

AMBASE CORP  
Form 10-Q  
May 13, 2009  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the quarterly period ended March 31, 2009

or

Transition Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Commission file number 1-7265

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, 3<sup>RD</sup> FLOOR  
GREENWICH, CONNECTICUT 06830

Edgar Filing: AMBASE CORP - Form 10-Q

(Address of principal executive offices) (Zip Code)

(203) 532-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "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 April 30, 2009, there were 43,165,464 shares outstanding of the registrant's common stock, \$0.01 par value per share.

---

AmBase Corporation

Quarterly Report on Form 10-Q

March 31, 2009

**TABLE OF CONTENTS**

<b><u>PART I</u></b>	<b><u>FINANCIAL INFORMATION</u></b>	<b><u>Page</u></b>
Item 1.	Financial Statements (unaudited)	1
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	16
Item 4T.	Controls and Procedures	17
<b><u>PART II</u></b>	<b><u>OTHER INFORMATION</u></b>	
Item 1.	Legal Proceedings	18
Item 1A.	Risk Factors	18
Item 2.	Unregistered Sales of Equity and Securities and Use of Proceeds	18
Item 3.	Defaults Upon Senior Securities	18
Item 4.	Submission of Matters to a Vote of Security Holders	18
Item 5.	Other Information	18

Edgar Filing: AMBASE CORP - Form 10-Q

Item 6. Exhibits 18

Signatures 18



**PART I - FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****AMBASE CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets****(Unaudited)***(in thousands, except for share and per share amounts)*

<b>Assets:</b>	<b>March 31</b>	<b>December 31</b>
	<b>2009</b>	<b>2008</b>
Cash and cash equivalents, (including restricted cash of \$900 in 2008)	\$ 1,751	\$2,667
Investment securities:		
Held to maturity (market value \$10,898 and \$11,400, respectively)	10,895	11,400
Total investment securities	10,895	11,400
Real estate owned:		
Land	554	554
Buildings	1,900	1,900
	2,454	2,454
Accumulated depreciation	(398 )	(385 )
Real estate owned, net	2,056	2,069
Other assets	518	105
Total assets	\$ 15,220	\$16,241
<b>Liabilities and Stockholders' Equity:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 144	\$304
Other liabilities	7	9
Total liabilities	151	313
Commitments and contingencies (Note 10)		
<b>Stockholders' equity:</b>		
Common stock (\$0.01 par value, 200,000,000 authorized, 46,410,007 issued and 43,215,464 outstanding)	464	464
Additional paid-in capital	548,044	548,044
Accumulated deficit	(531,347 )	(530,488 )
Treasury stock, at cost - 3,194,543 shares	(2,092 )	(2,092 )
Total stockholders' equity	15,069	15,928

Edgar Filing: AMBASE CORP - Form 10-Q

Total liabilities and stockholders' equity	\$ 15,220	\$ 16,241
--	-----------	-----------

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

1

---

## AMBASE CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Operations

Three Months Ended March 31

(Unaudited)

*(in thousands, except per share data)*

	<b>Three Months</b>	
	<b>2009</b>	<b>2008</b>
<b><i>Operating expenses:</i></b>		
Compensation and benefits	\$ 434	\$ 500
Professional and outside services	389	1,867
Property operating and maintenance	32	22
Depreciation	13	13
Insurance	17	18
Other operating	31	51
	916	2,471
Operating loss	(916 )	(2,471 )
Interest income	9	153
Other income	50	-
Loss before income taxes	(857 )	(2,318 )
Income tax expense	(2 )	-
Net loss	\$ (859 )	\$ (2,318 )
<b>Per share data:</b>		
Net loss attributable to common stockholders - basic	\$ (0.02 )	\$ (0.05 )
Net loss attributable to common stockholders - assuming dilution	\$ (0.02 )	\$ (0.05 )
<b><i>Weighted average common shares outstanding:</i></b>		
Basic	43,215	43,729
Assuming dilution	43,215	43,729

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





## AMBASE CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

## Three Months Ended March 31

(Unaudited)

