AMBASE CORP
Form 10-Q
November 09, 2010

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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

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, 3RD FLOOR
GREENWICH, CONNECTICUT 06830

(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 X 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   X   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   X   .

At October 31, 2010, there were 43,075,410 shares outstanding of the registrant’s common stock, $0.01 par value per share.

AmBase Corporation

Quarterly Report on Form 10-Q
September 30, 2010

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

AMBASE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

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

Assets:	September 30, 2010	December 31, 2009
Cash and cash equivalents	$ 1,239	$ 1,715
Investment securities:		
Held to maturity (market value $8,598 and $10,000, respectively)	8,598	9,996
Total investment securities	8,598	9,996
Real estate owned:		
Land	554	554
Buildings	1,900	1,900
	2,454	2,454
Accumulated depreciation	(473)	(436)
Real estate owned, net	1,981	2,018
Other assets	337	72
Total assets	$ 12,155	$ 13,801
Liabilities and Stockholders' Equity:		
Liabilities:		
Accounts payable and accrued liabilities	$ 160	$ 289
Other liabilities	4	12
Total liabilities	164	301
Commitments and contingencies (Note 3)		
Stockholders' equity:		
Common stock ($0.01 par value, 200,000,000 authorized, 46,410,007 issued and 43,075,410 outstanding)	464	464
Additional paid-in capital	548,044	548,044
Accumulated deficit	(534,408)	(532,899)
Treasury stock, at cost - 3,334,597 shares	(2,109)	(2,109)
Total stockholders' equity	11,991	13,500
Total liabilities and stockholders' equity	$ 12,155	$ 13,801

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

AMBASE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
Third Quarter and Nine Months Ended September 30
(Unaudited)

(in thousands except per share data)	Third Quarter 2010	Third Quarter 2009	Nine Months 2010	Nine Months 2009
Operating expenses:				
Compensation and benefits	$ 304	$ 349	$ 1,080	$ 1,145
Professional and outside services	64	86	215	555
Property operating and maintenance	23	25	92	78
Depreciation	12	13	37	39
Insurance	7	7	31	46
Other operating	18	24	70	82
	428	504	1,525	1,945
Operating loss	(428)	(504)	(1,525)	(1,945)
Interest income	10	15	19	36
Realized gains on sales of investment securities	11	-	30	-
Other income	-	-	-	50
Loss before income taxes	(407)	(489)	(1,476)	(1,859)
Income tax expense	(11)	(2)	(33)	(6)
Net loss	$ (418)	$ (491)	$ (1,509)	$ (1,865)
Per share data:				
Net loss attributable to common stockholders - basic	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.04)
Net loss attributable to common stockholders - assuming dilution	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.04)
Weighted average common shares outstanding				
Basic	43,075	43,131	43,075	43,172
Assuming dilution	43,075	43,131	43,075	43,172

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

AMBASE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Nine Months Ended September 30
(Unaudited)

(in thousands)		2010		2009
Cash flows from operating activities:				
Net loss	$	(1,509)	$	(1,865)
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation and amortization		37		39
Realized gains on sales of investment securities		(30)		-
Changes in other assets and liabilities:				
Accrued interest receivable on investment securities		8		(3)
Other assets		35		(157)
Accounts payable and accrued liabilities		(129)		(89)
Other liabilities		(8)		(7)
Net cash used by operating activities		(1,596)		(2,082)
Cash flows from investing activities:				
Maturities of investment securities - held to maturity		28,380		32,786
Purchases of investment securities - held to maturity		(26,990)		(31,372)
Sales of investment securities		976		-
Purchases of investments securities		(946)		-
Investment in real estate limited partnership		(300)		-
Net cash provided by investing activities		1,120		1,414
Cash flows from financing activities:				
Common stock repurchased		-		(10)
Net cash used by financing activities		-		(10)
Net change in cash and cash equivalents		(476)		(678)
Cash and cash equivalents at beginning of year		1,715		2,667
Cash and cash equivalents at end of period	$	1,239	$	1,989
Supplemental cash flow disclosure:				
Income taxes paid	$	102	$	3

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, 2009.

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 Company's current financial resources and to a lesser extent the receipt of earnings on investment securities and cash equivalents.

Note 2 – Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Codification ("ASC") 105, Generally Accepted Accounting Principles, which established the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Company has updated references to GAAP in its financial statements issued for the period ended September 30, 2010. The adoption of FASB ASC 105 did not impact the Company's financial positions or results of operations.

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

AMBASE CORPORATION AND SUBSIDIARIES
Notes to 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, 2009, 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. 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. 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 Federal Claims web site at www.uscfc.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 Federal Claims, may be found on that court's website at 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 Litigation.

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. See Note 8 – Income Taxes for further information. 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 decision granting the United States Motion to Dismiss and denied the Company's Motion for Partial Summary Judgment. The Court permitted the Company to conduct limited discovery to help establish subject matter jurisdiction. The Company expects the Court to issue a ruling in response to these motions 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. See Note 8 – Income Taxes for additional information.

