss), for the period, net of tax									
Foreign currency translation adjustments					7,131		7,131	1,590	8,721
Net unrealized holding gains (losses) on securities available for sale (Note 8)					3,477		3,477		3,477
					1,323		1,323		1,323

Pension liability adjustments					
Net unrealized holding gains (losses) on derivative instruments		28	28	254	282
Comprehensive income(loss)			<b>16,722</b>	<b>3,527</b>	<b>20,249</b>
Purchase of treasury stock			(7)	(7)	(7)
Sales of treasury stock	(98)	206	108		108
Balance at					
June 30, 2009	¥ 67,870	¥ 139,994	¥ 30,781	¥ 704,245	¥ (93,785)
			¥ (34,772)	¥ 814,333	¥ 38,373
					¥ 852,706

The accompanying Notes to Quarterly Consolidated Financial Statements are an integral part of these statements.



**Consolidated Statements of Cash Flows (Unaudited)**

Komatsu Ltd. and Consolidated Subsidiaries

Three months ended June 30, 2010 and 2009

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
<b>Operating activities</b>		
Net income	¥ 33,279	¥ 6,446
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,433	22,003
Deferred income taxes	8,308	(5,535)
Net loss (gain) from sale of investment securities and subsidiaries	33	65
Net loss (gain) on sale of property	(585)	(95)
Loss on disposal of fixed assets	457	396
Pension and retirement benefits, net	(3,074)	(1,290)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(15,202)	7,327
Decrease (increase) in inventories	(4,336)	32,124
Increase (decrease) in trade payables	32,280	(46,896)
Increase (decrease) in income taxes payable	(8,086)	(2,373)
Other, net	(9,261)	(11,265)
 Net cash provided by (used in) operating activities	 55,246	 907
<b>Investing activities</b>		
Capital expenditures	(18,829)	(24,927)
Proceeds from sale of property	2,043	5,342
Proceeds from sale of available for sale investment securities	2	73
Purchases of available for sale investment securities	(536)	(1,500)
Acquisition of subsidiaries and equity investees, net of cash acquired	762	1,153
Collection of loan receivables	305	353
Disbursement of loan receivables	(27)	(677)
Decrease (increase) in time deposits	(935)	(88)
 Net cash provided by (used in) investing activities	 (17,215)	 (20,271)
<b>Financing activities</b>		
Proceeds from long-term debt	17,893	55,954
Repayments on long-term debt	(5,367)	(7,207)
Increase (decrease) in short-term debt, net	(25,478)	(6,217)

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Repayments of capital lease obligations	(9,977)	(9,430)
Sale (purchase) of treasury stock, net	(6)	101
Dividends paid	(7,749)	(17,431)
Other, net	(133)	(1,117)
Net cash provided by (used in) financing activities	(30,817)	14,653
<b>Effect of exchange rate change on cash and cash equivalents</b>	(5,314)	310
<b>Net increase (decrease) in cash and cash equivalents</b>	1,900	(4,401)
<b>Cash and cash equivalents, beginning of year</b>	82,429	90,563
<b>Cash and cash equivalents, end of period</b>	¥ 84,329	¥ 86,162

The accompanying Notes to Quarterly Consolidated Financial Statements are an integral part of these statements.

**Notes to Quarterly Consolidated Financial Statements (Unaudited)**

**1. Basis of Quarterly Financial Statement Presentation and Summary of Significant Accounting Policies**

**Basis of Quarterly Financial Statement Presentation**

Komatsu Ltd. ( Company ) and consolidated subsidiaries (together Komatsu ) prepare and present the accompanying quarterly consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ).

**Summary of Significant Accounting Policies**

There is no material change for Summary of Significant Accounting Policies stated in annual report for the year ended March 31, 2010.

