

AMBASE CORP  
Form 10-K  
March 28, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT  
TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

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 1-07265

AMBASE CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE 95-2962743

(State of incorporation)

(I.R.S. Employer Identification No.)

100 Putnam Green, 3rd Floor, Greenwich, CT 06830-6027

(Address of principal executive offices)

Registrant's telephone number, including area code: (203) 532-2000

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

Common Stock (\$0.01 par value)

Rights to Purchase Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No  .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No  .

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, and (2) has been subject to such filing

Edgar Filing: AMBASE CORP - Form 10-K

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

---

Edgar Filing: AMBASE CORP - Form 10-K

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 “accelerated filer”, “large accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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         .

At February 28, 2012, there were 43,075,410 shares of registrant’s Common Stock outstanding. At June 30, 2011, the aggregate market value of registrant’s voting securities (consisting of its Common Stock) held by nonaffiliates of the registrant, based on the average bid and asking price on such date of the Common Stock of \$0.25 per share was approximately \$10.8 million. The Common Stock constitutes registrant’s only outstanding class of security.

Portions of the registrant’s definitive Proxy Statement for its 2012 Annual Meeting of Stockholders, which Proxy Statement the registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year, is incorporated by reference with respect to certain information contained therein, in Part III of this Annual Report.

The Exhibit Index is located in Part IV, Item 15, Page 38.

AmBase Corporation  
 Annual Report on Form 10-K  
 December 31, 2011

TABLE OF CONTENTS

	Page
<b>PART I</b>	
Item 1. Business	1
Item 1A. Risk Factors	2
Item 1B. Unresolved Staff Comments	4
Item 2. Properties	4
Item 3. Legal Proceedings	5
Item 4. Mine Safety Disclosures	5
Executive Officers of the Registrant	5
<b>PART II</b>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	6
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	7
Item 8. Financial Statements and Supplementary Data	11
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	35
Item 9A. Controls and Procedures	35
Item 9B. Other Information	35
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance	36
Item 11. Executive Compensation	36
Item 12. Security Ownership of Certain Beneficial Owners & Management and Related Stockholder Matters	37
Item 13. Certain Relationships and Related Transactions and Director Independence	37
Item 14. Principal Accounting Fees and Services	37
<b>PART IV</b>	
Item 15. Exhibits and Financial Statement Schedules	38



## PART I

### ITEM 1. BUSINESS

AmBase Corporation (the “Company” or “AmBase”) is a Delaware corporation that was incorporated in 1975. AmBase is a holding company that, through a wholly owned subsidiary, owns one commercial office building in Greenwich, Connecticut that is managed and operated by the Company. The building is approximately 14,500 square feet; with approximately 3,500 square feet utilized by the Company for its executive offices; the remaining space is currently unoccupied and available for lease. The executive office of the Company is located at 100 Putnam Green, Third Floor, Greenwich, Connecticut 06830.

The Company’s assets currently consist primarily of cash and cash equivalents, investment securities, and real estate. The Company earns non-operating revenue principally consisting of investment earnings on investment securities and cash equivalents. The Company continues to evaluate a number of possible acquisitions, and is engaged in the management of its assets and liabilities, including the contingent assets associated with its legal claims, as described in Part II - Item 8 - Notes 9 and 10 to the Company’s consolidated financial statements. Discussions and negotiations are ongoing with respect to certain of these matters. From time to time, the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company intends to aggressively contest all litigation and contingencies, as well as pursue all sources for contributions to settlements. The Company had 6 employees at December 31, 2011.

#### Background

In August 1988, the Company acquired Carteret Bancorp Inc. Carteret Bancorp Inc., through its principal wholly owned subsidiary, Carteret Savings Bank, FA (“Carteret”), which was principally engaged in retail and consumer banking, and mortgage banking including mortgage servicing. On December 4, 1992, the Office of Thrift Supervision (“OTS”) placed Carteret in receivership under the management of the Resolution Trust Corporation (“RTC”) and a new institution, Carteret Federal Savings Bank, was established to assume the assets and certain liabilities of Carteret. Following the seizure of Carteret, the Company was deregistered as a savings and loan holding company by the OTS, although the OTS retains jurisdiction for any regulatory violations prior to deregistration. See Part II - Item 8 - Note 10 to the Company’s consolidated financial statements for a discussion of Supervisory Goodwill litigation relating to Carteret.

In December 1997, the Company formed a new wholly owned subsidiary, SDG Financial Corp. (“SDG Financial”), to pursue merchant banking activities. SDG Financial purchased an equity interest in SDG, Inc. (“SDG”) and was granted the exclusive right to act as the investment banking/financial advisor to SDG, Inc. and all of its subsidiaries and affiliates. The Company also purchased convertible preferred and common stock in AMDG, Inc. (“AMDG”), a majority owned subsidiary of SDG. SDG and AMDG are development stage pharmaceutical companies. The Company remains a shareholder in SDG and AMDG and will continue to monitor the status of SDG and its subsidiary, AMDG, Inc. These investments have no current carrying value, as the Company’s original cost basis was previously written off.

#### STOCKHOLDER INQUIRIES

Stockholder inquiries, including requests for the following: (i) change of address; (ii) replacement of lost stock certificates; (iii) Common Stock name registration changes; (iv) Quarterly Reports on Form 10-Q; (v) Annual Reports on Form 10-K; (vi) proxy material; and (vii) information regarding stockholdings, should be directed to:

American Stock Transfer and Trust Company  
59 Maiden Lane

Edgar Filing: AMBASE CORP - Form 10-K

New York, NY 10038  
Attention: Shareholder Services  
(800) 937-5449 or (718) 921-8200 Ext. 6820

As the Company does not maintain a website, copies of Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K and Proxy Statements can also be obtained directly from the Company free of charge by sending a request to the Company by mail as follows:

AmBase Corporation  
100 Putnam Green, 3rd Floor  
Greenwich, CT 06830  
Attn: Shareholder Services

---

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the “Exchange Act”). Accordingly, the Company’s public reports, including Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K and Proxy Statements, can be obtained through the Securities and Exchange Commission (“SEC”) EDGAR Database available on the SEC’s website at [www.sec.gov](http://www.sec.gov). Materials filed with the SEC may also be read or copied by visiting the SEC’s Public Reference Room, 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

ITEM 1A.

RISK FACTORS

The Company is subject to various risks, many of which are beyond the Company’s control, which could have a negative effect on the Company and its financial condition. As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis which could materially and adversely affect the Company’s business, financial condition, operating results and stock price. An investment in the Company’s stock involves various risks, including those mentioned below and elsewhere in this Annual Report on Form 10-K (this “Annual Report”), and those that are detailed from time to time in the Company’s other filings with the Securities and Exchange Commission. You should carefully consider the following risk factors, together with all of the other information included or incorporated by reference in this Annual Report, before you decide whether to purchase the Company’s common stock.

The Company is a plaintiff in a legal proceeding seeking recovery of damages for the loss of the Company’s investment in Carteret. There can be no assurance of a favorable outcome for the Company in this legal proceeding.

The Company is a plaintiff in a legal proceeding seeking recovery of damages from the United States Government for the loss of the Company’s wholly owned subsidiary, Carteret Savings Bank, F.A. This legal proceeding was commenced in 1993 and will likely continue for several more years. There have been and may continue to be rulings in other “supervisory goodwill” cases which have had and/or may have adverse affects on the Company’s Supervisory Goodwill proceeding. In addition, due to the extended length of time that proceedings, rulings, trial decisions and possible appeals in this matter may take, it is not possible for the Company to predict when this matter will be resolved or the likelihood of a favorable outcome.

The Company is subject to risks inherent in owning and leasing real estate.

The Company is subject to varying degrees of risk generally related to leasing and owning real estate, many of which are beyond the Company’s control. In addition to general risks related to owning commercial real estate, the Company’s risks include, among others:

- Deterioration in regional and local economic and real estate market conditions,
- potential changes in supply of, or demand for rental properties similar to the Company’s,
  - competition for tenants and changes in rental rates,
  - concentration in a single real estate asset and class,
- difficulty in reletting properties on favorable terms or at all,
- impairments in the Company’s ability to collect rent payments when due,
  - the potential for uninsured casualty and other losses,
- the impact of present or future environmental legislation and compliance with environmental laws,
  - adverse changes in zoning laws and other regulations,
  - changes in federal or state tax laws, and
  - acts of terrorism and war.



Each of these factors could cause a material adverse effect on the Company's financial condition and results of operations. In addition, real estate investments are relatively illiquid, which means that the Company's ability to promptly sell the Company's property in response to changes in economic and other conditions may be limited.

---

Property taxes on the Company's property may increase without notice.

The property the Company owns is subject to real property taxes. The real property taxes on the Company's property and any other properties that the Company acquires in the future may increase as property tax rates change and as those properties are assessed or reassessed by tax authorities. To the extent that the Company's available rental space remains unoccupied or future tenants are unable or unwilling to pay such increase in accordance with their leases, the Company's net operating expenses may increase.

The Company's business is concentrated in Southern Connecticut, and adverse conditions in the region could negatively impact the Company's operations.

The Company's current operations are concentrated in Southern Connecticut, specifically in the Greenwich area. As a result, the value of the Company's real estate is dependent on the economic strength of that region. Because of the Company's geographic concentration and its single property, the Company's operations are more vulnerable to adverse changes in the Greenwich economy than those of larger, more diversified companies. Should the Company experience softening in the Company's market and not be able to offset the potential negative market influences on price and volume, the Company's financial results could be negatively impacted.

The Company is in a competitive business.

The real estate industry is highly competitive. The Company competes for tenants for its unoccupied rental space with a large number of real estate property owners and other companies that sublet properties. The Company's principal means of competition are rents charged in relation to the income producing potential of the location. In addition, the Company expects other major real estate investors, some with much greater resources than the Company has, may compete with the Company for attractive acquisition opportunities. These competitors include REITs, investment banking firms and private institutional investors. This competition has increased prices for commercial properties and may impair the Company's ability to make suitable property acquisitions on favorable terms in the future.

The Company's future cash flow is dependent on renewal of leases and reletting of the Company's space.

The Company is subject to risks that its presently available rental space may not be successfully rented, that financial distress of the Company's tenants may lead to vacancies at the Company's property, that leases may not be renewed, that locations may not be relet or that the terms of renewal or reletting (including the cost of required renovations) may be less favorable than current lease terms. In addition, numerous properties compete with the Company's property in attracting tenants to lease space. The number of competitive properties in a particular area could have a material adverse effect on the Company's ability to lease the Company's property or newly acquired properties and on the rents charged. If the Company were unable to promptly relet or renew the leases for all or a substantial portion of this location, or if the rental rates upon such renewal or reletting were significantly lower than expected, the Company's cash flow could be adversely affected and the resale value of the Company's property could decline.

The Company may not be able to insure certain risks economically.

The Company may experience economic harm if any damage to the Company's property is not covered by insurance. The Company cannot be certain that the Company will be able to insure all risks that the Company desires to insure economically or that all of the Company's insurers will be financially viable if the Company makes a claim. The Company may suffer losses that are not covered under the Company's insurance policies. If an uninsured loss or a loss in excess of insured limits should occur, the Company could lose capital invested in a property, as well as any future revenue from the property.

Changes in the composition of the Company's assets and liabilities through acquisitions, divestitures or corporate restructuring may affect the Company's results.

The Company may make future acquisitions or divestitures of assets or changes in how such assets are held. Any change in the composition of the Company's assets and liabilities or how such assets and liabilities are held could significantly affect the Company's financial position and the risks that the Company faces.

---

The Company may not be able to generate sufficient taxable income to fully realize the Company's deferred tax asset.

The Company has federal income tax net operating loss ("NOL") carryforwards and other tax attributes. If the Company is unable to generate sufficient taxable income, the Company may not be able to fully realize the benefit of the NOL carryforwards.

Because the Company from time to time maintains a majority of its assets in securities, the Company may in the future be deemed to be an investment company under the Investment Company Act of 1940 resulting in additional costs and regulatory burdens.

Currently, the Company believes that either it is not within the definition of "Investment Company" as the term is defined under the Investment Company Act of 1940 (the "1940 Act") or, alternatively, may rely on one or more of the 1940 Act's exemptions. The Company intends to continue to conduct its operations in a manner that will exempt the Company from the registration requirements of the 1940 Act. If the Company were to be deemed to be an investment company because of the Company's investments securities holdings, the Company would be required to register as an investment company under the 1940 Act. The 1940 Act places significant restrictions on the capital structure and corporate governance of a registered investment company, and materially restricts its ability to conduct transactions with affiliates. Compliance with the 1940 Act could also increase the Company's operating costs. Such changes could have a material adverse affect on the Company's business, results of operations and financial condition.

Terrorist attacks and other acts of violence or war may affect the market, on which the Company's common stock trades, the markets in which the Company operates the Company's operations and the Company's results of operations.