<i>(in thousands)</i>	<b>2009</b>		<b>2008</b>	
Cash flows from operating activities:				
Net loss	\$ (859	)	\$ (2,318	)
<i>Adjustments to reconcile net loss to net cash used by operations:</i>				
Depreciation and amortization	13		13	
Changes in other assets and liabilities:				
Accrued interest receivable in investment securities	(4	)	7	
Other assets	(413	)	197	
Accounts payable and accrued liabilities	(160	)	713	
Other liabilities	(2	)	(3	)
Other	-		(1	)
Net cash used by operating activities	(1,425	)	(1,392	)
<b>Cash flows from investing activities:</b>				
Maturities of investment securities - held to maturity	11,400		7,100	
Purchases of investment securities - held to maturity	(10,891	)	(6,166	)
Net cash provided by investing activities	509		934	
<b>Cash flows from financing activities:</b>				
Common stock repurchased	-		(81	)
Net cash used by financing activities	-		(81	)
Net change in cash and cash equivalents	(916	)	(539	)
Cash and cash equivalents at beginning of year	2,667		2,894	
Cash and cash equivalents at end of year	\$ 1,751		\$ 2,355	
<b>Supplemental cash flow disclosure:</b>				
Income taxes paid	\$ 2		\$ 1	

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



**AMBASE CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**Note 1 - Organization**

The accompanying consolidated financial statements of AmBase Corporation and its wholly-owned subsidiaries (the "Company") are unaudited and subject to year-end adjustments. All material intercompany transactions and balances have been eliminated. In the opinion of management, the interim financial statements reflect all adjustments, consisting only of normal recurring adjustments unless otherwise disclosed, necessary for a fair presentation of the Company's financial position, results of operations and cash flows. Results for interim periods are not necessarily indicative of results for the full year. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. 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. The unaudited interim financial statements presented herein are condensed and should be read in conjunction with the Company's consolidated financial statements filed in its Annual Report on Form 10-K for the year ended December 31, 2008.

The Company's assets currently consist primarily of cash and cash equivalents, investment securities, and real estate. The Company currently earns non-operating revenue principally consisting of 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, as described in *Part II - Item 1*. 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's management believes that operating cash needs for the next twelve months will be met principally by the receipt of earnings on investment securities and cash equivalents, and the Company's current financial resources.

**Note 2 – Recent Accounting Pronouncements**

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)"), which replaces SFAS No. 141. This standard significantly changes the principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement is effective prospectively, except for certain retrospective adjustments to deferred tax balances, for fiscal years beginning after December 15, 2008. The Company will apply the provisions of SFAS No. 141(R) to any acquisitions made after January 2009.

The Company adopted SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51," ("SFAS No. 160"). SFAS 160 clarifies the classification of noncontrolling interests in consolidated balance sheets and reporting transactions between the reporting entity and holders of noncontrolling interests. Under this statement, noncontrolling interests are considered equity and reported as an element of consolidated equity. Further, net income encompasses all consolidated subsidiaries with disclosure of the attribution of net income

Edgar Filing: AMBASE CORP - Form 10-Q

between controlling and noncontrolling interests. The adoption of SFAS No. 160 did not have a material impact on the Company's consolidated financial statements.

**AMBASE CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

The Company adopted SFAS No. 161, "Disclosures About Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" ("SFAS No. 161"), which expands the disclosure requirements in SFAS 133 about an entity's derivative instruments and hedging activities. SFAS No. 161 expands the disclosure provisions to apply to all entities with derivative instruments subject to SFAS No. 133 and its related interpretations. The provisions also apply to related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS No. 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. Such disclosures, as well as existing SFAS No. 133 required disclosures, generally will need to be presented for every annual and interim reporting period. The adoption of SFAS No. 161 did not have a material impact on the Company's consolidated financial statements.

In April 2008, the FASB issued FSP SFAS No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP SFAS No. 142-3"). FSP SFAS No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"). The intent of FSP SFAS No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) and other applicable accounting literature. The Company will apply the provisions of FSP SFAS No. 142-3 when acquiring future intangible assets.