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.

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 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.

Investment securities consist of the following:

	September 30, 2010			December 31, 2009		
(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	$ 8,598	$ 8,598	$ 8,598	$ 9,996	$ 9,996	$ 10,000
	$ 8,598	$ 8,598	$ 8,598	$ 9,996	$ 9,996	$ 10,000

The gross unrealized gain on investment securities at September 30, 2010 and December 31, 2009 consist of the following:

(in thousands)		
Held to Maturity:	2010	2009
Gross unrealized gain	$ -	$ 4

Realized gain on the sales of investment securities available for sale follow:

(in thousands)

	2010
Net sale proceeds	$ 976
Cost basis	(946)
Realized gain	$ 30

No investment securities were sold during the third quarter or nine months ended September 30, 2009.

AMBASE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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 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.

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 would indicate that the property's carrying value would not be recoverable. As noted above, based on the Company's analysis the Company believes the carrying value of the property as of September 30, 2010, has not been impaired and; therefore, the carrying value of the asset is fully recoverable by the Company.

Note 7 – Other Assets

Other assets at September 30, 2010, include a minority interest investment in a real estate limited liability company, carried at cost.

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 $41 million as of September 30, 2010 and December 31, 2009, arising primarily from net operating loss ("NOL") carryforwards and alternative minimum tax ("AMT") credits. This amount does not include the anticipated tax effects of NOL's which could be generated from the Company's investment 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 September 30, 2010 or December 31, 2009. 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. 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 seeks to disallow the Company's tax deduction for the payment made by the Company in 2007 in satisfaction of its Supplemental Retirement Plan obligation. This matter is currently ongoing. The Company has not been notified of any potential tax audits by any 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 2007.

AMBASE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Based upon the Company's federal income tax returns as filed through 2009 (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 September 30, 2010, the Company has NOL carryforwards aggregating approximately $41 million, available to reduce future federal taxable income, which expire if unused beginning in tax year 2009. In addition to the NOL carryforwards noted herein, the Company currently estimates that, an additional $2.0 million of NOL carryforwards could be generated from the 2010 tax year which would expire if unused in the 2030 tax year. Additionally, an additional 16.7 million of NOL carryforwards could be generated from the 2007 tax year which would expire if unused in the 2027 tax year; however, as discussed above, in connection with the IRS's 2007 Federal income tax return audit, the IRS is proposing to disallow approximately $16.6 million of the NOL carry forwards generated from the 2007 tax year; this matter is ongoing. In the 2009 tax year, a total of approximately $2.2 million of NOL carry forwards expired to the extent they remain unused. The unused carry forwards will have expired unless they are utilized in prior tax year or absorbed in an earlier year based on inclusion of certain items in the consolidated group. The utilization of certain carry forwards and carrybacks is subject to limitations under U.S. federal income tax laws. In addition, the Company has approximately $21 million of AMT credit carry forwards ("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").

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 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.

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 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. 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 decision granting the United States Motion to Dismiss and denied the Company's Motion for Partial Summary Judgment. The Court permitted the Company to conduct limited discovery to help establish subject matter jurisdiction. The Company expects the Court to issue a ruling in response to these motions 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. See Note 3 – 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 $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 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. 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.

AMBASE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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 September 30, 2010, there were 4,164,000 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.

No stock based compensation expense was recorded in the third quarter and nine months ended September 30, 2010 and September 30, 2009, as all previously granted outstanding 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 a corresponding increase to additional paid in capital in the Consolidated 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.

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 accounting principles generally accepted in the United States of America and reflects all substantive characteristics of the instruments being valued.

AMBASE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following table reports stock option activity during the nine month period ended September 30, 2010:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Outstanding at January 1, 2010	851,000	$ 0.87	
Expired	(15,000)	0.95	
Outstanding at September 30, 2010	836,000	$ 0.87	
Exercisable	836,000	$ 0.87	$ 3.18

At September 30, 2010, 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 third quarter and nine month periods ended September 30, 2010 or September 30, 2009. As of September 30, 2010, 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 836,000 shares of common stock for the nine months ended September 30, 2010, and 851,000 shares of common stock for the nine months ended September 30, 2009, were excluded from the computation of diluted earnings per share because these options were antidilutive.

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. Through June 30, 2010, the employer match was 75% of the amount the employee elected to defer. Effective July 1, 2010, the employer match was reduced to 33% 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. The Company's matching contributions to the Savings Plan, charged to expense, were $6,000 and $41,000 for the third quarter and nine months ended September 30, 2010, respectively and $6,000 and $42,000 for the third quarter and nine months ended September 30, 2009, respectively. All contributions are subject to maximum limitations contained in the Code.