Terrorist attacks or armed conflicts could affect the Company's business or the businesses of the Company's tenants. The consequences of armed conflicts are unpredictable, and the Company may not be able to foresee events that could have an adverse effect on the Company's business. More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and worldwide financial markets and economy. They also could be a factor resulting in, or a continuation of, an economic recession in the U.S. or abroad. Any of these occurrences could have a significant adverse impact on the Company's operating results and revenues and may result in volatility of the market price for the Company's common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company, through a wholly owned subsidiary, owns one commercial office building in Greenwich, Connecticut. The building is approximately 14,500 square feet and is available for lease to unaffiliated third parties with approximately 3,500 square feet utilized by the Company for its executive offices.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of the Company’s legal proceedings, including the Company’s Supervisory Goodwill litigation, see Part II - Item 8 - Note 10 to the Company’s consolidated financial statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Executive Officers of the Registrant

Each executive officer is elected to serve in the executive officer capacity set forth opposite his respective name until the next Annual Meeting of Stockholders. Other than those noted below, the Company is not aware of any family relationships between any of the executive officers or directors of the Company.

Set forth below is a list of executive officers of the Company at December 31, 2011:

Name	Age	Title
Richard A. Bianco	64	Chairman, President and Chief Executive Officer
John P. Ferrara	50	Vice President, Chief Financial Officer and Controller
Joseph R. Bianco	67	Treasurer

Mr. Bianco was elected a director of the Company in January 1991, and has served as President and Chief Executive Officer of the Company since May 1991. On January 26, 1993, Mr. Bianco was elected Chairman of the Board of Directors of the Company. He served as Chairman, President and Chief Executive Officer of Carteret, then a subsidiary of the Company, from May 1991 to December 1992.

Mr. Ferrara was elected to the position of Vice President, Chief Financial Officer and Controller of the Company in December 1995, having previously served as Acting Chief Financial Officer, Treasurer and Assistant Vice President and Controller since January 1995; as Assistant Vice President and Controller from January 1992 to January 1995; and as Manager of Financial Reporting from December 1988 to January 1992.

Mr. J. Bianco was elected to the position of Treasurer of the Company in January 1998. He has dedicated his career to the financial services and investment industry. Prior to his employment with the Company in 1996, he worked for Merrill Lynch & Co. (“Merrill”) as Vice President, responsible for Sales and Marketing in the Merrill Global Securities Clearing from 1983 to 1996. Mr. Joseph R. Bianco and Mr. Richard A. Bianco are related.

## PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES

The Common Stock of the Company trades through one or more market makers, with quotations made available in the "pink sheets" published by the National Quotation Bureau, Inc. ("Pink Sheets"), under the symbol ABCP. The sales prices per share for the Company's Common Stock represent the range of the reported high and low bid quotations as indicated in the Pink Sheets or as communicated orally to the Company by market makers. Such prices reflect interdealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

	2011		2010	
	High	Low	High	Low
First Quarter	\$ 0.26	\$ 0.16	\$ 0.19	\$ 0.12
Second Quarter	0.26	0.18	0.17	0.13
Third Quarter	1.85	0.26	0.19	0.14
Fourth Quarter	1.50	1.05	0.20	0.16

As of February 28, 2012, there were approximately 13,700 beneficial owners of the Company's Common Stock. No dividends were declared or paid on the Company's Common Stock in 2011 or 2010. The Company does not intend to declare or pay dividends in the foreseeable future.

For information concerning the Company's stockholder rights plan, see Part II - Item 8 - Note 5 to the Company's consolidated financial statements.

## Common Stock Repurchase Plan

In January 2002, the Company announced a common stock repurchase plan (the "Repurchase Plan") which allows for the repurchase by the Company of up to 10 million shares of its common stock in the open market.

The Repurchase Plan is conditioned upon favorable business conditions and acceptable prices for the common stock. Purchases under the Repurchase Plan may be made, from time to time, in the open market, through block trades or otherwise. Depending on market conditions and other factors, purchases may be commenced or suspended any time or from time to time without prior notice.

	Total Number of Shares Purchased	Average Price Paid per Share (including Broker Commissions)	Total Number Shares Purchased as Part of Publicly Announced Plans	Maximum Number Shares that may yet be Purchased under the Plan
Beginning balance January 1, 2011	-	-	3,205,109	6,791,891
January 1, 2011 - January 31, 2011	-	-	3,205,109	6,791,891
	-	-	3,205,109	6,791,891

Edgar Filing: AMBASE CORP - Form 10-K

February 1, 2011 - February 28, 2011	-	-	3,205,109	6,791,891
March 1, 2011 - March 31, 2011	-	-	3,205,109	6,791,891
April 1, 2011 - April 30, 2011	-	-	3,205,109	6,791,891
May 1, 2011 - May 31, 2011	-	-	3,205,109	6,791,891
June 1, 2011 - June 30, 2011	-	-	3,205,109	6,791,891
July 1, 2011 - July 31, 2011	-	-	3,205,109	6,791,891
August 1, 2011 - August 31, 2011	-	-	3,205,109	6,791,891
September 1, 2011 - September 30, 2011	-	-	3,205,109	6,791,891
October 1, 2011 - October 31, 2011	-	-	3,205,109	6,791,891
November 1, 2011 - November 30, 2011	-	-	3,205,109	6,791,891
December 1, 2011 - December 31, 2011	-	-	3,205,109	6,791,891
Total	-	-	3,205,109	6,791,891

---

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and related notes, which are contained in Part II - Item 8, herein.

### BUSINESS OVERVIEW

AmBase Corporation (the "Company") is a holding company which, through a wholly-owned subsidiary, owns a commercial office building in Greenwich, Connecticut. The Company previously owned an insurance company and a savings bank.

In February 1991, the Company sold its ownership interest in The Home Insurance Company and its subsidiaries. On December 4, 1992, Carteret Savings Bank, FA ("Carteret") was placed in receivership by the Office of Thrift Supervision ("OTS").

The Company's assets currently consist primarily of cash and cash equivalents, investment securities, and real estate owned. The Company earns non-operating revenue consisting principally of investment earnings on investment securities and cash equivalents. The Company continues to evaluate a number of possible acquisitions and is engaged in the management of its assets and liabilities, including the contingent assets associated with its legal claims, as described in Part I – Item 1. Discussions and negotiations are ongoing with respect to certain of these matters. From time to time, the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company intends to aggressively contest all litigation and contingencies, as well as pursue all sources for contributions to settlements.

### FINANCIAL CONDITION AND LIQUIDITY

The Company's assets at December 31, 2011, aggregated \$9,994,000, consisting principally of cash and cash equivalents of \$7,615,000, investment securities of \$212,000 and real estate owned of \$1,921,000. In January 2012, the Company reinvested \$6,600,000 of its cash and cash equivalents into a short-term U.S. Treasury Bill. At December 31, 2011, the Company's liabilities aggregated \$227,000. Total stockholders' equity was \$9,767,000.

For the year ended December 31, 2011, cash of \$1,735,000 was used by operations, including the payment of operating expenses and prior year accruals; partially offset by the receipt of interest income and investment earnings. The cash needs of the Company for 2011 were principally satisfied by the Company's financial resources and to a lesser extent the receipt of investment earnings on investment securities and cash equivalents. Management believes that the Company's liquid assets are sufficient to continue operations for the next twelve months. The increase in cash flows from investing activities for the year ended December 31, 2011, versus the year ended December 31, 2010, is due to the timing of the reinvestment of the invested securities held to maturity in January 2012.

For the year ended December 31, 2010, cash of \$1,899,000 was used by operations, including the payment of operating expenses and prior year accruals; partially offset by the receipt of interest income and investment earnings. The cash needs of the Company for 2010 were principally satisfied by the Company's financial resources and to a lesser extent the receipt of investment earnings on investment securities and cash equivalents.

Real estate owned consists of one commercial office building in Greenwich, Connecticut which the Company owns and manages. The building is approximately 14,500 square feet; approximately 3,500 square feet is utilized by the Company for its executive offices; the remaining space is currently unoccupied and available for lease. Although the



portion of the building not being utilized by the Company is currently unoccupied and available for lease, based on the Company's analysis, including but not limited to current market rents in the area, leasing values, and comparable property sales, the Company believes the property's fair value exceeds the property's current carrying value. Therefore, the Company believes the carrying value of the property as of December 31, 2011, has not been impaired. For additional information see Part II – Item 8 – Note 6 to the Company's consolidated financial statements.

---

There are no material commitments for capital expenditures as of December 31, 2011. Inflation has had no material impact on the business and operations of the Company.

The Company continues to evaluate a number of possible acquisitions, and is engaged in the management of its assets and liabilities, including the contingent assets associated with its legal claims as described in Part I – Item 1. Discussions and negotiations are ongoing with respect to certain of these matters. From time to time, the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company intends to aggressively contest all litigation and contingencies, as well as pursue all sources for contributions to settlements. For a discussion of lawsuits and proceedings, including a discussion of the Supervisory Goodwill litigation, see Part II - Item 8 - Note 10 to the Company's consolidated financial statements.

## RESULTS OF OPERATIONS

The Company earns non-operating revenue consisting principally of investment earnings on investment securities and cash equivalents. The Company's management believes that operating cash needs for the next twelve months will be met principally by the Company's financial resources and to a lesser extent, the receipt of investment earnings on investment securities and cash equivalents.

The Company recorded a net loss of \$1,893,000 or \$0.04 per share for the year ended December 31, 2011, and \$1,960,000 or \$0.04 per share for the year ended December 31, 2010.

Compensation and benefits increased to \$1,410,000 in 2011 from \$1,393,000 in 2010. The increase in 2011 is due to stock based compensation expense of \$120,000 recognized in 2011 versus no stock based compensation expense recorded in 2010, offset by lower compensation expenses due to reduced staffing levels as well as a lower level of benefit costs in 2011 versus 2010. Incentive compensation accruals remained unchanged at \$179,000 in 2011 and 2010.

The Company recorded \$120,000 stock based compensation for the year ended December 31, 2011. No stock based compensation expense was recorded for the year ended December 31, 2010, as previously granted stock options were vested as of January 2, 2007.

Professional and outside services increased to \$306,000 in 2011 from \$272,000 in 2010. The increase in 2011 as compared to 2010 is principally the result of a slightly higher level of legal and professional fees relating to the Supervisory Goodwill litigation in 2011 versus 2010 and to a lesser extent, other corporate professional fees. The Company has no contingent fee agreements in place with its attorneys or any outside advisor in connection with the Supervisory Goodwill legal proceedings or award. See Part II - Item 8 - Note 10 to the Company's consolidated financial statements for a discussion of the Supervisory Goodwill litigation proceedings.

Property operating and maintenance expenses were \$91,000 in 2011 and \$111,000 in 2010. Property operating and maintenance expenses have been maintained at consistent levels over the last several years despite the general increases in utility costs as a result of overall cost containment measures.

Insurance expenses decreased to \$33,000 in 2011, compared with \$38,000 in 2010. The decrease is generally due to a decline in insurance premium costs due to cost containment efforts and reductions in coverage levels.

Other operating expenses increased slightly to \$97,000 in 2011 compared with \$92,000 in the 2010 period due to a general increase in costs.

Edgar Filing: AMBASE CORP - Form 10-K

Interest income was \$9,000 in 2011 and \$22,000 in 2010. The decrease in 2011 compared to 2010 is principally due to a decreased yield on investments due to decreasing interest rates and a lower level of cash equivalents and investment securities.

Realized gains on sales of investment securities were \$19,000 in 2011 and \$31,000 in 2010. The gains are the result of the realization of gains on sales due to market appreciation.

---

Other income of \$124,000 for the year ended December 31, 2011, is attributable to recovery of funds by the Company from items previously written off.

For the year ended December 31, 2011 and 2010, the Company recorded income tax provisions of \$48,000, and \$58,000, respectively. The 2011 and 2010 income tax provisions are primarily attributable to a provision for a minimum tax on capital imposed by the state of Connecticut.

A reconciliation between income taxes computed at the statutory federal rate and the provision for income taxes is included in Part II - Item 8 - Note 9 to the Company's consolidated financial statements.

#### APPLICATION OF CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are based on the selection and application of accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions about future events that affect the amounts reported in our financial statements and the accompanying notes. Future events and their effects cannot be determined with absolute certainty. The determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and any such differences may be material to the financial statements. We believe that the following accounting policies, which are important to our financial position and results of operations, require a higher degree of judgment and complexity in their application and represent the critical accounting policies used in the preparation of our financial statements. If different assumptions or conditions were to prevail, the results could be materially different from our reported results. For a summary of all our accounting policies, including the accounting policies discussed below, see Part II - Item 8 - Note 2 to the Company's consolidated financial statements.