In May 2008, the FASB issued SFAS No. 162, "Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). This statement is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement will be effective 60 days following the U.S. Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board amendment to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles." The Company has not determined the impact, if any, of the adoption of SFAS No. 162.

**AMBASE CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

In June 2008, the FASB issued Staff Position (“FSP”) Emerging Issue Task Force (“EITF”) Issue No. 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“FSP EITF 03-6-1”). FSP EITF 03-6-1 provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. Upon adoption, a company is required to retrospectively adjust its earnings per share data, including any amounts related to interim periods, summaries of earnings and selected financial data, to conform to the provisions of FSP EITF 03-6-1. The adoption of FSP EITF 03-6-1 did not have a material impact on the Company’s consolidated financial statements.

In December 2008, the FASB issued FSP SFAS No. 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (“FSP SFAS 132(R)-1”), which requires additional disclosures for employers’ pension and other postretirement benefit plan assets. As pension and other postretirement benefit plan assets were not included within the scope of SFAS No. 157, FSP SFAS 132(R)-1 requires employers to disclose information about fair value measurements of plan assets similar to the disclosures required under SFAS No. 157, the investment policies and strategies for the major categories of plan assets, and significant concentrations of risk within plan assets. FSP SFAS 132(R)-1 will be effective for fiscal years ending after December 15, 2009. Accordingly, because of the termination of the Supplemental Plan in May 2007, the adoption of FSP SFAS 132(R)-1 will not have a material impact on the Company’s consolidated financial statements.

**Note 3 - Legal Proceedings**

The information contained in *Item 8 - Note 10* in the Company’s Annual Report on Form 10-K for the year ended December 31, 2008, is incorporated by reference herein and the defined terms set forth below have the same meaning ascribed to them in that report. There have been no material developments in such legal proceedings, except as set forth below.

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

*Supervisory Goodwill Litigation* - 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 which was filed on March 25, 2009. The Company does not know when the Court will issue its final decision. The Company believes any decision rendered by Judge Smith on damages, as well as his decision relating to his authority to review and consider the validity of the alleged receivership deficit, will likely be appealed to the U.S. Court of Appeals for the Federal Circuit.

Both the Court of Federal Claims and the Court of Appeals for the Federal Circuit have issued numerous decisions in cases that involve claims against the United States based upon its breach of its contracts with savings and loan institutions through its 1989 enactment of FIRREA. In particular, the Federal Circuit has issued decisions rejecting Takings Clause claims advanced by shareholders of failed thrifts. *Castle v. United States*, 301 F.3d 1328 (Fed. Cir. 2002); *Bailey v. United States*, 341 F. 3d 1342 (Fed. Cir 2003). In June 2004, the United States Supreme Court denied the *petition for certiorari* filed by Bailey. 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 Claims web site at [www.cofc.uscourts.gov](http://www.cofc.uscourts.gov). In addition, decisions in *Winstar*-related cases that have been issued by the U.S. Court of Appeals, the court that hears appeals from decisions by the Court of Claims,

may be found on that court's website at [www.ca9c.uscourts.gov](http://www.ca9c.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 Litigation.

**Note 4 - 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. Included in cash and cash equivalents at December 21, 2008, is \$900,000 of funds held in escrow from a proposed real estate transaction. The transaction was terminated in 2008 and the escrow funds with accrued interest were returned in March 2009. In addition, the Company was reimbursed \$50,000 for related expenses, which is reflected as other income in the Company's Statement of Operations for the three months ended March 31, 2009.

**AMBASE CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**
**Note 5 - Investment Securities**

Investment securities - held to maturity, consist of U.S. Treasury Bills with original maturities over three months and are carried at amortized cost (which includes accrued interest), based upon the Company's intent and ability to hold these investments to maturity.