**2. Supplemental Cash Flow Information**

Additional cash flow information and noncash investing and financing activities for the three months ended June 30, 2010 and 2009 are as follows:

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
<b>Additional cash flow information:</b>		
Interest paid	¥ 1,628	¥ 2,752
Income taxes paid	20,301	10,694
<b>Noncash investing and financing activities:</b>		
Capital lease obligations incurred	¥ 1,177	¥ 4,273

**3. Inventories**

At June 30, 2010 and at March 31, 2010, inventories comprised the following:

	<b>Millions of yen</b>	
	<b>June 30, 2010</b>	<b>March 31, 2010</b>
Finished products, including finished parts held for sale	¥ 234,524	¥ 254,157
Work in process	108,307	102,096
Materials and supplies	35,860	40,163
 Total	 ¥ 378,691	 ¥ 396,416

**4. Investment Securities**

Investment securities at June 30, 2010 and at March 31, 2010 primarily consisted of securities available for sale. The cost, gross unrealized holding gains and losses, and fair value for such investment securities by major security types at June 30, 2010 and at March 31, 2010 are as follows:

	Millions of yen			
	Cost	Gross unrealized holding		Fair value
		Gains	Losses	
<b>June 30, 2010</b>				
Investment securities:				
Marketable equity securities available for sale	¥ 24,969	¥ 16,775	¥ 164	¥ 41,580
Other investment securities at cost	12,902			
	¥ 37,871			

	Millions of yen			
	Cost	Gross unrealized holding		Fair value
		Gains	Losses	
<b>March 31, 2010</b>				
Investment securities:				
Marketable equity securities available for sale	¥ 24,988	¥ 22,235	¥ 45	¥ 47,178
Other investment securities at cost	13,289			
	¥ 38,277			

Other investment securities primarily include non-marketable equity securities. The fair value of other investment securities was not estimated as it was not practicable to estimate the fair value of investments and no significant events or changes that might have effected the fair value of those investments were observed.

Unrealized holding gains and losses are included as a component of accumulated other comprehensive income (loss) until realized.

Proceeds from the sales of investment securities available for sale were ¥2 million and ¥73 million for the three months ended June 30, 2010 and 2009, respectively.

Impairment losses and net realized gains or losses from sale of investment securities available for sale during the three months ended June 30, 2010 and 2009 amounted to losses of ¥33 million and losses of ¥65 million, respectively. Such gains and losses were included in other income (expenses), net in the accompanying consolidated statements of income.

The cost of the investment securities sold was computed based on the average-cost method.

**5. Stock Option Plan**

The Company intends to transfer treasury shares to directors and certain employees and certain directors of subsidiaries and affiliated companies under an agreement granting the right for them to request such transfers at a predetermined price.

Komatsu recognizes compensation expense using the fair value method. For the three months ended June 30, 2010 and 2009, no compensation expense was recorded as no right was granted.

**6. Net Income Attributable to Komatsu Ltd. per Share**

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to Komatsu Ltd. per share computations is as follows:

	<b>Millions of yen</b>	
	<b>Three months ended June 30, 2010</b>	<b>Three months ended June 30, 2009</b>
Net income attributable to Komatsu Ltd.	¥ 30,697	¥ 4,763
	<b>Number of shares</b>	
	<b>Three months ended June 30, 2010</b>	<b>Three months ended June 30, 2009</b>
Weighted average common shares outstanding, less treasury stock	967,834,078	967,910,177
Dilutive effect of:		
Stock options	462,103	343,666
Weighted average diluted common shares outstanding	968,296,181	968,253,843
	<b>Yen</b>	
	<b>Three months ended June 30, 2010</b>	<b>Three months ended June 30, 2009</b>
Net income attributable to Komatsu Ltd.:		
Basic	¥ 31.72	¥ 4.92
Diluted	¥ 31.70	¥ 4.92



## **7. Contingent Liabilities**

At June 30, 2010 and at March 31, 2010, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥4,642 million and ¥9,850 million, respectively.

Komatsu provides guarantees to third parties of loans of the employees, affiliated companies and other companies. The guarantees relating to the employees are mainly made for their housing loans. The guarantees of loans relating to the affiliated companies and other companies are made to enhance the credit of those companies.

For each guarantee provided, Komatsu would have to perform under a guarantee, if the borrower defaults on a payment within the contract terms. The contract terms are from 10 years to 30 years in the case of employees with housing loans, and from 1 year to 10 years in the case of loans relating to the affiliated companies and other companies. The maximum amount of undiscounted payments Komatsu would have had to make in the event of default was ¥93,949 million and ¥88,379 million at June 30, 2010 and at March 31, 2010, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at June 30, 2010 was insignificant. Certain of those guarantees were secured by collateral and insurance issued to Komatsu.