**Legal Proceedings:** From time to time the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company presently is not aware of any pending or threatened litigation which could have a material adverse effect on the consolidated financial statements presented herein. Management of the Company, in consultation with outside legal counsel, continually reviews the likelihood of liability and associated costs of pending and threatened litigation including the basis for the calculation of any litigation reserves which may be necessary. The assessment of such reserves includes an exercise of judgment and is a matter of opinion. The Company intends to aggressively contest all threatened litigation and contingencies, as well as pursue all sources for contributions to settlements. For a discussion of lawsuits and proceedings, see Part II - Item 8 - Note 10.

**Income Tax Audits:** The Company's federal, state and local tax returns, from time to time, may be audited by the tax authorities, which could result in proposed assessments or a change in the net operating loss ("NOL") carryforwards currently available. The Company's federal income tax returns for the years subsequent to 1992 have not been reviewed by the Internal Revenue Service or state authorities except for tax years 2007. In October 2009, the Company received notification from the IRS that they would be reviewing the Company's 2007 federal income tax return. In connection with the IRS audit, in April 2010, the IRS issued the Company a Notice of Proposed Adjustment for tax year 2007, proposing to disallow approximately \$16.6 million of deductions previously recognized by the Company on its 2007 Federal income tax return (the "IRS Proposed Adjustment"). The IRS Proposed Adjustment sought to disallow the Company's tax deduction for the payment made by the Company in 2007 in satisfaction of its Supplemental Retirement Plan obligation. In October 2011, the IRS and the Company agreed to a settlement of this matter, pursuant to which the IRS agreed to allow a \$9.5 million deduction in 2007 relating to this item. This matter is therefore concluded. The accrued amounts for income taxes reflect management's best judgment as to the amounts payable for all open tax years.

**Deferred Tax Assets:** As of December 31, 2011, the Company had deferred tax assets arising primarily from net operating loss carryforwards and alternative minimum tax credits available to offset taxable income in future periods.

A valuation allowance has been established for the entire net deferred tax asset of \$38 million, as management, at the current time, has no basis to conclude that realization is more likely than not. The valuation allowance was calculated in accordance with current standards, which places primary importance on a company's cumulative operating results for the current and preceding years. We intend to maintain a valuation allowance for the entire deferred tax asset until sufficient positive evidence exists to support a reversal. See Part II - Item 8 - Note 9.

#### New Accounting Pronouncements

There are no new accounting pronouncements that would materially affect the Company's financial statements or results of operations for the periods reported herein.

---

### Cautionary Statement for Forward-Looking Information

This Annual Report together with other statements and information publicly disseminated by the Company may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended or make oral statements that constitute forward looking statements. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted or quantified. The forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earning, business prospects, projected ventures, anticipated market performance, anticipated litigation results or the timing of pending litigation, and similar matters. When used in this Annual Report, the words “estimates,” “expects,” “anticipates,” “believes,” “plans,” “intends” and variations of such words and similar expressions are intended to identify forward-looking statements that involve risks and uncertainties. The Company cautions readers that a variety of factors could cause the Company’s actual results to differ materially from the anticipated results or other expectations expressed in the Company’s forward-looking statements. These risks and uncertainties, many of which are beyond the Company’s control, include, but are not limited to those set forth in “Item 1A, Risk Factors” and elsewhere in this Annual Report and in the Company’s other public filings with the Securities and Exchange Commission including, but not limited to: (i) transaction volume in the securities markets; (ii) the volatility of the securities markets; (iii) fluctuations in interest rates; (iv) risks inherent in the real estate business, including, but not limited to, tenant defaults, changes in occupancy rates or real estate values; (v) changes in regulatory requirements which could affect the cost of doing business; (vi) general economic conditions; (vii) changes in the rate of inflation and the related impact on the securities markets; (viii) changes in federal and state tax laws; and (ix) risks arising from unfavorable decisions in the Company’s current material litigation matters, or unfavorable decisions in other Supervisory Goodwill cases. These are not the only risks that we face. There may be additional risks that we do not presently know of or that we currently believe are immaterial which could also impair our business and financial position.

Undue reliance should not be placed on these forward-looking statements, which are applicable only as of the date hereof. The Company undertakes no obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this Annual Report or to reflect the occurrence of unanticipated events. Accordingly, there is no assurance that the Company’s expectations will be realized.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF MARCUM LLP  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
AmBase Corporation

We have audited the accompanying consolidated balance sheets of AmBase Corporation and Subsidiaries (the “Company”) as of December 31, 2011 and December 31, 2010, and the related consolidated statements of operations, changes in stockholders’ equity and cash flows for the years then ended. Our audit also included the financial statement schedule as of December 31, 2011 and 2010, and for the years then ended listed in the index at Item 15. These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AmBase Corporation and Subsidiaries, as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule for 2011 and 2010, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

New Haven, CT  
March 28, 2012





AMBASE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

Years Ended December 31

(in thousands, except per share data)

	2011	2010
Operating expenses:		
Compensation and benefits	\$ 1,410	\$ 1,393
Professional and outside services	306	272
Property operating and maintenance	91	111
Depreciation	48	49
Insurance	33	38
Other operating	97	92
Total operating expenses	1,985	1,955
Operating loss	(1,985)	(1,955)
Interest income	9	22
Realized gains on sales of investment securities	19	31
Unrealized losses on trading securities	(12)	-
Other income	124	-
Loss before income taxes	(1,845)	(1,902)
Income tax expense	48	58
Net loss	\$ (1,893)	\$ (1,960)
Net loss per common share - basic	\$ (0.04)	\$ (0.04)
Net loss per common share - assuming dilution	\$ (0.04)	\$ (0.04)
Weighted average common shares outstanding - basic	43,075	43,075
Weighted average common shares outstanding - assuming dilution	43,075	43,075

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

AMBASE CORPORATION AND SUBSIDIARIES  
Consolidated Balance Sheets  
December 31

(in thousands, except for share and per share amounts)

Assets:	2011	2010
Cash and cash equivalents	\$ 7,615	\$ 1,334
Held to maturity investments (market value \$- and \$8,199, respectively)	-	8,200
Trading securities carried at fair value	212	-
Total investment securities	212	8,200
Real estate owned:		
Land	554	554
Buildings	1,900	1,900
Real estate owned, gross	2,454	2,454
Less: accumulated depreciation	533	485
Real estate owned, net	1,921	1,969
Other assets	246	259
Total assets	\$ 9,994	\$ 11,762
Liabilities and Stockholders' Equity:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 227	\$ 220
Other liabilities	-	2
Total liabilities	227	222
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock (\$0.01 par value, 200,000,000 authorized, 46,410,007 issued and 43,075,410 outstanding in 2011 and 2010)	464	464
Additional paid-in capital	548,164	548,044
Accumulated deficit	(536,752)	(534,859)
Treasury stock, at cost - 3,334,597 shares	(2,109)	(2,109)
Total stockholders' equity	9,767	11,540
Total liabilities and stockholders' equity	\$ 9,994	\$ 11,762

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



## AMBASE CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Changes in Stockholders' Equity

(in thousands)	Common stock	Additional paid-in capital	Accumulated deficit	Treasury stock	Total
December 31, 2009	\$ 464	\$ 548,044	\$ (532,899)	\$ (2,109)	\$ 13,500
Net loss	-	-	(1,960)	-	(1,960)
December 31, 2010	464	548,044	(534,859)	(2,109)	11,540
Net loss	-	-	(1,893)	-	(1,893)
Stock-based compensation	-	120	-	-	120
December 31, 2011	\$ 464	\$ 548,164	\$ (536,752)	\$ (2,109)	\$ 9,767

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

---

AMBASE CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
Years Ended December 31

(in thousands)	2011	2010
Cash flows from operating activities:		
Net loss	\$ (1,893)	\$ (1,960)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation	48	49
Realized gains on sales of investment securities	(19)	(31)
Unrealized losses on trading securities	12	-
Stock-based compensation expense	120	-
Changes in other assets and liabilities:		
Accrued interest receivable in investment securities	-	9
Other assets	(8)	113
Accounts payable and accrued liabilities	7	(69)
Other liabilities	(2)	(10)
Net cash used by operating activities	(1,735)	(1,899)
Cash flows from investing activities:		
Maturities of investment securities - held to maturity	44,295	45,376
Purchases of investment securities - held to maturity	(36,095)	(43,589)
Sales of investment securities	556	977
Purchases of investment securities	(761)	(946)
Proceeds from (investment in) real estate limited partnership	21	(300)
Net cash provided by investing activities	8,016	1,518
Net change in cash and cash equivalents	6,281	(381)
Cash and cash equivalents at beginning of year	1,334	1,715
Cash and cash equivalents at end of year	\$ 7,615	\$ 1,334
Supplemental cash flow disclosure:		
Income taxes paid	\$ 35	\$ 110

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

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 1 - Organization

AmBase Corporation (the “Company”) is a holding company which, through a wholly owned subsidiary, owns a commercial office building in Greenwich, Connecticut. The Company previously owned an insurance company and a savings bank.

In February 1991, the Company sold its ownership interest in The Home Insurance Company and its subsidiaries. On December 4, 1992, Carteret Savings Bank, FA (“Carteret”) was placed in receivership by the Office of Thrift Supervision (“OTS”).

The Company currently earns non-operating revenue consisting principally of investment earnings on investment securities and cash equivalents. The Company continues to evaluate a number of possible acquisitions, and is engaged in the management of its assets and liabilities, including the contingent assets associated with its legal claims, as described in Notes 9 and 10. Discussions and negotiations are ongoing with respect to certain of these matters. From time to time, the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company intends to aggressively contest all litigation and contingencies, as well as pursue all sources for contributions to settlements.

Note 2 - Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions, that it deems reasonable, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates and assumptions.

Principles of consolidation

The consolidated financial statements are comprised of the accounts of the Company and its majority owned subsidiaries. All material intercompany transactions and balances have been eliminated.

Cash and cash equivalents

Highly liquid investments, consisting principally of funds held in short-term money market accounts, with original maturities of less than three months, are classified as cash equivalents.

Investment securities

Securities that the Company has both the positive intent and ability to hold to maturity are classified as held to maturity investments and are carried at amortized cost. Investment securities - held to maturity consist of U.S. Treasury Bills with original maturities of three months or more and are carried at amortized cost (which includes accrued interest) based upon the Company’s intent and ability to hold these investments to maturity. Trading securities

consist of investments in equity securities held for trading purposes and are carried at fair value with net unrealized gains and losses recorded directly in a statement of operations.

Interest and dividends on investment securities are recognized when earned. Realized gains and losses on the sale of investment securities – held for trading are calculated using an average cost basis for determining the cost basis of the securities. The fair value of publicly traded investment securities is determined by reference to current market quotations.

The Company continually reviews its investments to determine whether a decline in fair value below the cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of the security is written down to fair market value and the amount of the write down is included in the operations.

---

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Income taxes

The Company and its domestic subsidiaries file a consolidated federal income tax return. The Company recognizes both the current and deferred tax consequences of all transactions that have been recognized in the financial statements, calculated based on the provisions of enacted tax laws, including the tax rates in effect for current and future years. Net deferred tax assets are recognized immediately when a more likely than not criterion is met; that is, a greater than 50% probability exists that the tax benefits will actually be realized sometime in the future. A valuation allowance has been established for the entire net deferred tax asset, as management at the current time, has no basis to conclude that realization is more likely than not.

Earnings per share

Basic earnings per share (“EPS”) excludes dilution and is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of EPS that could occur if options to issue common stock were exercised. Options were anti-dilutive for all periods presented.

Stock-based compensation

Under the Company’s 1993 Stock Incentive Plan (the “1993 Plan”), the Company may grant to officers and employees of the Company and its subsidiaries, stock options (“Options”), stock appreciation rights (“SARs”), restricted stock awards (“Restricted Stock”), merit awards (“Merit Awards”) and performance share awards (“Performance Shares”), through May 28, 2018. An aggregate of 5,000,000 shares of the Company’s Common Stock are reserved for issuance under the 1993 Plan (upon the exercise of Options and Stock Appreciation Rights, upon awards of Restricted Stock and Performance Shares); however, of such shares, only 2,500,000 shares in the aggregate shall be available for issuance for Restricted Stock Awards and Merit Awards. Such shares shall be authorized but unissued shares of Common Stock. Options may be granted as incentive stock options (“ISOs”) intended to qualify for favorable tax treatment under Federal tax law or as nonqualified stock options (“NQSOs”). SARs may be granted with respect to any Options granted under the 1993 Plan and may be exercised only when the underlying Option is exercisable. The 1993 Plan requires that the exercise price of all Options and SARs be equal to or greater than the fair market value of the Company’s Common Stock on the date of grant of that Option. The term of any ISO or related SAR cannot exceed ten years from the date of grant, and the term of any NQSO cannot exceed ten years and one month from the date of grant. Subject to the terms of the 1993 Plan and any additional restrictions imposed at the time of grant, Options and any related SARs ordinarily will become exercisable commencing one year after the date of grant. Options granted generally have a ten year contractual life and generally have vesting terms of two years from the date of grant. In the case of a “Change of Control” of the Company (as defined in the 1993 Plan), options granted pursuant to the 1993 Plan may become fully exercisable as to all optioned shares from and after the date of such Change in Control in the discretion of the Committee or as may otherwise be provided in the grantee’s Option agreement. Death, retirement, or absence for disability will not result in the cancellation of any Options.