Investment securities consist of the following:

	<b>March 31, 2009</b>			<b>December 31, 2008</b>		
	<b>Carrying Value</b>	<b>Cost or Amortized Cost</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Cost of Amortized Cost</b>	<b>Fair Value</b>
<i>(in thousands)</i>						
<i>Held to Maturity:</i>						
U.S. Treasury Bills	\$ 10,895	\$ 10,895	\$ 10,898	\$ 11,400	\$ 11,400	\$ 11,400
	\$ 10,895	\$ 10,895	\$ 10,898	\$ 11,400	\$ 11,400	\$ 11,400

The gross unrealized gains on investment securities at March 31, 2009 and December 31, 2008 consist of the following:

*(in thousands)*

<i>Held to Maturity:</i>	<b>2009</b>	<b>2008</b>
Gross unrealized gains	\$3	\$-

**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.



Edgar Filing: AMBASE CORP - Form 10-Q

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 market value exceeds the property's current carrying value. Therefore, the carrying value of the property as of March 31, 2009, has not been impaired.

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

7

---

**AMBASE CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**Note 7 - Other Assets**

In January 2009, due to various considerations, the Company sought to prepay 2009 expenses at a discount from full value. In connection therewith, the Company and Mr. Bianco agreed to a discounted payment of Mr. Bianco's 2009 annual base salary as provided for in the 2007 Employment Agreement in effect between Mr. Bianco and the Company. In January 2009, Mr. Bianco was paid approximately \$609,000, in full satisfaction of his contracted 2009 annual base salary. At March 31, 2009, the unearned portion of the prepayment amount of approximately \$454,000, is reflected as a prepaid expense in the Company's March 31, 2009, Consolidated Balance Sheet. In the event Mr. Bianco does not fulfill his 2009 employment obligation with the Company, he would be required to reimburse the Company for any unearned portion thereof.

**Note 8 - Income Taxes**

The Company and its 100% owned 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, greater than 50% probability exists that the tax benefits will actually be realized sometime in the future.

The Company has calculated a net deferred tax asset of \$39 million as of March 31, 2009 and December 31, 2008, arising primarily from net operating loss ("NOL") carryforwards, alternative minimum tax ("AMT") credits (not including the anticipated tax effects of NOL's which could be generated from the Company's tax basis in Carteret Savings Bank, F.A. and subsidiaries ("Carteret"), resulting from the election decision, as more fully described below). 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.

There were no unrecognized tax benefits at March 31, 2009 or December 31, 2008. 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 and the Company has not been notified of any potential tax audits by any federal, state or local tax authorities. As such, the Company believes the statute of limitations for federal and state purposes are generally closed for tax years prior to 2005.

Based upon the Company's federal income tax returns as filed from 1993 to 2007 (subject to IRS audit adjustments), excluding all effects of the inclusion of Carteret/Carteret FSB from December 4, 1992 forward, as further discussed below, as of March 31, 2009, the Company has NOL carryforwards aggregating approximately \$36 million, available to reduce future federal taxable income, which expire if unused beginning in 2009. In addition to the NOL carryforwards noted herein, the Company currently estimates that, an additional \$16.7 million of NOL carryforwards could be generated from the 2007 tax year which would expire if unused in 2027, and approximately \$4.5 million of NOL carryforwards could be generated from the 2008 tax year which would expire if unused in 2028. The Company's federal income tax returns for the years subsequent to 1992 have not been reviewed by the IRS and the Company has not been notified of any potential tax audits by any federal, state or local tax authorities. The utilization of certain carryforwards and carrybacks is subject to limitations under U.S. federal income

## Edgar Filing: AMBASE CORP - Form 10-Q

tax laws. 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 below, the Company would seek to utilize approximately \$8 million of the \$21 million of AMT Credits.

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”).

**AMBASE CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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 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 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 2007, unless they are utilized as part of the "*Carryback Claims*," or absorbed in earlier years based on inclusion of certain items in the consolidated group.

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; utilized in other tax years; or could begin to expire no earlier than 2008 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 for the tax refunds it seeks, plus interest, with respect to the Carryback Claims. The suit is currently in preliminary stages, and the Company can give no assurances as to the final amount of refunds, if any, or when they might be received.