Management of Komatsu believes that losses from those contingent liabilities, if any, would not have a material effect on the consolidated financial statements.

Komatsu is involved in certain legal actions and claims arising in the ordinary course of its business. It is the opinion of management and legal counsel that such litigation and claims will be resolved without material effect on Komatsu's financial statements.

Komatsu has business activities with customers, dealers and associates around the world and its trade receivables from such parties are well diversified to minimize concentrations of credit risks. Management does not anticipate incurring losses on its trade receivables in excess of established allowances.

**8. Derivative Financial Instruments**

Notional principal amounts of derivative financial instruments outstanding at June 30, 2010 and at March 31, 2010 are as follows:

	Millions of yen	
	June 30, 2010	March 31, 2010
Forwards and options:		
Sale of foreign currencies	¥ 73,504	¥ 40,209
Purchase of foreign currencies	45,573	48,809
Option contracts (purchased)	301	949
Interest rate swaps, cross-currency swaps and interest rate cap agreements	181,532	184,487

Fair values of derivative instruments at June 30, 2010 and at March 31, 2010 on the consolidated balance sheets are as follows:

	Millions of yen			
	Derivative Assets		Derivative Liabilities	
<b>Derivative instruments designated as hedging instruments</b>	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 2,395	Deferred income taxes and other current liabilities	¥ 2
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	84	Deferred income taxes and other current liabilities	771
	Deferred income taxes and other assets		Deferred income taxes and other liabilities	
Total		¥ 2,479		¥ 773
<b>Undesignated derivative instruments</b>	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 939	Deferred income taxes and other current liabilities	¥ 491
Option contracts	Deferred income taxes and other current assets	6	Deferred income taxes and other current liabilities	
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	3,325	Deferred income taxes and other current liabilities	746
	Deferred income taxes and other assets	9,632	Deferred income taxes and other liabilities	950
Total		¥ 13,902		¥ 2,187
Total Derivative Instruments		¥ 16,381		¥ 2,960



Millions of yen  
**March 31, 2010**

<b>Derivative instruments designated as hedging instruments</b>	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 73	Deferred income taxes and other current liabilities	¥ 830
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	354	Deferred income taxes and other current liabilities	734
	Deferred income taxes and other assets	99	Deferred income taxes and other liabilities	
<b>Total</b>		<b>¥ 526</b>		<b>¥ 1,564</b>

<b>Undesignated derivative instruments</b>	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 90	Deferred income taxes and other current liabilities	¥ 1,248
Option contracts	Deferred income taxes and other current assets	18	Deferred income taxes and other current liabilities	
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	1,730	Deferred income taxes and other current liabilities	915
	Deferred income taxes and other assets	6,989	Deferred income taxes and other liabilities	901
<b>Total</b>		<b>¥ 8,827</b>		<b>¥ 3,064</b>
<b>Total Derivative Instruments</b>		<b>¥ 9,353</b>		<b>¥ 4,628</b>

The effects of derivative instruments on the consolidated statements of income for the three months ended June 30, 2010 and 2009 are as follows:

**Derivative instruments designated as fair value hedging relationships**

Millions of yen  
**Three months ended  
 June 30, 2010**

Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	Location of gains (losses) recognized in income on hedged items	Amount of gains (losses) recognized in income on hedged items

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Interest rate swaps, cross-currency swaps and interest rate cap agreements	Other income (expenses), net: Other, net	¥	Other income (expenses), net: Other, net	¥
Total		¥		¥

Millions of yen  
**Three months ended  
June 30, 2009**

	Location of gains (losses) recognized in income	Amount of gains (losses) recognized in income	Location of gains (losses) recognized in income	Amount of gains (losses) recognized in income on hedged items
	on derivatives	on derivatives	on hedged items	
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Other income (expenses), net: Other, net	¥ 1,281	Other income (expenses), net: Other, net	¥ (1,398)
Total		¥ 1,281		¥ (1,398)