Stock-based compensation expense for all stock-based compensation awards for which vesting is based solely on employment service, are based on the grant date fair value estimated in accordance with accounting principles generally accepted in the United States of America. During the year ended December 31, 2011, the Company recorded compensation expenses of \$120,000 relating to stock options. The Company recognizes these compensation costs for only those shares expected to vest, on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of two years. Compensation expense relating to stock options is recorded in the Consolidated Statement of Operations, with a corresponding increase in additional paid-in capital in the



Consolidated Statement of Changes in Stockholders' Equity. See Note 8 herein for a further discussion of stock-based compensation.

---

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

### Depreciation

Depreciation expense for buildings is calculated on a straight-line basis over 39 years. Tenant improvements if any, would be depreciated over the lesser of the remaining life of the tenants' lease or the estimated useful lives of the improvements.

### Liquidity

The Company's management currently anticipates that operating cash needs for the next twelve months will be met principally by the Company's current financial resources and the receipt of investment earnings on investment securities and cash equivalents.

### New Accounting Pronouncements

There are no new accounting pronouncements that would likely materially affect the Company's financial statements.

### Note 3 - Investment Securities

Investment securities consist of the following:

	December 31, 2011			December 31, 2010		
(in thousands)	Carrying Value	Cost or Amortized Cost	Fair Value	Carrying Value	Cost or Amortized Cost	Fair Value
Held to Maturity:						
U.S. Treasury Bills	\$ -			8,200		
		\$ -	\$ -		\$ 8,200	\$ 8,199
Trading:						
Equity Securities	212	224	212	-	-	-
	\$ 212	\$ 224	\$ 212	\$ 8,200	\$ 8,200	\$ 8,199

The gross unrealized gain (loss) on investment securities held to maturity consists of the following:

(in thousands)

	December 31, 2011	December 31, 2010
Held to Maturity:		
Gross unrealized (loss) gain	\$ -	\$ (1)

Realized gain on the sales of investment securities held for trading:

Edgar Filing: AMBASE CORP - Form 10-K

(in thousands)

	Full Year 2011	Full Year 2010
Net sale proceeds	\$ 556	\$ 977
Cost basis	(537)	(946)
Realized gain	\$ 19	\$ 31

---

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Unrealized losses on investment securities held for trading is as follows:

(in thousands)

	December 31, 2011	December 31, 2010
Cost basis	\$ 224	\$ -
Current value	212	-
Unrealized losses	\$ (12)	\$ -

Note 4 - Earnings Per Share

The calculation of basic and diluted earnings per share, including the effect of dilutive securities is as follows:

(in thousands, except per share data)

	Year Ended December 31, 2011	Year Ended December 31, 2010
Net loss	\$ (1,893)	\$ (1,960)
Weighted average common shares outstanding	43,075	43,075
Effect of Dilutive Securities:		
Assumed stock option exercise	-	-
Weighted average common shares outstanding assuming dilution	43,075	43,075
Net loss per common share - basic	\$ (0.04)	\$ (0.04)
Net loss per common share - assuming dilution	(0.04)	(0.04)

Options to purchase shares of common stock which were excluded from the computation of diluted earnings per share due to the effect of being antidilutive in the computation of earnings per share were as follows:

	December 31, 2011	December 31, 2010
Option shares	816,000	836,000

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 5 - Stockholders' Equity

Authorized capital stock consists of 50,000,000 shares of cumulative preferred stock, \$0.01 par value, and 200,000,000 shares of Common Stock, \$0.01 par value.

Changes in the outstanding shares of Common Stock of the Company are as follows:

	2011	2010
Balance at beginning of year	43,075,410	43,075,410
Common shares repurchased	-	-
Balance at end of year	43,075,410	43,075,410

Common stock balances exclude treasury shares as follows:

	December 31, 2011	December 31, 2010
Treasury shares	3,334,597	3,334,597
Aggregate dollar value of treasury shares	\$ 2,109,000	\$ 2,109,000
Average cost per treasury share	\$ 0.63	\$ 0.63

Common stock reserved for issuance under the Company's stock option and other employee benefit plans is as follows:

	December 31, 2011
Common shares reserved for issuance	5,110,000

Stockholder Rights Plan

On January 29, 1986, the Company's Board of Directors declared a dividend distribution of one right for each outstanding share of Common Stock of the Company. The rights, as amended, which entitle the holder to purchase from the Company a common share at a price of \$75.00, are not exercisable until either a person or group of affiliated persons acquires 25% or more of the Company's outstanding common shares or upon the commencement or disclosure of an intention to commence a tender offer or exchange offer for 20% or more of the common shares. The rights are redeemable by the Company at \$0.05 per right at any time until the earlier of the tenth day following an accumulation of 20% or more of the Company's shares by a single acquirer or group, or the occurrence of certain Triggering Events (as defined in the Stockholder Rights Plan). In the event the rights become exercisable and thereafter, the Company is acquired in a merger or other business combination, or in certain other circumstances, each right will entitle the holder to purchase from the surviving corporation, for the exercise price, Common Stock having a market value of twice the exercise price of the right. The rights are subject to adjustment to prevent dilution and expire on February 10, 2016.



AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Common Stock Repurchase Plan

In January 2002, the Company announced a common stock repurchase plan (the “Repurchase Plan”) which allows for the repurchase by the Company for up to 10 million shares of its common stock in the open market.

The Repurchase Plan is conditioned upon favorable business conditions and acceptable prices for the common stock. Purchases under the Repurchase Plan may be made, from time to time, in the open market, through block trades or otherwise. Depending on market conditions and other factors, purchases may be commenced or suspended any time or from time to time without prior notice.

Note 6 - Property Owned

The Company owns one commercial office building in Greenwich, Connecticut that contains approximately 14,500 square feet. The Company utilizes approximately 3,500 square feet for its executive offices; the remaining space is currently unoccupied and available for lease. Depreciation expense for the building is recorded on a straight-line basis over 39 years. Tenant improvements, if any, would be depreciated over the lesser of the remaining life of the tenants’ lease or the estimated useful lives of the improvements. The building is carried at cost, net of accumulated depreciation.

Although the portion of the building not being utilized by the Company is currently unoccupied and available for lease, based on the Company’s analysis, the Company believes the property’s fair value exceeds the property’s current carrying value. The Company’s impairment analysis includes a comprehensive range of factors including but not limited to: the location of the property; property condition; current market conditions; comparable sales; current market rents in the area; new building zoning restrictions; raw land values; new building construction costs; building operating costs; leasing values; and cap rates for comparable buildings in the area. Varying degrees of weight are given each factor. Based on the Company’s analysis these factors taken together and/or considered individually form the basis for the Company’s analysis that no impairment condition exists.

The Company performs impairment tests if events or circumstances indicate that the property’s carrying value may not be recoverable. As noted above, based on the Company’s analysis the Company believes the carrying value of the property as of December 31, 2011, has not been impaired and; therefore, the carrying value of the asset is fully recoverable by the Company.

Note 7 - Savings Plans

The Company sponsors the AmBase 401(k) Savings Plan (the “Savings Plan”), which is a “Section 401(k) Plan” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”). The Savings Plan permits eligible employees to make contributions of up to 30% of compensation, which are matched by the Company at a percentage determined annually. Effective July 1, 2010, the employer match was reduced to 33%, from 75% in 2009, of the amount of the employee’s elected deferral. Employee contributions to the Savings Plan are invested at the employee’s discretion, in various investment funds. The Company’s matching contributions are invested in the same manner as the compensation reduction contributions. All contributions are subject to maximum limitations contained in the Code. The Company’s matching contributions to the Savings Plan, charged to expense, were as follows:

Edgar Filing: AMBASE CORP - Form 10-K

	December 31, 2011	December 31, 2010
Company matching contributions	\$ 26,000	\$ 43,000
Employer match %	33%	33%

---



AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 8 - Incentive Plans

Under the Company's 1994 Senior Management Incentive Compensation Plan (the "1994 Plan"), any executive officer of the Company whose compensation is required to be reported to stockholders under the Securities Exchange Act of 1934 (the "Participants") and who is serving as such at any time during the fiscal year as to which an award is granted, may receive an award of a cash bonus ("Bonus"), in an amount determined by the Personnel Committee of the Company's Board of Directors (the "Committee") and payable from an annual bonus fund (the "Annual Bonus Pool"). The Committee may award Bonuses under the 1994 Plan to Participants not later than 120 days after the end of each fiscal year (the "Reference Year").

If the Committee grants a Bonus under the 1994 Plan, the amount of the Annual Bonus Pool will be an amount equal to the sum of (i) plus (ii), where:

(i) is ten percent (10%) of the amount by which the Company's Total Stockholders' Equity, as defined, on the last day of a Reference Year increased over the Company's Total Stockholders' Equity, as defined, on the last day of the immediately preceding Reference Year; and

(ii) is five percent (5%) of the amount by which the Company's market value, as defined, on the last day of the Reference Year increased over the Company's market value on the last day of the immediately preceding Reference Year.

Notwithstanding the foregoing, the 1994 Plan provides that in the event of a decrease in either or both of items (i) and/or (ii) above, the Annual Bonus Pool is determined by reference to the last Reference Year in which there was an increase in such item. If the Committee determines within the 120-day time period to award a Bonus, the share of the Annual Bonus Pool to be allocated to each Participant shall be as follows: 45% of the Annual Bonus Pool shall be allocated to the Company's Chief Executive Officer, and 55% of the Annual Bonus Pool shall be allocated pro rata to each of the Company's Participants as determined by the Committee. The Committee in its discretion may reduce the percentage of the Annual Bonus Pool to any Participant for any Reference Year, and such reduction shall not increase the share of any other Participant. The 1994 Plan is not the exclusive plan under which the Executive Officers may receive cash or other incentive compensation or bonuses. No Bonuses were paid attributable to the 1994 Plan for 2011 or 2010.

Under the Company's 1993 Stock Incentive Plan (the "1993 Plan"), the Company may grant to officers and employees of the Company and its subsidiaries, stock options ("Options"), stock appreciation rights ("SARs"), restricted stock awards ("Restricted Stock"), merit awards ("Merit Awards") and performance share awards ("Performance Shares") through May 28, 2018. An aggregate of 5,000,000 shares of the Company's Common Stock are reserved for issuance under the 1993 Plan (upon the exercise of Options and Stock Appreciation Rights, upon awards of Restricted Stock and Performance Shares); however, of such shares, only 2,500,000 shares in the aggregate shall be available for issuance for Restricted Stock Awards and Merit Awards. Such shares shall be authorized but unissued shares of Common Stock. Options may be granted as incentive stock options ("ISOs") intended to qualify for favorable tax treatment under Federal tax law or as nonqualified stock options ("NQSOs"). SARs may be granted with respect to any Options granted under the 1993 Plan and may be exercised only when the underlying Option is exercisable. The 1993 Plan requires that the exercise price of all Options and SARs be equal to or greater than the fair market value of the Company's Common Stock on the date of grant of that Option. The term of any ISO or related SAR cannot exceed ten years from the date of grant, and the term of any NQSO cannot exceed ten years and one month from the date of grant. Subject to the terms of the 1993 Plan and any additional restrictions imposed at the time of grant, Options and any related SARs ordinarily will

become exercisable commencing one year after the date of grant. Options granted generally have a ten year contractual life and generally have vesting terms of two years from the date of grant. In the case of a “Change of Control” of the Company (as defined in the 1993 Plan), Options granted pursuant to the 1993 Plan may become fully exercisable as to all optioned shares from and after the date of such Change in Control in the discretion of the Committee or as may otherwise be provided in the grantee’s Option agreement. Death, retirement, or absence for disability will not result in the cancellation of any Options.

---

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

As a condition to any award of Restricted Stock or Merit Award under the 1993 Plan, the Committee may require a participant to pay an amount equal to, or in excess of, the par value of the shares of Restricted Stock or Common Stock awarded to him or her. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered during a "Restricted Period", which in the case of grants to employees shall not be less than one year from the date of grant. The Restricted Period with respect to any outstanding shares of Restricted Stock awarded to employees may be reduced by the Committee at any time, but in no event shall the Restricted Period be less than one year. Except for such restrictions, the employee as the owner of such stock shall have all of the rights of a stockholder including, but not limited to, the right to vote such stock and to receive dividends thereon as and when paid. In the event that an employee's employment is terminated for any reason, an employee's Restricted Stock will be forfeited; provided, however, that the Committee may limit such forfeiture in its sole discretion. At the end of the Restricted Period, all shares of Restricted Stock shall be transferred free and clear of all restrictions to the employee. In the case of a Change in Control of the Company (as defined in the 1993 Plan), an employee may receive his or her Restricted Stock free and clear of all restrictions in the discretion of the Committee, or as may otherwise be provided pursuant to the employee's Restricted Stock award.