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 \$120 million. The FDIC has stated to the United States Court of Federal Claims ("Court of Claims") that the tax amounts are only estimates and

Edgar Filing: AMBASE CORP - Form 10-Q

are highly contingent. Based on proceedings in other Supervisory Goodwill cases, it is possible that the IRS may try to collect the alleged Carteret FSB federal income taxes from the Carteret FSB receivership.

9

---

**AMBASE CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

Although 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 analysis 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. 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 3* 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.

**Note 9 – 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. As of March 31, 2009, there were 4,149,000 shares available for future stock option grants. 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 of 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**

No stock based compensation expense was recorded in the three months ended March 31, 2009 and March 31, 2008, as all previously granted options vested as of January 2, 2007. No stock option awards have been granted since January 2005. Compensation expense relating to stock options would be recorded in the Consolidated Statement of Operations with corresponding increase paid in capital in the statement of stockholders' equity.

The fair value of option awards are estimated on the date of grant using the Black-Scholes-Merton option valuation model ("Black-Scholes") that uses certain assumptions at the time of valuation. 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 is 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. No adjustments were made to the input assumptions for the calculation of the fair value of stock options granted in 2005 from the pro forma amounts previously presented in the Company's prior period 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 were management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if other assumptions had been used, our recorded stock-based compensation expense could have been materially different from the amounts previously recorded. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If our 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 SFAS 123R and reflects all substantive characteristics of the instruments being valued. No stock options have been granted since January 2005.

The following table reports stock option activity during the three month period ended March 31, 2009:

		<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (in years)</b>
Outstanding at January 1, 2009	866,000	\$ 90	
Expired	(15,000 )	2.56	
Outstanding at March 31, 2009	851,000	\$ 0.87	
Exercisable	851,000	\$ 0.87	\$ 4.12



## Edgar Filing: AMBASE CORP - Form 10-Q

At March 31, 2009, the exercise price of stock options outstanding and exercisable was greater than the market price of the Company's stock; therefore, no intrinsic value for stock options is included herein.

There were no outstanding option shares vesting during the three month period ended March 31, 2009 or March 31, 2008. As of March 31, 2009, there was no unamortized compensation cost related to non-vested share-based compensation arrangements for stock options granted under the 1993 Plan.

Options to purchase 851,000 shares of common stock for the three months ended March 31, 2009, and 866,000 shares of common stock for the three months ended March 31, 2008, were excluded from the computation of diluted earnings per share because these options were antidilutive.

**AMBASE CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**
**Note 10 - Pension and 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. Beginning in 2009, the employer match was reduced to 75% of the amount the employee elects to defer from the 2008 employer match of 100%. 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. The Company's matching contributions to the Savings Plan, charged to expense, were \$36,000 for the three months ended March 31, 2009, and \$49,000 for the three months ended March 31, 2008, respectively. All contributions are subject to maximum limitations contained in the Code.

**Note 11 - 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, 2009	-	-	3,068,055	6,931,945
January 1, 2009 - January 31, 2009	-	-	3,068,055	6,931,945
February 1, 2009 - February 28, 2009	-	-	3,068,055	6,931,945
March 1, 2009 - March 31, 2009	-	-	3,068,055	6,931,945
<b>Total</b>	-			



**AMBASE CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**FORWARD LOOKING STATEMENTS**

This quarterly report may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), 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 earnings, business prospects, projected ventures, anticipated market performance, anticipated litigation results or the timing of pending litigation, and similar matters. When used in this Quarterly 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 Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, 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: (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 our 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 quarterly report or to reflect the occurrence of unanticipated events. Accordingly, there is no assurance that the Company’s expectations will be realized.

Management’s Discussion and Analysis of Financial Condition and Results of Operations, which follows, should be read in conjunction with the consolidated financial statements and related notes, which are contained in *Part I - Item 1*, herein and the Company’s Annual Report on Form 10-K for the year ended December 31, 2008.

