AMBASE CORP
Form 10-K
March 30, 2015

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

FORM 10-K

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

(Mark One)

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

For the fiscal year ended December 31, 2014
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 1-07265

AMBASE CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	95-2962743
(State of incorporation)	(I.R.S. Employer Identification No.)

One South Ocean Boulevard, Suite 301, Boca Raton, Fl. 33432
(Address of principal executive offices)

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

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

Title of each class
Common Stock ($0.01 par value)

Rights to Purchase Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No X

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No _____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No _____

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer __ Accelerated Filer __ Non-Accelerated Filer __ Smaller Reporting Company X

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 February 28, 2015, there were 40,737,751 shares of registrant's Common Stock outstanding. At June 30, 2014, the aggregate market value of registrant's voting securities (consisting of its Common Stock) held by nonaffiliates of the registrant, based on the average bid and asking price on such date of the Common Stock of $1.39 per share was approximately $33.2 million. The Common Stock constitutes registrant's only outstanding class of security.

Portions of the registrant's definitive Proxy Statement for its 2015 Annual Meeting of Stockholders, which Proxy Statement the registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year, are incorporated by reference with respect to certain information contained therein, in Part III of this Annual Report.

The Exhibit Index is located in Part IV, Item 15, Page 41.

AmBase Corporation
Annual Report on Form 10-K
December 31, 2014

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PART I

ITEM 1. BUSINESS

AmBase Corporation (the "Company" or "AmBase") is a Delaware corporation that was incorporated in 1975. AmBase is a holding company which has an equity investment in a real estate development property to develop real property in New York, New York. The Company also owns a commercial office building in Greenwich, Connecticut that is managed and operated by the Company. The building is approximately 14,500 square feet; with approximately 3,500 square feet utilized by the Company for its offices; the remaining space is currently unoccupied and available for lease. The executive office of the Company is located at One South Ocean Boulevard, Suite 301, Boca Raton, Florida 33432.

The Company's assets currently consist primarily of cash and cash equivalents, an equity investment in a real estate development property and real estate owned. The Company earns non-operating revenue consisting principally of investment earnings on investment securities and cash equivalents. As further discussed in Part II – Item 8 - Note 5 to the Company's consolidated financial statements, in June 2013, the Company, through a newly formed subsidiary, purchased an equity interest in a real estate development property through a joint venture agreement to purchase and develop real property located at 105 through 111 West 57th Street in New York, New York (the "111 West 57th Property"). The Company continues to evaluate a number of possible acquisitions and is engaged in the management of its assets and liabilities. From time to time, the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company intends to aggressively contest all litigation and contingencies, as well as pursue all sources for contributions to settlements. For a discussion of lawsuits and proceedings, including a discussion of the Supervisory Goodwill Settlement Agreement – Tax Gross-up and income tax matters, see Part II – Item – 8 – Notes 10 and 11 to the Company's consolidated financial statements.

The Company had 4 full time and 2 part-time employees at December 31, 2014.

Background

In August 1988, the Company acquired Carteret Bancorp Inc., which through its principal wholly owned subsidiary Carteret Savings Bank, FA, was principally engaged in retail and consumer banking, and mortgage banking including mortgage servicing. On December 4, 1992, the Office of Thrift Supervision ("OTS") placed Carteret Savings Bank, FA in receivership under the management of the Resolution Trust Corporation ("RTC") and a new institution, Carteret Federal Savings Bank, was established to assume the assets and certain liabilities of Carteret Savings Bank, FA. Following the seizure of Carteret Savings Bank, FA, the Company was deregistered as a savings and loan holding company by the OTS, although the OTS retains jurisdiction for any regulatory violations prior to deregistration.