Performance Share awards of Common Stock under the 1993 Plan shall be earned on the basis of the Company's performance in relation to established performance measures for a specific performance period. Such measures may include, but shall not be limited to, return on investment, earnings per share, return on stockholder's equity, or return to stockholders. Performance Shares may not be sold, assigned, transferred, pledged or otherwise encumbered during the relevant performance period. Performance Shares may be paid in cash, shares of Common Stock or shares of Restricted Stock in such portions as the Committee may determine. An employee must be employed at the end of the performance period to receive payments of Performance Shares; provided, however, in the event that an employee's employment is terminated by reason of death, disability, retirement or other reason approved by the Committee, the Committee may limit such forfeiture in its sole discretion. In the case of a Change in Control of the Company (as defined in the 1993 Plan), an employee may receive his or her Performance Shares in the discretion of the Committee, or as may otherwise be provided in the employee's Performance Share award.

Incentive plan activity is summarized as follows:

(shares in thousands)

	Number of Shares Under Option	Weighted Average Exercise Price	Intrinsic Value
Outstanding at December 31, 2009	851	\$ 0.87	
Expired	(15)	0.95	
Outstanding at December 31, 2010	836	0.87	
Expired	(20)	0.95	
Outstanding at December 31, 2011	816	0.88	\$ 188,000
Options exercisable at:			
December 31, 2011	816	\$ 0.88	\$ 188,000
December 31, 2010	836	0.87	

Edgar Filing: AMBASE CORP - Form 10-K

December 31, 2009

851

0.87

On December 30, 2011, the Company extended the option expiration date of outstanding option agreements aggregating 200,000 shares for an additional two (2) years, to an expiration date of January 2, 2014, from the prior expiration date of January 2, 2012. As a result of the extension of the stock options expiration date, the exercise price of the stock options was changed to \$1.11 per share from the prior exercise price of \$1.09 per share.

---

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Summarized information about the Company's stock options outstanding and exercisable under the 1993 Plan at December 31, 2011, is as follows:

(shares in thousands)		Option Outstanding			Options Exercisable		
Range of Exercise Prices		Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
From	To						
\$ 0.64	\$ 0.81	480	2.52	\$ 0.72	480	\$ 0.72	2.52
1.09	1.11	336	1.20	1.10	336	1.10	1.20
Total		816	1.97		816	0.88	1.97

Information relating to the 1993 Plan as of the dates indicated below is as follows:

	December 31, 2011	December 31, 2010
Unamortized compensation cost from non-vested stock options	\$ -	\$ -
Stock based compensation expense recorded for the year ended	\$ 120,000	\$ -
Options to purchase shares of common stock which were excluded from computation of diluted earnings per share due to the effect of being anti-dilutive in the computation of earnings per share.	816,000	836,000
Shares available for future stock option grants	4,184,000	

The fair value of option awards are estimated on the date of grant using the Black-Scholes-Merton option valuation model ("Black-Scholes") utilizing certain assumptions as noted in the table below. Expected volatilities are based on historical volatility of the Company's stock. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The expected term of options granted are estimated based on the contractual lives of option grants, option vesting period and historical data and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury bond yield in effect at the time of grant.

The per share grant dated weighted average estimated values of employee stock option grants under the 1993 Plan, as well as the assumptions used to calculate such values granted during the year ended below were as follows:

Edgar Filing: AMBASE CORP - Form 10-K

Weighted average fair value at grant date	\$	0.60
Estimated dividend yield		0%
Risk free interest rate		0.25%
Estimated volatility		1.039
Expected life in years		2

Compensation expense relating to stock options is recorded in the Consolidated Statement of Operations, with a corresponding increase to additional paid in capital in the Consolidated Statement of Stockholders' Equity. The total fair value of shares vested during the full year period ended December 31, 2011 was \$120,000. As of December 31, 2011, there was no remaining unamortized compensation cost related to non-vested share-based compensation arrangements related to stock options granted under the 1993 Plan.

---

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

The Black-Scholes option valuation model requires the input of highly subjective assumptions, including the expected life of the stock-based award and stock price volatility. The assumptions utilized represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if other assumptions had been used, our recorded stock-based compensation expense could have been materially different from the amounts recorded. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If the actual forfeiture rate is materially different from our estimate, the share-based compensation expense could be materially different. The Company believes that the use of the Black-Scholes model meets the fair value measurement objectives of accounting principles generally accepted in the United States of America and reflects all substantive characteristics of the instruments being valued.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, and given the substantial changes in the price per share of the Company's Common Stock, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Note 9 - Income Taxes

The components of income tax expense (benefit) for the years ended December 31 are as follows:

(in thousands)	2011	2010
Income tax expense (benefit) - current	\$ 48	\$ 58
Total	\$ 48	\$ 58

The components of pretax loss and the difference between income taxes computed at the statutory federal rate of 35% in 2011 and 2010, and the provision for income taxes for the years ended December 31 follows:

(in thousands)	2011	2010
Loss before income taxes	\$ (1,893)	\$ (1,902)
Tax expense (benefit) :		
Tax at statutory federal rate	\$ 663	\$ 666
Accounting loss benefit not recognized	(663)	(666)
State income taxes	48	58
Adjustment to prior year estimated tax accruals	-	-
Income tax expense (benefit)	\$ 48	\$ 58





AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

There were no unrecognized tax benefits at January 1, 2011 or December 31, 2011. Further, no significant changes in unrecognized income tax benefits are currently expected to occur over the next year. Interest and/or penalties related to underpayments of income taxes, if applicable, would be included in interest expense and operating expenses, respectively. The accompanying financial statements do not include any amounts for any such interest and/or penalties. The Company's federal income tax returns for the years subsequent to 1992 have not been reviewed by the Internal Revenue Service ("IRS") or state authorities, except for tax year 2007. In October 2009, the Company received notification from the IRS that they would be reviewing the Company's 2007 federal income tax return. In connection with the IRS audit, in April 2010, the IRS issued the Company a Notice of Proposed Adjustment for tax year 2007, proposing to disallow approximately \$16.6 million of deductions previously recognized by the Company on its 2007 Federal income tax return (the "IRS Proposed Adjustment"). The IRS Proposed Adjustment sought to disallow the Company's tax deduction for the payment made by the Company in 2007 in satisfaction of its Supplemental Retirement Plan obligation. In October 2011, the IRS and the Company agreed to a settlement of this matter, pursuant to which the IRS agreed to allow a \$9.5 million deduction in 2007 relating to this item. This matter is therefore concluded. The Company has not been notified of any other potential tax audits by any state or local tax authorities. As such, the Company believes the statutes of limitations for the assessment of additional federal and state tax liabilities are generally closed for tax years prior to 2008.

State income tax amounts for 2011 and 2010 are primarily attributable to a provision for a minimum tax on capital imposed by the state of Connecticut.

As a result of the Office of Thrift Supervision's December 4, 1992 placement of Carteret in receivership, under the management of the Resolution Trust Corporation ("RTC")/Federal Deposit Insurance Corporation ("FDIC"), and then proposed Treasury Reg. §1.597-4(g), the Company had previously filed its 1992 and subsequent federal income tax returns with Carteret disaffiliated from the Company's consolidated federal income tax return. Based upon the impact of Treasury Reg. §1.597-4(g), which was issued in final form on December 20, 1995, a continuing review of the Company's tax basis in Carteret, and the impact of prior year tax return adjustments on the Company's 1992 federal income tax return as filed, the Company decided not to make an election pursuant to final Treasury Reg. §1.597-4(g) to disaffiliate Carteret from the Company's consolidated federal income tax return effective as of December 4, 1992 (the "Election Decision").

The Company has made numerous requests to the RTC/FDIC for tax information pertaining to Carteret and the resulting successor institution, Carteret Federal Savings Bank ("Carteret FSB"); however all of the information still has not been received. The Company believes, as a result of remaining consolidated with Carteret FSB for federal income tax return purposes, that the Company's tax basis in its investment in Carteret/Carteret FSB can be converted into NOL's, as tax losses are incurred, which could be available to carryforward/carryback into various federal income tax return years. However; since all of the Carteret FSB tax information has not been received, the Company is unable to determine with certainty, the amount of or the years in which any NOL's may ultimately be generated; if the NOL carryforwards/carrybacks will be utilized in prior federal income tax return years; or the final expiration dates of any of the NOL carryforwards/carrybacks ultimately generated.

Based on information received to date, and prior to the recognition of the 1992 tax losses reflected on the Company's 1992 amended federal income tax return, as further described below, the Company estimated that as of December 1992 it had a remaining tax basis related to its' investment in Carteret/Carteret FSB of approximately \$158 million. Based on the Company's Election Decision, described above, and the receipt of some of the requested information from the RTC/FDIC, the Company amended its 1992 consolidated federal income tax return to include the federal income tax effects of Carteret and Carteret FSB, (the "1992 Amended Return"). The Company is still in the process of

reviewing its consolidated federal income tax returns for 1993 and subsequent years.

The Company expects that the 1992 Amended Return will generate approximately \$56 million of NOL's for tax year 1992, which the Company is seeking to carryback to prior tax years to produce refunds of tax previously paid. The 1992 Amended Return has not yet been accepted by the IRS. See "Carryback Claims," below for further information. As part of the 1992 Amended Return approximately \$56 million, (of the \$158 million), of Carteret/Carteret FSB tax basis is expected to be converted into NOL's, (as tax losses are incurred) in tax year 1992, and will have expired in the 2007 tax year, unless they are utilized as part of the "Carryback Claims" as further discussed below, or absorbed in earlier years based on inclusion of certain items in the consolidated group.

---

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

The Carteret/Carteret FSB tax basis, of approximately \$102 million, remaining after recognition of the 1992 Amended Return, may be converted into NOL carryforwards/carrybacks as additional tax losses are incurred by Carteret/Carteret FSB and may be carried back or carried forward to other tax years; may be utilized in other tax years; or could begin to expire no earlier than the 2008 tax year based upon the year any NOL's are ultimately generated. The Company can give no assurances with regard to the 1992 Amended Return, subsequent year returns, or the final amount or expiration of NOL carryforwards/carrybacks ultimately generated, if any, from the Company's tax basis in Carteret/Carteret FSB. Any NOL's ultimately generated from the Company's tax basis in Carteret/Carteret FSB, would be in addition to the NOL carryforwards/carrybacks generated based on the Company's federal income tax returns as previously filed, as further detailed above.

In March 2000, the Company filed with the IRS several carryback claims and amendments to previously filed carryback claims (the "Carryback Claims") seeking refunds from the IRS of alternative minimum tax and other federal income taxes paid by the Company in prior years plus applicable IRS interest, based on the filing of the 1992 Amended Return. In April 2003, IRS examiners issued a letter to the Company proposing to disallow the Carryback Claims. The Company sought administrative review of the letter by protesting to the Appeals Division of the IRS. In February 2005, IRS appeals officials completed their review of the Carryback Claims and disallowed them. On April 29, 2008, the Company filed suit in the United States District Court for the District of Connecticut (the "Court") for the tax refunds it seeks, plus interest, with respect to the Carryback Claims. On September 29, 2009, the U.S. Department of Justice, representing defendant United States in the suit, filed a Motion to Dismiss. In response, on October 19, 2009, the Company filed its opposition to the Government's Motion to Dismiss, as well as the Company's own Motion for Partial Summary Judgment. In June 2010, the Court issued a Memorandum Decision conditionally granting the United States' Motion to Dismiss the case but allowing the Company to conduct limited discovery to establish whether the Court has jurisdiction. On August 30, 2010, the Company filed a Motion to Set Aside the Court's Conditional Order of Dismissal. On February 28, 2011, the Court granted the Company's motion and issued a Memorandum of Decision concluding that the Company had timely filed a refund claim for tax year 1992 seeking to adjust the amount of bad debt deduction and that the case should not be dismissed. In March 2011, the Company filed a Motion for Partial Summary Judgment based on the Court's ruling that the Company's refund claims were timely filed. In May 2011, the Government filed a Cross Motion for Summary Judgment and an opposition to the Company's Summary Judgment Motion. In June 2011, the Company filed a Memorandum in Opposition to the Government's Cross Motion for Summary Judgment and a Reply to the Governments Opposition to the Company's Summary Judgment Motion, and the Government in June 2011, subsequently filed a response brief. The Court granted the Company's motion in part and denied it in part, in a Memorandum Decision dated November 30, 2011. On January 26, 2012, the Company filed a Motion for Partial Summary Judgment as to the amount of additional bad debt deduction that should be allowed. On February 16, 2012, the Government filed an Opposition to the Company's Motion for Partial Summary Judgment. On February 28, 2012, the Company filed a Reply to the Government's Opposition to the Company's Motion for Partial Summary Judgment. The Company expects the Court to issue a ruling that may or may not be dispositive of the case. The Company can give no assurances as to the final amount of refunds, if any, or when they might be received. The accompanying financial statements exclude legal fees in connection with the Carryback Claims proceedings as these legal fees are payable pursuant to a contingency fee arrangement with the attorneys upon a final recovery received.. See Note 10 – Legal Proceedings.