**Derivative instruments designated as cash flow hedging relationships**

		Millions of yen Three months ended June 30, 2010			Ineffective portion and amount excluded from effectiveness testing	
	Amount of gains (losses) recognized in OCI on derivatives	Effective portion Location of gains (losses) reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	
Forwards contracts	¥ 3,334	Other income (expenses), net: Other, net	¥ 1,606		¥	
Interest rate swaps, cross-currency swaps and interest rate cap agreements	(127)					
<b>Total</b>	<b>¥ 3,207</b>		<b>¥ 1,606</b>		<b>¥</b>	

		Millions of yen Three months ended June 30, 2009			Ineffective portion and amount excluded from effectiveness testing	
	Amount of gains (losses) recognized in OCI on derivatives	Effective portion Location of gains (losses) reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	
Forwards contracts	¥ (734)	Other income (expenses), net: Other, net	¥ (74)		¥	
	(18)					

Interest rate swaps,  
cross-currency swaps and  
interest rate cap  
agreements

Total	¥	(752)	¥	(74)	¥
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\* OCI stands for  
other  
comprehensive  
income (loss).

**Derivative instruments not designated as hedging instruments relationships**

	Millions of yen <b>Three months ended June 30, 2010</b>	
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net ¥	1,963
Option contracts	Other income (expenses), net: Other, net	(9)
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Cost of sales	(149)
	Other income (expenses), net: Other, net	3,251
Total	¥	5,056

	Millions of yen <b>Three months ended June 30, 2009</b>	
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net ¥	(117)
Option contracts	Other income (expenses), net: Other, net	4
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Cost of sales	(82)
	Other income (expenses), net: Other, net	(937)
Total	¥	(1,132)



**9. The Fair Value of Financial Instruments**

**(1) Cash and Cash Equivalents, Time Deposits, Trade Notes and Accounts Receivable, Other Current Assets, Short-Term Debt, Trade Notes, Bills and Accounts Payables, and Other Current Liabilities**

The carrying amount approximates fair value because of the short maturity of these instruments.

**(2) Investment Securities, Marketable Equity Securities**

The fair values of investment securities available for sale for which it is practicable to estimate fair value are based on quoted market prices and are recognized on the accompanying consolidated balance sheets.

**(3) Long-Term Trade Receivables, Including Current Portion**

The fair values of long-term trade receivables are based on the present value of future cash flows through maturity, discounted using estimated current interest rates. The fair values computed on such a basis approximate the carrying amounts.

**(4) Long-Term Debt, Including Current Portion**

The fair values of each of the long-term debts are based on the quoted price in the most active market or the present value of future cash flows associated with each instrument discounted using the current borrowing rate for similar debt of comparable maturity.

**(5) Derivatives**

The fair values of derivative financial instruments, consisting principally of foreign exchange contracts and interest swaps agreements, are estimated by obtaining quotes from brokers and are recognized on the accompanying consolidated balance sheets.

The carrying amounts and the estimated fair values of the financial instruments, including financial instruments not qualifying as hedge, at June 30, 2010 and at March 31, 2010, are summarized as follows:

	Millions of yen			
	June 30, 2010		March 31, 2010	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Investment securities, marketable equity securities	¥ 41,580	¥ 41,580	¥ 47,178	¥ 47,178
Long-term debt, including current portion	458,033	456,313	462,941	460,916
Derivatives:				
Forwards and options				
Assets	3,340	3,340	181	181
Liabilities	493	493	2,078	2,078
Interest rate swaps, cross-currency swaps and interest rate cap agreements				
Assets	13,041	13,041	9,172	9,172
Liabilities	2,467	2,467	2,550	2,550

**Limitations**

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. 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 affect the estimates.