The Company was a plaintiff in a legal proceeding, commenced in 1993, seeking recovery of damages from the United States Government for the loss of the Company's wholly-owned subsidiary, Carteret Savings Bank, F.A. (the "Supervisory Goodwill" legal proceedings). Pursuant to a Settlement Agreement between the Company, the Federal Deposit Insurance Corporation-Receiver ("FDIC-R") and the Department of Justice ("DOJ") on behalf of the United States of America (the "United States"), (the "Settlement Agreement") as approved by the United States Court of Federal Claims (the "Court of Federal Claims"), in October 2012, the United States paid $180,650,000 directly to AmBase (the "Settlement Amount"). As part of the Settlement Agreement in the Company's Supervisory Goodwill legal proceedings, the Company is entitled to a tax gross-up in an amount to be determined if and when any federal taxes should be imposed on the Settlement Amount. In December 2014, the Internal Revenue Service ("IRS") completed their review of the examination of the Company's 2012 Federal Income Tax Return with no change to the tax return as filed. For additional information including a discussion of the Supervisory Goodwill Settlement Agreement – Tax Gross-up and income tax matters see Part II – Item 8 – Notes 10 and 11 to the Company's consolidated financial statements.

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

STOCKHOLDER INQUIRIES

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

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Attention: Shareholder Services
(800) 937-5449 or (718) 921-8200 Ext. 6820

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

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

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

ITEM 1A.RISK FACTORS

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

The Company is in a competitive business.

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

Illiquidity of real estate limits our ability to act quickly.
Real estate investments are relatively illiquid. Such illiquidity may limit our ability to react quickly in response to changes in economic and other conditions. If we want to sell an investment, we might not be able to dispose of that investment in the time period we desire, and the sales price of that investment might not recoup or exceed the amount of our investment. These limitations on our ability to sell our properties or investments could have a material adverse effect on our financial condition and results of operations.

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

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

- deterioration in regional and local economic and real estate market conditions,
- failure to complete construction and lease-up on schedule or within budget may increase debt service expense and construction and other costs,
- increased operating costs, including insurance premiums, utilities and real estate taxes, due to inflation and other factors which may not necessarily be offset by increased rents,
- changes in interest rate levels and the availability of financing,
- fluctuations in tourism patterns,
- adverse changes in laws and regulations (including tax, environmental, zoning and building codes, landlord/tenant and other housing laws and regulations) and agency or court interpretations of such laws and regulations and the related costs of compliance,
- potential changes in supply of, or demand for rental properties similar to the Company's,
- competition for tenants and changes in rental rates,
- concentration in a single real estate asset and class,
- needs for additional capital which may be required for needed development or repositioning of one or more real estate assets may exceed the Company's abilities or its desired minimum level of liquidity,
- difficulty in reletting properties on favorable terms or at all,
- impairments in the Company's ability to collect rent payments when due,
- the potential for uninsured casualty and other losses,
- the impact of present or future environmental legislation and compliance with environmental laws,
- changes in federal or state tax laws, and
- acts of terrorism and war.

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

Development and redevelopment activities may be delayed, not completed, and/or not achieve expected results.

As the Company pursues investments in and/or development and redevelopment projects, these projects generally require various governmental and other approvals, which have no assurance of being received. The Company's investment in development and redevelopment activities generally entail certain risks, including the following:

- funds may be expended and management's time devoted to projects that may not be completed,
- construction costs of a project may exceed original estimates possibly making the project economically unfeasible,
- projects may be delayed due to, without limitation, adverse weather conditions, labor or material shortages,
- occupancy rates and rents at a completed project may be less than anticipated, and
- expenses at completed development projects may be higher than anticipated.

These risks may reduce the funds available for distribution to the Company and have a material adverse effect on the Company's financial condition and results of operations. Further, investment in and the development and redevelopment of real estate is also subject to the general risks associated with real estate investments. For further information regarding these risks, see the risk factor "The Company is subject to risks inherent in owning, developing and leasing real estate."

Fluctuations in the local market in which the Company's current equity investment in a development property is located may adversely impact the Company's financial condition and operating results.