The FDIC has previously filed a federal income tax return for Carteret FSB for 1995 (as well as other years), which indicates that Carteret FSB allegedly could owe a 1995 federal income tax liability of \$32 million, which including interest and penalty thereon, is alleged to be in excess of \$139 million. The FDIC has stated to the United States Court of Federal Claims ("Court of Claims") that the tax amounts are only estimates and are highly contingent. However; it is possible that the IRS may try to collect the alleged Carteret FSB federal income taxes from the Carteret FSB

receivership.

The Company believes the Carteret FSB federal income tax returns filed by the FDIC were improperly filed and are neither accurate nor valid. The FDIC, as indicated above, continues to report the 1995 federal income tax liability, including interest and penalty, as a component of the alleged Carteret FSB receivership deficit. As part of the Supervisory Goodwill legal proceedings, the Company presented to the Court of Claims various arguments to support the position that no federal income tax would be owed as a result of the Carteret FSB receivership operations for tax year 1995; however, the Department of Justice and the FDIC have stated to the Court of Claims that they do not believe the Court of Claims has jurisdiction over that issue. The Supervisory Goodwill proceedings remain pending in the Court of Claims. Based on the information received to date, if the correct Carteret FSB federal income tax results were included with the Company's originally filed federal income tax returns, the Company based upon consultation with its legal and tax advisors believes that no additional material federal income tax would be owed by the Company, although this cannot be assured because a contrary result is possible, given the uncertainty with various legal and factual assumptions underlying the Company's beliefs. This assessment included among other items, a review of the Carteret FSB federal income tax returns as prepared by the FDIC and the correction of errors originally reported therein, the proper application of federal NOL carryforwards and carrybacks, and the adherence to statute of limitation provisions contained in the Internal Revenue Code, as amended.

---

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

As explained above, although the Company does not believe that Carteret FSB or the Company will have a material federal income tax liability related to Carteret FSB for tax year 1995 (or any other tax year), the Company can give no assurances of the final amounts, if any, of federal income taxes owed by the Carteret FSB receivership or by the Company as a result of the Carteret FSB receivership operations. The Company is continuing to try to resolve these matters as part of the Supervisory Goodwill legal process and is also continuing to review the Carteret FSB federal income tax returns and the results of their inclusion with the Company's federal income tax returns as previously filed. The Company is pursuing the Carryback Claims, as further described above, which could have an impact on the analysis of the prior year tax information. For further information on the Supervisory Goodwill legal proceedings, see Note 10 herein. The discussion of the Carteret FSB federal income tax results is intended to provide details as to the potential inter-relationship of the Carteret FSB federal income tax returns with the Company's federal income tax positions. It is not a reflection of any federal income tax liability of the Company arising from the Carteret receivership operations.

Based upon the Company's federal income tax returns as filed through 2010 (subject to IRS audit adjustments), excluding all effects of the inclusion of Carteret/Carteret FSB from December 4, 1992 forward, as further discussed herein, the Company has NOL carryforwards available to reduce future federal taxable income, which expire if unused in the tax years as indicated below. The utilization of certain carryforwards and carrybacks is subject to limitations under U.S. federal income tax laws. The amounts as of December 31, 2011 are as follows:

Tax Year	Tax Year	Amount
Originating	Expiring	
1997	2012	\$ 1,100,000
1998	2018	5,400,000
1999	2019	4,000,000
2000	2020	2,600,000
2001	2021	4,000,000
2002	2022	3,200,000
2003	2023	1,800,000
2004	2024	700,000
2006	2026	2,800,000
2007	2027	12,700,000
2008	2028	4,600,000
2009	2029	2,400,000
2010	2030	1,900,000
		\$ 47,200,000

Additionally, approximately \$2.0 million of NOL carryforwards could be generated from the 2011 tax year which would expire if unused in the 2031 tax year. In addition, the Company has approximately \$21 million of AMT credit carryforwards ("AMT Credits"), which are not subject to expiration. Based on the filing of the Carryback Claims, as defined further above, the Company would seek to utilize approximately \$8 million of the \$21 million of AMT Credits.

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

In addition to the NOL's noted above, the Company had additional NOL carryforwards which will have expired unless they are utilized in a prior tax year or absorbed in an earlier year based on the inclusion of certain items in the consolidated group as follows:

Tax Year Originating	Tax Year Expiring	Amount
1994	2009	\$ 2,200,000
1995	2010	\$ 5,300,000
		\$ 7,500,000

The Company has calculated a net deferred tax asset arising primarily from NOL carryforwards and AMT credits as follows.

	December 31, 2011	December 31, 2010
Net deferred tax asset	\$ 38,000,000	\$ 40,000,000
Valuation allowance	(38,000,000)	(40,000,000)
Net deferred tax asset recognized	\$ -	\$ -

The net deferred tax asset amounts noted above do not include the anticipated tax effects of the NOL's which could be generated from the Company's investment in Carteret, resulting from the Election Decision, as more fully described above). A valuation allowance has been established for the entire net deferred tax asset, as management, at the current time, has no basis to conclude that realization is more likely than not.

#### Note 10 - Legal Proceedings

The Company is or has been a party in a number of lawsuits or proceedings, including the following:

**Supervisory Goodwill Litigation.** During the third quarter of 1993, the Company filed a claim against the United States, in the United States Court of Federal Claims (the "Court of Federal Claims" or the "Court"), based upon the impact of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") on the Company's investment in Carteret Savings Bank ("Carteret"). Approximately 120 other similar so-called "supervisory goodwill" cases were commenced by other financial institutions and/or their shareholders. Three of these cases, Winstar Corp. v. United States, Glendale Federal Bank, FSB v. United States, and Statesman Savings Holding Corp. v. United States (the "Consolidated Cases"), which involve many of the same issues raised in the Company's suit, were appealed to the United States Supreme Court (the "Supreme Court"). On July 1, 1996, the Supreme Court issued a decision in the Consolidated Cases. The Supreme Court's decision affirmed the lower Court's grant of summary judgment in favor of the plaintiffs on the issue of liability and remanded the cases for a determination of damages. Although the decision in the Consolidated Cases is beneficial to the Company's case, it is not necessarily indicative of the ultimate outcome of the Company's action.

On September 18, 1996, the Court of Federal Claims entered an Omnibus Case Management Order that governed further pretrial proceedings in the Company's action and most of the other so-called "Winstar-related" cases. On March 14, 1997, the Court entered an order permitting the Federal Deposit Insurance Company ("FDIC") to intervene as an

additional plaintiff in forty-three cases, including the Company's case, but not allowing the FDIC to be substituted as the sole plaintiff in those cases.

---

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

On March 20, 1998, the FDIC filed a motion for partial summary judgment against the United States on certain liability issues, and the Company filed a memorandum in support of that motion. Fact discovery for the Company was completed on November 30, 1999 pursuant to an extension of time granted by the Court. On September 9, 1999, the Company filed a Motion for Partial Summary Judgment on Liability under a Fifth Amendment Takings claim theory of recovery. On November 24, 1999, the FDIC, as successor to the rights of Carteret and as Plaintiff-Intervener in the case, filed a response brief opposing the Company's Motion. On December 6, 1999, the Department of Justice (the "DOJ") (on behalf of the United States) filed a brief opposing the Company's Motion for Partial Summary Judgment on Liability and Cross-Moved for Summary Judgment on the Company's Takings claim. On January 25, 2000, the Company responded to the DOJ's brief and the FDIC's brief by filing a Brief (i) In Reply To Defendant's Opposition To Plaintiffs' Motion For Partial Summary Judgment, (ii) In Opposition To Defendant's Cross-Motion For Summary Judgment, and (iii) In Reply To FDIC's Response To Plaintiffs' Motion For Partial Summary Judgment. On February 22, 2000 the DOJ filed a brief in Reply To Plaintiffs' Opposition To Defendant's Cross-Motion For Summary Judgment.

On October 2, 2000, Senior Judge Loren Smith of the Court of Federal Claims ("Judge Smith") heard oral arguments in the Company's Supervisory Goodwill case against the United States government. The Court heard arguments both as to the contractual liability of the United States to Carteret Savings Bank, and as to the Company's claim against the United States under the Takings Clause of the Fifth Amendment.

On August 25, 2003, the Court of Federal Claims issued a decision in which it (i) ruled that the Government had entered into and breached its supervisory goodwill contracts with the Company's wholly-owned subsidiary, Carteret; (ii) rejected the Company's claim that it was entitled to recover damages directly from the Government under the Takings Clause for the loss of Carteret; and (iii) rejected the Company's claim that the Government had "illegally exacted" \$62.5 million that the Company paid into Carteret subsequent to the Government's breach of the Goodwill contracts. Specifically, the Court held that the Company could not recover damages under the Takings Clause because it could be restored to the position it was in before the breach through Carteret's breach of contract action.

On September 17, 2003, the Company filed a motion to dismiss the FDIC and to define the appropriate measure of Carteret's contract damages. On September 30, 2003, the FDIC, as plaintiff-intervener in the case, and the United States, as defendant in the case, each filed a separate response to the Company's motion. The Company argued in its motion that because Carteret would not have been seized but for the Government's breach of contract, no receivership deficit would have been incurred. Accordingly, the Company argued that Carteret should be entitled to recover contract damages that include both: (i) the full amount of the receivership deficit, as an offset to the deficit and (ii) the full amount of the positive value it would have had but for the breach. Alternatively, the Company argued that, if Carteret is not entitled to recover both these amounts, or if any award must be offset by the amount of the receivership deficit, the Company should be entitled to demonstrate why the receivership deficit has been erroneously overstated. The DOJ responded in part with the argument that, among other things, Carteret would have failed even if Supervisory Goodwill was counted. The FDIC, who is both the receiver for the estate of Carteret (and hence claims to be its legal advocate in court) as well as a creditor of the estate, took the position that the Court of Federal Claims has no jurisdiction to review the accuracy, validity, or amount of the Carteret receivership deficit reported by the FDIC. That receivership deficit consists primarily of the FDIC's subrogated claim against the thrift, interest, taxes, and administrative expenses charged by the FDIC to the thrift. Because the receivership deficit continues to accrue interest, it grows on a daily basis.



On October 1, 2003, the Court held a telephonic status conference pursuant to an order set forth in the August 25, 2003 opinion. Pursuant to that status conference, the Court ordered that through their additional briefing on the Company's Motion to Dismiss the FDIC and to define the appropriate measure of Carteret's contract damages (i.e., through the Company's reply brief and the surreply brief granted to the FDIC and the United States), the parties should address the question of, "whether the Court has the power to review the amount of the receivership deficit as administered by the FDIC." In an order dated October 16, 2003, the Court modified the briefing schedule such that the Company filed its reply brief as required on October 31, 2003, and the surreply brief of the FDIC and the United States were filed as required in November, 2003. The Court held oral argument on this issue on November 20, 2003. The DOJ and the FDIC filed briefs arguing that (1) the Court of Federal Claims had no authority to scrutinize the validity of the receivership deficit reported by the FDIC and (2) the Court should dismiss AmBase's remaining damages claims because they were allegedly waived. On August 31, 2004, the Court denied the Company's Motion to Dismiss the FDIC, but granted the Company's Motion to Define the Measure of Carteret's Contract Damages to the extent it requested the Court to consider the size and value of the FDIC's receivership deficit when calculating damages. The Court subsequently conducted a status conference on October 4, 2004, and ordered the Company to submit a proposed litigation time-line to the Court by October 22, 2004 which was timely submitted. The Court ordered the United States and the FDIC to respond to the Company's proposed litigation time-line by November 5, 2004 which was timely submitted. A status conference was held on January 11, 2005.

---

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

On January 12, 2005, the Court ordered that pursuant to the Court's order from the bench, the Defendant's Motion for Reconsideration of the August 31, 2004 Ruling, and, in the Alternative, to dismiss the Stockholder Derivative Claim and the Complaint-in-Intervention was denied. The Court further ordered that this matter be stayed for 30 days for the Defendant and/or Plaintiff-Intervener to consider filing a Request for Certification for Interlocutory Appeal. The Court held a telephonic status conference on February 11, 2005 at which time the Court ordered that fact discovery was to resume on February 14, 2005 and would continue for at least three (3) months. The Court further scheduled a telephonic status conference for May 2005, to discuss the need for further discovery.