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**BUSINESS OVERVIEW**

AmBase 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 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 I – Item 1*. 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.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's assets at March 31, 2009, aggregated \$15,220,000 consisting principally of cash and cash equivalents of \$1,751,000, investment securities of \$10,895,000 and real estate owned of \$2,056,000. At March 31, 2009, the Company's liabilities aggregated \$151,000. Total stockholders equity was \$15,069,000.

In January 2009, due to various considerations, the Company sought to prepay 2009 expenses at a discount from full value. In connection therewith, the Company and Mr. Bianco agreed to a discounted payment of Mr. Bianco's 2009 annual base salary as provided for in the 2007 Employment Agreement in effect between Mr. Bianco and the Company. In January 2009, Mr. Bianco was paid approximately \$609,000, in full satisfaction of his contracted 2009 annual base salary. At March 31, 2009, the unearned portion of the prepayment amount of approximately \$454,000, is reflected as a prepaid expense in the Company's March 31, 2009, Consolidated Balance Sheet. In the event Mr. Bianco does not fulfill his 2009 employment obligation with the Company, he would be required to reimburse the Company for any unearned portion thereof.

For the three months ended March 31, 2009, cash of \$1,425,000 was used by operations, due to the payment of legal expenses relating to the Supervisory Goodwill proceedings, the payment of prior year accruals and operating expenses. The cash needs of the Company for the three months ended March 31, 2009 were satisfied by the Company's current financial resources and the receipt of investment earnings received on investment securities and cash equivalents. Management believes that the Company's capital resources are sufficient to continue operations for the next twelve months.

For the three months ended March 31, 2008, cash of \$1,392,000 was used by operations, primarily due to the payment of legal expenses relating to the Supervisory Goodwill trial and to a lesser extent the payment of prior year accruals and operating expenses, partially offset by the receipt

## Edgar Filing: AMBASE CORP - Form 10-Q

of interest income and investment earnings. The cash needs of the Company for the three months ended March 31, 2008 were satisfied by the receipt of investment earnings received on investment securities and cash equivalents and the Company's current financial resources.

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. Discussions and negotiations are ongoing with respect to certain of these matters. 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 the *Supervisory Goodwill* litigation see *Part I - Item 1 - Note 3*.

As of March 31, 2009, the Company owns one commercial office building in Greenwich, Connecticut. 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 market value exceeds the property's current carrying value; and, therefore the carrying value of the property as of March 31, 2009, has not been impaired.

## Edgar Filing: AMBASE CORP - Form 10-Q

There are no material commitments for capital expenditures as of March 31, 2009. Inflation has had no material impact on the business and operations of the Company.

### **Results of Operations for the Three months ended March 31, 2009 vs. the Three months ended March 31, 2008**

The Company currently 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 receipt of investment earnings on investment securities and cash equivalents and the Company's current financial resources. The Company's main source of revenue in 2009 was non-operating revenue consisting of investment earnings.

No rental income from real estate owned was earned for the 2009 or 2008 periods.

Compensation and benefits decreased to \$434,000 in the three months ended March 31, 2009, compared with \$500,000 in the respective 2008 period. The decrease is primarily due to a lower level of incentive compensation accruals in the 2009 period versus the same 2008 period.

No stock based compensation expense was recorded in the three months ended March 31, 2009 or March 31, 2008, as all previously granted outstanding options vested as of January 2, 2007. No stock option awards have been granted since January 2005.

Professional and outside services decreased to \$389,000 in the three months ended March 31, 2009, compared to \$1,867,000 in the respective 2008 period. The decrease in the 2009 three month period as compared to the respective 2008 period is principally the result of a lower level of legal and professional fees relating to the Supervisory Goodwill litigation in 2009 versus 2008. The Supervisory Goodwill litigation expenses in the 2009 period included expenses incurred in connection with post trial arguments and post trial brief preparation which were concluded in March 2009. The Supervisory Goodwill litigation expenses for the 2008 period include expenses relating to the preparation for the trial and actual trial expenses incurred during 2008.