AMBASE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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, 2010	-	-	3,208,109	6,791,891
January 1, 2010 - January 31, 2010	-	-	3,208,109	6,791,891
February 1, 2010 - February 28, 2010	-	-	3,208,109	6,791,891
March 1, 2010 - March 31, 2010	-	-	3,208,109	6,791,891
April 1, 2010 - April 30, 2010	-	-	3,208,109	6,791,891
May 1, 2010 - May 31, 2010	-	-	3,208,109	6,791,891
June 1, 2010 - June 30, 2010	-	-	3,208,109	6,791,891
July 1, 2010 – July 31, 2010	-	-	3,208,109	6,791,891
August 1, 2010 – August 31, 2010	-	-	3,208,109	6,791,891
September 1, 2010 – September 30, 2010	-	-	3,208,109	6,791,891
Total	-			

Note 12 - Subsequent Events

The Company has performed a review of events subsequent to the balance sheet dated September 30, 2010, through the report issuance date.

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 varia 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, 2009.

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 September 30, 2010, aggregated $12,155,000 consisting principally of cash and cash equivalents of $1,239,000, investment securities of $8,598,000, and real estate owned of $1,981,000. At September 30, 2010, the Company's liabilities aggregated $164,000. Total stockholders equity was $11,991,000.

For the nine months ended September 30, 2010, cash of $1,596,000 was used by operations, due to the payment of operating expenses and prior year accruals. The cash needs of the Company for the nine months ended September 30, 2010 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 nine months ended September 30, 2009, cash of $2,082,000 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 of interest income and investment earnings. The cash needs of the Company for the nine months ended September 30, 2009 were satisfied by the receipt of investment earnings received on investment securities and cash equivalents and the Company's current financial resources.

Other assets as of September 30, 2010, increased as compared to December 31, 2009, due to a $300,000 minority interest investment in a real estate limited liability company made by the Company in January 2010. Accounts payable and accrued liabilities as of September 30, 2010, decreased from December 31, 2009, principally as a result of the payment of prior year accruals.

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 September 30, 2010, 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 value exceeds the property's current carrying value; and, therefore the carrying value of the property as of September 30, 2010, has not been impaired.

There are no material commitments for capital expenditures as of September 30, 2010. Inflation has had no material impact on the business and operations of the Company.

Results of Operations for the Third Quarter and Nine Months Ended September 30, 2010 vs. the Third Quarter and Nine Months Ended September 30, 2009

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 Company's current financial resources and receipt of investment earnings on investment securities and cash equivalents. The Company's main source of revenue in 2010 was non-operating revenue consisting of investment earnings.

Compensation and benefits decreased to $304,000 and $1,080,000 in the third quarter and nine months ended September 30, 2010, respectively, compared to $349,000 and $1,145,000 in the respective 2009 periods. The decrease in the 2010 third quarter and nine month periods is due to lower compensation expenses due to reduced staffing levels as well as a lower level of benefit costs in the 2010 period versus the same 2009 periods.

No stock based compensation expense was recorded in the nine months ended September 30, 2010 or September 30, 2009, 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 $215,000 in the nine months ended September 30, 2010, compared to $555,000 in the respective 2009 period. The decrease in the 2010 nine month period as compared to the 2009 nine month period is principally the result of a lower level of legal and professional fees relating to the Supervisory Goodwill litigation in 2010 versus 2009. 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 June 2009.

Insurance expenses decreased to $31,000 in the nine months ended September 30, 2010, compared with $46,000 in the nine months ended September 30, 2009. The decrease is generally due to a decline in insurance premium costs due to cost containment efforts.

Interest income in the third quarter and nine months ended September 30, 2010, decreased to $10,000 and $19,000, respectively from $15,000 and $36,000 in the respective 2009 periods. The decreased interest income is principally due to a decreased investment yield in 2010, compared with 2009 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 September 30, 2010.

Other income of $50,000 for the nine months ended September 30, 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 an income tax provision of $11,000 and $33,000 for the third quarter and nine months ended September 30, 2010, respectively, as compared with an income tax provision of $2,000 and $6,000 for the third quarter and nine months ended September 30, 2009, respectively. The income tax provisions for the 2010 and 2009 periods are 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.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

(in thousands)	Payments Due by Period				
	Total	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years
Operating leases	$ 2	$ 2	$ -	$ -	$ -
Total	$ 2	$ 2	$ -	$ -	$ -

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:

($ in thousands)	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
U.S. Treasury Bills	$ 8,598	$ 8,598	$ 9,996	$ 10,000
Weighted average interest rate	0.16%		-	

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 September 30, 2010. 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 Rules 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
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. 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.

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, 2009 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

On November 9, 2010, an amendment to the Company's existing Shareholder Rights Plan was executed between the Company and its transfer agent as Rights Agent, to extend the expiration date of the Shareholder Rights Plan to February 10, 2016 from February 10, 2010.

Item 6. EXHIBITS

4. Amendment to Shareholder Rights Plan between the Company and American Stock Transfer and Trust Company dated November 9, 2010.

Exhibit 31.1 Rule 13a-14(a) Certification of Chief Executive Officer
Exhibit 31.2 Rule 13a-14(a) Certification of Chief Financial Officer
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: November 9, 2010