On January 12, 2005, Judge Smith denied the government's motion to dismiss the Company's remaining claims arising out of damages for breach of contract. On March 15, 2005, the DOJ and the FDIC each filed motions requesting that Judge Smith certify for immediate appeal his ruling that the Company is entitled to challenge the validity of the receivership deficit. The Company filed its reply to these motions on March 29, 2005. In April 2005, Judge Smith heard oral argument on the DOJ and FDIC motions requesting that Judge Smith certify for immediate appeal his ruling that the Company is entitled to challenge the validity of the receivership deficit. Because Judge Smith's ruling on the receivership deficit issue was not a final order, both Judge Smith and the Court of Appeals for the Federal Circuit would have to agree to an appeal of that issue at that time. Following the April 2005 oral argument, Judge Smith entered an order, on April 25, 2005, staying resolution of the motions to certify an interlocutory appeal pending the holding of a "show cause" hearing. Judge Smith indicated at the oral argument that the purpose of the show cause hearing was to allow the Company to outline the evidence and arguments it was prepared to offer in order to challenge the validity and size of the receivership deficit. Judge Smith directed the parties to attempt to reach agreement regarding a schedule for the completion of discovery on receivership deficit issues, and he directed the parties to submit to the Court such an agreed proposed discovery schedule, or, if the parties were unable to reach agreement, separate proposed schedules for discovery, in early May 2005. Judge Smith further encouraged the parties to discuss the procedures and schedule for the show cause hearing, and to provide the Court with a proposed order on such matters.

In accordance with the Court's direction, the parties agreed upon a schedule for the completion of fact discovery and procedures for the show cause proceeding. In accordance with the parties' agreement, Judge Smith entered an order on May 23, 2005, providing that fact discovery would be completed within 45 days of the completion of document production by the Government. The May 23, 2005, order further provided that (i) 45 days after the close of discovery, the Company was to file a statement of issues summarizing the respects in which the receivership books allegedly overstate or misstate the receivership deficit; (ii) 45 days after the filing of the Company's statement of issues, the United States and the FDIC were to file responses; and (iii) 15 days after the filing of such responses, the Company was to file a reply.

In May and June of 2005, the Government provided the Company with access to Carteret's documents and documents relating to the management of the receivership. The Company selected approximately 3 million pages of documents to be imaged at the Government's expense. In September 2005, a status conference was held before Judge Smith. The Government indicated that it would complete production of all the images of the selected materials by the end of September 2005. Additionally, at the status conference, all parties agreed that the schedule previously set forth by the Court's May 23, 2005 order should be changed in one respect: the Company would be given 75 days from the completion of the document production to complete discovery. The Court issued an order on September 26, 2005 memorializing this agreement. On January 11, 2006, the Court held a status conference. At that time, the Court indicated that the document production would be deemed complete as of that date. The Court's order of January 13, 2006, memorialized this ruling. Accordingly, fact discovery was completed in April 2006, and the Company's statement of issues was ultimately filed in June of 2006. In May 2006, the Company served on the Government an

expert report in support of some of the arguments the Company made regarding the size of the receivership deficit. The Company's expert was deposed in July 2006. In early August 2006, the Government submitted its own expert report on receivership deficit issues, and in October 2006, the Company deposed the Government's expert. In late August 2006, the Government filed a response to the Company's Statement of Issues, and in September 2006, the FDIC filed its own response to the Statement of Issues. The Company filed its reply in support of its Statement of Issues in October 2006. A status conference was held in November 2006 and December 2006, to discuss further proceedings. On December 13, 2006, the Court entered an order denying defendant's request that the Court allow an immediate appeal of the Court's ruling that it had jurisdiction to consider the validity of the receivership deficit. The Court also found that it continued to have jurisdiction to hear the case. The Court also ordered the parties to enter a schedule for expert discovery.

---

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

On April 13, 2007, Judge Smith issued an order scheduling pretrial, and trial deadlines and dates, including scheduling a trial to commence on February 11, 2008. In accordance with the Court's scheduling in May 2007, the Company submitted its expert report. The Government deposed the Company's expert in June 2007. In July 2007, the Government identified its damages experts and submitted its expert reports in September 2007. The Company deposed the Government's experts in October 2007.

Pursuant to the Court order, the Court heard oral argument on November 14, 2007 at the Court of Federal Claims, to decide whether the trial could be avoided by summary judgment, pursuant to papers filed by the parties on November 7, 2007 and November 19, 2007. On November 30, 2007, the Court ordered the parties to continue with the trial schedule as previously set forth.

Subsequently on December 7, 2007, the parties exchanged exhibit and witness lists; on December 14, 2007 the parties submitted an hour-by-hour anticipated trial schedule to the Court; on December 21, 2007 Plaintiffs and FDIC-R filed Appendix A submissions; on January 8, 2008 a pretrial conference was held in the Court of Federal Claims; on January 21, 2008 the Defendant filed Appendix A submissions; and on February 11, 2008 trial was commenced.

Trial testimony of fact and expert witnesses for the Company, the DOJ, and the FDIC was completed on April 4, 2008. At trial, fact witness and expert witness testimony was presented by the Company, and by the United States Government represented by the DOJ. In addition, the FDIC-Receiver (purporting to act as a plaintiff-intervener in its capacity as successor-in-interest to Carteret) participated in the trial and the examination of witnesses. The Company put forth various theories of damages, including claims for the recovery of the value of Carteret as of the date of the breach or the date of judgment, as well as for the recovery of certain so-called "wounded bank" damages incurred by Carteret as a result of the breach. The DOJ responded with various theories, including, among other things that Carteret would have failed even if Supervisory Goodwill was counted. The DOJ also challenged the Company's calculations of the value of Carteret and the damages theories and evidence underlying the Company's "wounded bank" claims. The FDIC essentially adopted the Company's damages claims evidence, but has continued to argue (along with DOJ) that the FDIC-Receiver is entitled to recover on these claims.

After the completion of trial testimony, the Court held a status conference in April 2008 pursuant to which the Court issued a post trial scheduling order providing for the filing of post trial briefs and proposed findings of fact by the Company, and DOJ and the FDIC. Pursuant to the Court's post-trial scheduling order as revised on July 1, 2008, the Company filed its post-trial brief and proposed findings of fact. The FDIC also filed its post-trial brief on July 1, 2008. In September 2008, the DOJ filed its post-trial brief and proposed findings of fact. In October 2008, the Company filed its post-trial reply brief and the FDIC filed its post-trial reply brief in November 2008. Post-trial briefing was concluded in December 2008, with the filing of sur-reply briefs by both the Company and DOJ.

On February 12 and 17, 2009, the Court heard closing arguments. At the conclusion of closing arguments, the Court ruled that the FDIC and DOJ could file short supplemental briefs addressing certain limited issues by March 6, 2009, and that the Company could file a short responsive brief on March 25, 2009. In May 2009, the DOJ requested and simultaneously filed with the Court an additional supplemental brief. The Court granted the DOJ's motion and permitted the DOJ's additional supplemental brief. The Company subsequently requested and the Court allowed the Company to file a responsive supplemental brief to the DOJ brief which was filed in June 2009.



AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

On August 31, 2011, Judge Smith of the Court of Federal Claims issued a damages opinion in the Company's Supervisory Goodwill legal proceedings. Pursuant to Judge Smith's opinion, the Plaintiffs were awarded directly \$205,013,000 in lost value expectancy damages, plus tax gross-up if applicable. The decision indicates that the damages were awarded net any receivership deficit and outside the statutory receivership distribution scheme. A copy of the Court's damages opinion is available on the Court of Claims website at [www.uscfc.uscourts.gov](http://www.uscfc.uscourts.gov). The Company has no contingent fee agreements in place with its attorneys or any outside advisor in connection with the Supervisory Goodwill legal proceedings or award. On September 28, 2011, the DOJ filed a Motion for Reconsideration of Opinion and Order Dated August 31, 2011. The Company filed its opposition to the DOJ's motion on October 17, 2011. The DOJ filed its reply brief on October 26, 2011. On October 31, 2011, Judge Smith issued an order denying the DOJ's Motion to Reconsider and the Court clarified its opinion with regard to mitigation.

On December 29, 2011, the DOJ, on behalf of the United States, filed a Notice of Appeal to the United States Court of Appeals for the Federal Circuit from the judgment in No. 93-531C, entered on August 31, 2011, including (but not limited to): (1) the published opinion and order in No. 93-531, entered on August 31, 2011; and (2) the order denying the motion for reconsideration in No. 93-531, entered on October 31, 2011 with regard to the Company's Supervisory Goodwill case. In January 2012, both the Company and the FDIC-Receiver filed cross-appeals from the Court of Federal Claims' judgment. Briefing before the Court of Appeals for the Federal Circuit on the various appeals has not yet commenced, and there is no timetable for the Court of Appeals to issue a decision in the case.

On March 8, 2012, the DOJ, on behalf of the United States of America, filed a motion to extend the deadline for filing its initial appellate brief, which was due to expire on March 19, 2012, to May 18, 2012. Preliminary discussions between representatives of the Company and of the DOJ regarding a possible settlement of the Supervisory Goodwill legal proceedings have taken place in recent months. In light of those discussions, the Company did not contest the DOJ's motion to extend the briefing deadline.

Settlement discussions may not progress, and may be discontinued or continued, at any time or from time to time. The outcome of any settlement discussions cannot be predicted. The Company expressly disclaims any obligation to update, in its public filings with the Commission, or via other forms of public dissemination, the status or progress of any informal or formal settlement discussions with respect to the Supervisory Goodwill legal proceedings, and no inference regarding the status of any such settlement proceedings should be drawn from the absence or frequency of any such updates. The Company, with its outside advisors, will continue to take appropriate steps on behalf of AmBase's interest.

The Court of Federal Claims decisions and certain filings in the Company's case, as well as other decisions in Winstar related cases, are publicly available on the Court of Federal Claims web site at [www.uscfc.uscourts.gov](http://www.uscfc.uscourts.gov). In addition, decisions in Winstar-related cases that have been issued by the U.S. Court of Appeals for the Federal Circuit, the court that hears appeals from decisions by the Court of Federal Claims, may be found on that court's website at [www.cafc.uscourts.gov](http://www.cafc.uscourts.gov). Decisions in other Winstar related cases may be relevant to the Company's Supervisory Goodwill claims, but are not necessarily indicative of the ultimate outcome of the Company's actions. The Company can give no assurances regarding the ultimate outcome of the Supervisory Goodwill legal proceedings, the final amount of any award or when it might be received.

AMBASE CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Federal income tax refund suit on Carryback Claims. In March 2000, the Company filed with the IRS several claims and amendments to previously filed claims with respect to the Carryback Claims, seeking refunds from the IRS of alternative minimum tax and other federal income taxes paid by the Company in prior years, plus applicable IRS interest, based on the filing of the 1992 Amended Return. In February 2005, the IRS formally disallowed the Carryback Claims. On April 29, 2008, the Company filed suit with respect to the Carryback Claims in the United States District Court for the District of Connecticut, seeking federal tax refunds for tax year 1989, plus interest. On September 29, 2009, the U.S. Department of Justice, representing defendant United States in the suit, filed a Motion to Dismiss. In response, on October 19, 2009, the Company filed its opposition to the Government's Motion to Dismiss, as well as the Company's own Motion for Partial Summary Judgment. In June 2010, the Court issued a Memorandum Decision conditionally granting the United States' Motion to Dismiss the case but allowing the Company to conduct limited discovery to establish whether the Court has jurisdiction. On August 30, 2010, the Company filed a Motion to Set Aside the Court's Conditional Order of Dismissal. On February 28, 2011, the Court granted the Company's motion and issued a Memorandum of Decision concluding that the Company had timely filed a refund claim for tax year 1992 seeking to adjust the amount of bad debt deduction and that the case should not be dismissed. In March 2011, the Company filed a Motion for Partial Summary Judgment based on the Court's ruling that the Company's refund claims were timely filed. In May 2011, the Government filed a Cross Motion for Summary Judgment and an opposition to the Company's Summary Judgment Motion. In June 2011, the Company filed a Memorandum in Opposition to the Government's Cross Motion for Summary Judgment and a Reply to the Government's Opposition to the Company's Summary Judgment Motion, and the Government in June 2011, subsequently filed a response brief. The Court granted the Company's motion in part and denied it in part, in a Memorandum Decision dated November 30, 2011. On January 26, 2012, the Company filed a Motion for Partial Summary Judgment as to the amount of additional bad debt deduction that should be allowed. On February 16, 2012, the Government filed an Opposition to the Company's Motion for Partial Summary Judgment. On February 28, 2012, the Company filed a Reply to the Government's Opposition to the Company's Motion for Partial Summary Judgment. The Company expects the Court to issue a ruling that may or may not be dispositive of the case. The Company can give no assurances as to the final amount of refunds, if any, or when they might be received. The accompanying financial statements exclude legal fees in connection with the Carryback Claims proceedings as these legal fees are payable pursuant to a contingency fee arrangement with the attorneys upon a final recovery received. See Note 9 – Income Taxes for further information.