Interest income in the three months ended March 31, 2009, decreased to \$9,000 from \$153,000 in the respective 2008 period. The decreased interest income is due to a decreased investment yield in the three months ending March 31, 2009, compared with the respective 2008 period and to a lesser extent, a lower level of cash equivalents and investment securities. See *Item 3 - Quantitative and Qualitative Disclosure about Market Risk* for information concerning the Company's weighted average interest rate yield on investment securities as of March 31, 2009.

Other income of \$50,000 for the three months ended March 31, 2009, is attributable to reimbursement received by the Company in March 2009, for expenses relating to a proposed real estate transaction which was terminated in 2008.

The Company recognized a \$2,000 income tax provision for the three months ended March 31, 2009, as compared with no income tax provision for the three months ended March 31, 2008. The income tax provision for the three months ended March 31, 2009, is primarily attributable to a provision for a minimum tax on capital to the state of Connecticut. Income taxes applicable to operating income (loss) are generally determined by applying the estimated effective annual income tax rates to pretax income (loss) for the year-to-date interim period. Income taxes applicable

to unusual or infrequently occurring items are provided in the period in which such items occur.

15

---



## TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

<i>(in thousands)</i>	Payments Due by Period				
	Total	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years
Operating leases	\$ 23	\$ 14	\$ 9	\$-	\$-
<b>Total</b>	<b>\$ 23</b>	<b>\$ 14</b>	<b>\$ 9</b>	<b>\$-</b>	<b>\$-</b>

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company holds short-term investments as a source of liquidity. The Company's interest rate sensitive investments with maturity dates of less than one year consist of the following:

<i>(\$ in thousands)</i>	March 31, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
U.S. Treasury Bills	\$ 10,895	\$ 10,898	\$ 11,400	\$ 11,400
Weighted average interest rate	0.33	%	-	

The Company's current policy is to minimize the interest rate risk of its short-term investments by investing in U.S. Treasury Bills with maturities of less than one year. There were no significant changes in market exposures or the manner in which interest rate risk is managed during the year.

Due to current market factors, the Company has maintained its available cash resources in U.S. Treasury Bills, which are currently providing a low investment yield.

**Item 4T. CONTROLS AND PROCEDURES**

Our disclosure controls and procedures include our controls and other procedures to ensure that information required to be disclosed in this and other reports under the Exchange Act of 1934 is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure and to ensure that such information is recorded, processed, summarized and reported within the time periods.

Our Chief Executive Officer and Chief Financial Officer have conducted an evaluation of our disclosure controls and procedures as of March 31, 2009. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) are effective to ensure that the information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized and reported with adequate timeliness.

There have been no changes during the most recent fiscal quarter in our internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**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 stock holdings, 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**

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

Edgar Filing: AMBASE CORP - Form 10-Q

Greenwich, CT 06830

Attn: Shareholder Services

The Company is subject to the informational requirements of 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.

17

---

**PART II - OTHER INFORMATION**

**Item 1. LEGAL PROCEEDINGS**

For a discussion of the Company's legal proceedings, including a discussion of the Company's *Supervisory Goodwill* litigation, see *Part I - Item 1 - Note 3 - Legal Proceedings*.

**Item 1A. RISK FACTORS**

There have been no material changes from risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 in response to Item 1A to Part I of Form 10-K.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**Item 5. OTHER INFORMATION**

None.

**Item 6. EXHIBITS**

Exhibit 31.1 Rule 13a-14(a) Certification of Chief Executive Officer

Exhibit 31.2 Rule 13a-14(a) Certification of Chief Financial Officer

Edgar Filing: AMBASE CORP - Form 10-Q

Exhibit 32.1 Section 1350 Certification of Chief Executive Officer

Exhibit 32.2 Section 1350 Certification of Chief Financial Officer

**SIGNATURES**

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

**AMBASE CORPORATION**

/s/ John P. Ferrara

**By JOHN P. FERRARA**

Vice President, Chief Financial Officer and Controller

**(Duly Authorized Officer and Principal Financial and**

**Accounting Officer)**

Date: May 13, 2009