**10. Fair value measurements**

Financial Accounting Standards Board Accounting Standard Codification (ASC) 820, Fair Value Measurements and Disclosures defines that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

**Level 1** Quoted prices in active markets for identical assets or liabilities

**Level 2** Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

**Level 3** Unobservable inputs for the assets or liabilities

**Assets and liabilities that are measured at fair value on a recurring basis**

The fair value hierarchy levels of assets and liabilities that are measured at fair value on a recurring basis at June 30, 2010 and at March 31, 2010 are as follows:

<b>June 30, 2010</b>	Millions of yen			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Investment securities available for sale				
Manufacturing industry	¥ 23,319	¥	¥	¥ 23,319
Financial service industry	16,329			16,329
Other	1,932			1,932
<b>Derivatives</b>				
Forward contracts		3,334		3,334
Option contracts		6		6
Interest rate swaps, cross-currency swaps and interest rate cap agreements		13,041		13,041
Other				
<b>Total</b>	¥ 41,580	¥ 16,381	¥	¥ 57,961
<b>Liabilities</b>				
<b>Derivatives</b>				
Forward contracts	¥	¥ 493	¥	¥ 493
Interest rate swaps, cross-currency swaps and interest rate cap agreements		2,467		2,467
Other		22,781	1,492	24,273
<b>Total</b>	¥	¥ 25,741	¥ 1,492	¥ 27,233
<b>March 31, 2010</b>				
<b>Assets</b>				
Investment securities available for sale				
Manufacturing industry	¥ 26,147	¥	¥	¥ 26,147
Financial service industry	18,935			18,935
Other	2,096			2,096
<b>Derivatives</b>				
Forward contracts		163		163
Option contracts		18		18
Interest rate swaps, cross-currency swaps and interest rate cap agreements		9,172		9,172
Other				
<b>Total</b>	¥ 47,178	¥ 9,353	¥	¥ 56,531
<b>Liabilities</b>				
<b>Derivatives</b>				
Forward contracts	¥	¥ 2,078	¥	¥ 2,078
		2,550		2,550

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Interest rate swaps, cross-currency swaps and  
interest rate cap agreements

Other		22,839		2,280		25,119	
Total	¥	¥	27,467	¥	2,280	¥	29,747

**Investment securities available for sale**

Marketable equity securities are classified in Level 1 in the fair value hierarchy. Marketable equity securities are measured using a market approach based on the quoted market prices in active markets.

**Derivatives**

Derivatives primarily represent foreign exchange contracts and interest rate swap agreements. The fair value of foreign exchange contracts is based on a valuation model that discounts cash flows resulting from the differential between contract rate and the market-based forward rate and is classified in Level 2 in the fair value hierarchy. The fair value of interest rate swap agreements is based on a valuation model that discounts cash flows based on the terms of the contract and the swap curves and is classified in Level 2 in the fair value hierarchy.

**Other**

Other primarily represents loans which are measured at fair value and the retained interests in securitizations of accounts receivables. The fair value of loans is based on a valuation model based on market yield curve data and credit spread data and is classified in Level 2 in the fair value hierarchy. The credit spread data was obtained through use of credit default swaps for each counterparty. The fair value of retained interest in securitizations of accounts receivables is based on a valuation model using the present value of expected future cash flows using discount, prepayment and loss rates based on current market conditions and the historical performance of comparable receivables and is classified in Level 3 in the fair value hierarchy.

The following table summarizes information about changes of Level 3 for the three months ended June 30, 2010 and 2009.

	Millions of yen	
	<b>Three months ended June 30, 2010</b>	<b>Three months ended June 30, 2009</b>
Balance, beginning of year	¥ (2,280)	¥ 919
Total gains or losses (realized / unrealized)	302	592
Included in earnings	210	606
Included in other comprehensive income (loss)	92	(14)
Purchases, issuances and settlements	486	(1,493)
Balance, end of period	¥ (1,492)	¥ 18

The amounts of unrealized gains on classified in Level 3 assets and liabilities recognized in earnings for the three months ended June 30, 2010 and 2009 related to assets and liabilities still held at June 30, 2010 and 2009 were gains of ¥210 million and ¥606 million, respectively. These gains were reported in other income (expenses), net of the consolidated statements of income.

**Assets and liabilities that are measured at fair value on a non-recurring basis**

During three months ended June 30, 2010, assets and liabilities that were measured at fair value on a non-recurring basis were not material.

During three months ended June 30, 2009, there were no assets and liabilities that were measured at fair value on a non-recurring basis.