Note 11 - Fair Value Measurements

The Company applies fair value standards for recurring financial assets and liabilities only. The accounting framework for determining fair value includes a hierarchy for ranking the quality and reliability of the information used to measure fair value, which enables the reader of the financial statements to assess the inputs used to develop those measurements. The fair value hierarchy consists of three tiers as follows:

Level 1 – Quoted prices in active markets are available for identical assets and liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The carrying amounts reported in the balance sheets for cash and cash equivalents are based on Level 1 criteria approximate fair value due to the short-term nature of these instruments. The fair value of investment securities - held to maturity and investment securities held for trading are based on current market quotations and therefore are based on Level 2 criteria.

---



ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 31, 2011, the Company completed an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective at a reasonable assurance level in timely alerting them to material information relating to us which is required to be included in our periodic Securities and Exchange Commission filings.

Evaluation of Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting (as defined in the Securities Exchange Act of 1934 Rule 13a-15(f) and 15d-15(f)) as of December 31, 2011. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment, we believe that, as of December 31, 2011, the Company's internal control over financial reporting is effective based on those criteria.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning executive officers required by this item is set forth following Item 3 of Part I of this report under the caption “Executive Officers of the Registrant”, pursuant to General Instruction G to Form 10-K. For the information required to be set forth by the Company in response to this item concerning directors of the Company, see the Company’s definitive Proxy Statement for its Annual Meeting of Shareholders to be held on June 7, 2012, under the captions “Proposal No. 1 - Election of Director” and “Information Concerning the Board and its Committees”, which is incorporated herein by reference, which the Company intends to file with the Securities and Exchange Commission not later than 120 days after the close of its 2011 fiscal year.

Code of Ethics

We have adopted a Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer and other senior officers. A copy of the Code of Ethics was filed with the SEC as Exhibit 14 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2003.

ITEM 11. EXECUTIVE COMPENSATION

For the information required to be set forth by the Company in response to this item, see the Company’s definitive Proxy Statement for its Annual Meeting of Shareholders to be held on June 7, 2012, under the captions “Executive Compensation,” “Employment Contracts,” and “Compensation of Directors” which are incorporated herein by reference, which the Company intends to file with the Securities and Exchange Commission not later than 120 days after the close of its 2011 fiscal year.

---

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table summarizes information about securities authorized for issuance under equity compensation plans of the Company at December 31, 2011 as follows:

	Shares to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Shares available for future issuance
Equity Compensation Plans approved by stockholders	816,000 \$	0.87	4,184,000
Equity Compensation Plan not approved by stockholders	-	-	110,000
Total	816,000 \$	0.87	4,294,000

**Plan not approved by stockholders**

The Company has 110,000 shares of common stock reserved for issuance under the AmBase Corporation Stock Bonus Plan (the “Stock Bonus Plan”), which was approved by the Board of Directors of the Company in 1989. The purpose of the Stock Bonus Plan is to encourage individual performance and to reward eligible employees whose performance, special achievements, longevity of service to the Company or suggestions make a significant improvement or contribution to the growth and profitability of the Company. The Stock Bonus Plan is administered by the Personnel Committee of the Board of Directors. Members of the Personnel Committee are not eligible for an award pursuant to the Stock Bonus Plan. The Company’s President may also designate eligible employees to receive awards, which are not to be in excess of 100 shares of Common Stock. No fees or expenses of any kind are to be charged to a participant. Any employee of the Company, except for certain officers or directors of the Company, is eligible to receive shares under the Stock Bonus Plan. Distributions of shares may be made from authorized but unissued shares, treasury shares or shares purchased on the open market.

For other information required to be set forth by the Company in response to this item, see the Company’s definitive Proxy Statement for its Annual Meeting of Shareholders to be held on June 7, 2012, under the caption “Stock Ownership”, which is incorporated herein by reference, which the Company intends to file with the Securities and Exchange Commission not later than 120 days after the close of its 2011 fiscal year.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

For the information required to be set forth by the Company in response to this item, see the Company’s definitive Proxy Statement for its Annual Meeting of Shareholders to be held on June 7, 2012, under the captions “Proposal No. 1 - Election of Directors” and “Information Concerning the Board and its Committees,” which are incorporated herein by reference, which the Company intends to file with the Securities and Exchange Commission not later than 120 days

after the close of its 2011 fiscal year.

ITEM 14.PRINCIPAL ACCOUNTING FEES AND SERVICES

The information concerning Principal Accounting Fees and Services is set forth by the Company under the heading “Proposal 2 - Independent Registered Public Accounting Firm” in the Company’s definitive Proxy Statement for its Annual Meeting of Shareholders to be held on June 7, 2012, which is incorporated herein by reference, which the Company intends to file with the Securities and Exchange Commission not later than 120 days after the close of its 2011 fiscal year.

---

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as a part of this report:

1. Index to Financial Statements:	Page
Report of Marcum LLP, Independent Registered Public Accounting Firm	11
Consolidated Statements of Operations	12
Consolidated Balance Sheets	13
Consolidated Statement of Changes in Stockholders' Equity	14
Consolidated Statements of Cash Flows	15
Notes to Consolidated Financial Statements	16

2. Index to Financial Statements Schedules:

Schedule III - Real Estate and Accumulated Depreciation

(b) Exhibits:

- 3A. Restated Certificate of Incorporation of AmBase Corporation (as amended through February 12, 1991) (incorporated by reference to Exhibit 3A to the Company's Annual Report on Form 10-K for the year ended December 31, 1990).
- 3B. By-Laws of AmBase Corporation (as amended through March 15, 1996), (incorporated by reference to Exhibit 3B to the Company's Annual Report on Form 10-K for the year ended December 31, 1995).
- 4. Rights Agreement dated as of February 10, 1986 between the Company and American Stock Transfer and Trust Co. (as amended March 24, 1989, November 20, 1990, February 12, 1991, October 15, 1993, February 1, 1996 and November 1, 2000, November 9, 2005, and November 10, 2010), (incorporated by reference to Exhibit 4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990, the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1993, the Company's Annual Report on Form 10-K for the year ended December 31, 1995, the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005, and the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, respectively).
- 10A. 1993 Stock Incentive Plan as amended (incorporated by reference to Exhibit A to the Company's Proxy Statement for the Annual Meeting of Stockholders held on May 16, 2008).

Edgar Filing: AMBASE CORP - Form 10-K

- 10B. 1994 Senior Management Incentive Compensation Plan (incorporated by reference to Exhibit A to the Company's Proxy Statement for the Annual Meeting of Stockholders held on May 27, 1994).
- 10C. AmBase Officers and Key Employees Stock Purchase and Loan Plan (incorporated by reference to Exhibit 10E to the Company's Annual Report on Form 10-K for the year ended December 31, 1989).
- 10D. Employment Agreement dated as of March 30, 2006 between Richard A. Bianco and the Company, for employment from June 1, 2007 through May 31, 2012, (incorporated by reference to Exhibit 10H to the Company's Annual Report on Form 10-K for the year ending December 31, 2005), and as amended January 1, 2008, (incorporated by reference to Exhibit 10E to the Company's Annual Report on Form 10-K for the year ending December 31, 2007) and as amended as of January 1, 2012, incorporated by reference to Exhibit 10D to the Company's Annual Report on Form 10-K for the year ending December 31, 2011.
- 14. AmBase Corporation - Code of Ethics as adopted by Board of Directors (incorporated by reference to Exhibit 14 to the Company's Annual Report on Form 10-K for the year ending December 31, 2003).
- 21. Subsidiaries of the Registrant.
- 23. Consent of Marcum LLP, Independent Registered Public Accounting Firm.
- 31.1 Rule 13a-14(a) Certification of Chief Executive Officer Pursuant to Rule 13a-14.
- 31.2 Rule 13a-14(a) Certification of Chief Financial Officer Pursuant to Rule 13a-14.
- 32.1 Section 1350 Certification of Chief Executive Officer pursuant to Rule 18 U.S.C. Section 1350.
- 32.2 Section 1350 Certification of Chief Financial Officer pursuant to Rule 18 U.S.C. Section 1350.

Exhibits, except as otherwise indicated above, are filed herewith.

---

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

AMBASE CORPORATION

/s/ RICHARD A. BIANCO  
Chairman, President and Chief Executive  
Officer (Principal Executive Officer)  
Date: March 28, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities on the dates indicated.

/s/ RICHARD A. BIANCO  
Chairman, President,  
Chief Executive Officer and Director  
Date: March 28, 2012  
Date: March 28, 2012

/s/ JOHN P. FERRARA  
Vice President, Chief Financial Officer  
and Controller  
(Principal Financial and Accounting Officer)

/s/ JERRY Y. CARNEGIE  
Director  
Date: March 28, 2012

/s/ SALVATORE TRANI  
Director  
Date: March 28, 2012





**AMBASE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE III. REAL ESTATE AND ACCUMULATED DEPRECIATION**  
 December 31, 2011  
 (dollars in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D		COLUMN E		
Description	Encumbrances	Land	Initial Cost to Company Building & Improvements	Improvements	Cost Capitalized Subsequent to Acquisition	Land	Gross Amount at which Carried at the Close of the Period Building & Improvements	Total
Office Building: Greenwich, CT	\$ -	\$ 554	\$ 1,880	\$ 20	\$ 554	\$ 1,900	\$ 2,454	
<b>Total</b>	<b>\$ -</b>	<b>\$ 554</b>	<b>\$ 1,880</b>	<b>\$ 20</b>	<b>\$ 554</b>	<b>\$ 1,900</b>	<b>\$ 2,454</b>	

[Additional columns below]

[Continued from above table, first column(s) repeated]

COLUMN A	COLUMN F	COLUMN G	COLUMN H	COLUMN I
Description	Accumulated Depreciation	Date Constructed	Date Acquired	Life on Which Depreciated Latest Income Statement
Office Building: Greenwich, CT	\$ 533	1970	Apr.-01	39 years
<b>Total</b>	<b>\$ 533</b>			

[a] Reconciliation of total real estate carrying value is as follows:

	Year Ended December 31, 2011	Year Ended December 31, 2010
Balance at beginning of year	\$ 2,454	\$ 2,454
Improvements	-	-
Acquisitions	-	-
Disposition	-	-
Balance at end of year	\$ 2,454	\$ 2,454

Edgar Filing: AMBASE CORP - Form 10-K

Total cost for federal tax purposes at end of each year \$ 2,454 \$ 2,454

[b] Reconciliation of accumulated depreciation as follows:

Balance at beginning of year	\$	485	\$	436
Depreciation expense		48		49
Dispositions		-		-
Balance at end of year	\$	533	\$	485

---

DIRECTORS AND OFFICERS

Board of Directors

Richard A. Bianco  
Chairman, President and  
Chief Executive Officer  
AmBase Corporation  
L.P.

Jerry Y. Carnegie  
Private Investor

Salvatore Trani  
Executive Vice  
President  
BGC Partners,

AmBase Officers

Richard A. Bianco  
Chairman, President and  
Chief Executive Officer

John P. Ferrara  
Vice President, Chief Financial Officer  
and Controller

Joseph R. Bianco  
Treasurer

INVESTOR INFORMATION

Annual Meeting of Stockholders

The 2012 Annual Meeting is currently  
scheduled to be held at 9:00 a.m. Eastern  
Time, on Thursday, June 7, 2012, at:

Hyatt Regency Hotel  
1800 East Putnam Avenue  
Greenwich, CT 06870

Corporate Headquarters

AmBase Corporation  
100 Putnam Green, 3rd Floor  
Greenwich, CT 06830-6027  
(203) 532-2000

Common Stock Trading

AmBase stock is traded through one or more  
market-makers with quotations made available in the  
“pink sheets” published by the National Quotation  
Bureau, Inc.

Issue Symbol	Abbreviation	Ticker
C o m m o n Stock	AmBase	ABCP.OB

Stockholder Inquiries

Stockholder inquiries, including requests for the  
following: (i) change of address; (ii) replacement of  
lost stock certificates; (iii) Common Stock name  
registration changes; (iv) Quarterly Reports on Form  
10-Q; (v) Annual Reports on Form 10-K; (vi) proxy  
material; and (vii) information regarding  
stockholdings, should be directed to:

American Stock Transfer and Trust Company  
59 Maiden Lane  
New York, NY 10038  
Attention: Shareholder Services  
(800) 937-5449 or (718) 921-8200 Ext. 6820

Transfer Agent and Registrar

American Stock Transfer and Trust Company  
59 Maiden Lane  
New York, NY 10038  
Attention: Shareholder Services  
(800) 937-5449 or (718) 921-8200 Ext. 6820

In addition, the Company’s public reports, including  
Quarterly Reports on Form 10-Q, Annual Reports on  
Form 10-K and Proxy Statements, can be obtained  
through the Securities and Exchange Commission  
EDGAR Database over the World Wide Web at  
[www.sec.gov](http://www.sec.gov).

Edgar Filing: AMBASE CORP - Form 10-K

Independent Registered Public Accountants

Marcum LLP  
Maritime Center  
555 Long Wharf Drive  
New Haven, CT 06511

Number of Stockholders

As of February 28, 2012, there were approximately 12,500 stockholders.