**11. Committed Credit Lines**

Certain consolidated subsidiaries maintain committed credit line agreements totaling ¥45,298 million and ¥50,082 million, respectively, at June 30, 2010 and at March 31, 2010 with financial institutions to secure liquidity. At June 30, 2010 and at March 31, 2010, ¥22,000 million and ¥23,741 million, respectively, were available to be used under such credit line agreements.



**12. Dividends**

**Payment amount of dividends**

Resolution	Type of stock	Aggregate amount of dividends (Millions of yen)
Ordinary general meeting of shareholders held on June 23, 2010	Common stock	7,748

  

Resource of dividends	Dividend per share (Yen)	Record date	Effective date
Retained earnings	8	March 31, 2010	June 24, 2010

Note: Amounts are rounded down to nearest million yen.

**13. Business Segment Information**

Komatsu has two operating segments: 1) Construction, Mining and Utility Equipment 2) Industrial Machinery and Others.

Segment profit is determined by Management in a manner that is consistent with Japanese accounting principles by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment. Segment profit excludes certain general corporate administration and finance expenses, such as costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal and public relations. Segment profit also excludes certain non-recurring charges which may otherwise relate to operating segments, including impairments of long lived assets and goodwill.

**Operating segments:**

	<b>Millions of yen</b>	
	<b>Three months ended June 30, 2010</b>	<b>Three months ended June 30, 2009</b>
<b>Net sales:</b>		
Construction, Mining and Utility Equipment		
Customers	¥ 405,206	¥ 284,695
Intersegment	438	786
Total	405,644	285,481
Industrial Machinery and Others		
Customers	41,934	35,733
Intersegment	2,303	4,043
Total	44,237	39,776
Elimination	(2,741)	(4,829)
Consolidated	¥ 447,140	¥ 320,428
<b>Segment profit:</b>		
Construction, Mining and Utility Equipment	¥ 54,265	¥ 7,437
Industrial Machinery and Others	2,035	2,877
Total	56,300	10,314
Corporate expenses and elimination	(1,963)	(1,845)
Consolidated segment profit	54,337	8,469
Other operating income (expenses), net	(262)	(196)
Operating income	54,075	8,273
Interest and dividend income	1,021	1,859
Interest expense	(1,669)	(2,731)
Other, net	(3,323)	1,327

Consolidated income before income taxes and equity in earnings of affiliated companies	¥	50,104	¥	8,728
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Business categories and principal products and services included in each operating segment are as follows:

a. Construction, Mining and Utility Equipment:

Excavating equipment, loading equipment, grading and roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, recycling equipment, industrial vehicles, other equipment, engines and components, casting products and logistics

b. Industrial Machinery and Others:

Metal forging and stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment and others

Transfers between segments are made at estimated arm's-length prices.

**Geographic information:**

Net sales to customers recognized by sales destination for the three months ended June 30, 2010 and 2009 are as follows:

	<b>Millions of Yen</b>	
	<b>Three months ended June 30, 2010</b>	<b>Three months ended June 30, 2009</b>
<b>Net sales to customers:</b>		
Japan	¥ 71,425	¥ 68,759
The Americas	101,576	80,377
Europe and CIS	39,752	36,064
China	114,892	59,414
Asia* and Oceania	98,019	57,651
Middle East and Africa	21,476	18,163
Consolidated net sales	¥ 447,140	¥ 320,428

\* Excluding Japan and China

Net sales to customers recognized by geographic origin for the three months ended June 30, 2010 and 2009 are as follows:

	<b>Millions of yen</b>	
	<b>Three months ended June 30, 2010</b>	<b>Three months ended June 30, 2009</b>
<b>Net sales to customers:</b>		
Japan	¥ 133,798	¥ 110,428
U.S.A.	100,924	74,985
Europe and CIS	42,949	34,082
China	96,040	50,966

Others	73,429	49,967
Consolidated net sales	¥ 447,140	¥ 320,428

From the current fiscal year, Komatsu divided net sales to customers in China from net sales to customers in Others. Net sales to customers recognized by geographic origin for the three months ended June 30, 2009 have been reclassified according to the presentation for the three months ended June 30, 2010.

No individual country within Europe and CIS or Others had a material impact on net sales.

No single major external customer had a material impact on net sales.

**14. Subsequent Event**

There was no significant subsequent event to be disclosed.