The Company's current equity investment in a development property is located in New York City. This geographic concentration could present risks if the New York City property market performance falls below expectations. The economic condition of this market could affect occupancy, property revenues, and expenses, from the property and its underlying asset value. The financial results of major local employers also may impact the cash flow and value of a property. This could have a negative impact on the Company's financial condition and operating results, which could affect the Company's ability to receive distributions from its investment interest in the property.

Property ownership through equity investments and/or in joint ventures could subject us to the differing business objectives of our co-venturers.

The Company has entered into, and may continue in the future to enter into, equity investments and/or joint ventures (including limited liability companies and partnerships) in which the Company does not hold a direct or controlling interest in the assets underlying the entities in which it invests, including equity investments and/or joint ventures in which (i) the Company owns a direct interest in an entity which controls such assets, or (ii) the Company owns a direct interest in an entity which owns indirect interests, through one or more intermediaries, of such assets. These equity investments and/or joint ventures may include ventures through which the Company would own an indirect economic interest of less than 100 percent of a property owned directly by such joint ventures, and may include equity investments and/or joint ventures that the Company does not control or manage. These investments involve risks that do not exist with properties in which the Company owns a controlling interest with respect to the underlying assets, including the possibility that (i) our co-venturers or partners may, at any time, become insolvent or otherwise refuse to make capital contributions when due, (ii) we may be subject to additional capital calls for joint venture development or other expenses which we may be unable or unwilling to meet, possibly resulting in substantial dilution of our investment, (iv) we may become liable with respect to guarantees of payment or performance by the joint ventures, or (v) we may become subject to buy-sell arrangements which could cause us to sell our interests or acquire our co-venturer's or partner's interests in a joint venture. Even where we have major decision rights or do not have major decision rights, because we lack a controlling interest, our co-venturers or partners may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives. While we seek protective rights against such contrary actions, there can be no assurance that we will be successful in procuring any such protective rights, or if procured, that the rights will be sufficient to fully protect us against contrary actions. Our organizational documents do not limit the amount of available funds that we may invest in equity investments and/or joint ventures and/or partnerships. If the objectives of our co-venturers or partners are inconsistent with ours, it may adversely affect our ability to make receive and distributions or payments to our investors.

Our insurance coverage on our property or properties may be inadequate or our insurance providers may default on their obligations to pay claims.

We currently carry comprehensive insurance on our property or properties, including insurance for liability, fire and flood. We cannot guarantee that the limits of our current policies will be sufficient in the event of a catastrophe to our property or properties. We cannot guarantee that we will be able to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, while our current insurance policies insure us against loss from terrorist acts and toxic mold, in the future, insurance companies may no longer offer coverage against these types of losses, or, if offered, these types of insurance may be prohibitively expensive. If any or all of the foregoing should occur, we may not have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. Should an uninsured loss or a loss in excess of our insured limits occur, we could lose all or a portion of the capital we have invested in a property or properties, as well as the anticipated future revenue from the property or properties. We cannot guarantee that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our financial condition and results of operations. If one or more of our insurance providers were to fail to pay a claim as a result of insolvency, bankruptcy or otherwise, the nonpayment of such claims could have an adverse effect on our financial condition and results of operations. In addition, if one or more of our insurance providers were to become subject to insolvency, bankruptcy or other proceedings and our insurance policies with the provider were terminated or canceled as a result of those proceedings, we cannot guarantee that we would be able to find alternative coverage in adequate amounts or at reasonable prices. In such case, we could experience a lapse in any or adequate insurance coverage with respect to one or more properties and be exposed to potential losses relating to any claims that may arise during such period of lapsed or inadequate coverage.

We are dependent on our key personnel whose continued service is not guaranteed and the loss of whose service could have a material adverse effect on our business.

Whether our business is successful will be dependent in part upon the leadership, strategic business direction and real estate experience of our executive officers, particularly Richard A. Bianco, our Chairman, President and Chief Executive Officer. Although we have entered into an employment agreement with Mr. Bianco, none of our executive officers or directors are subject to any covenants not to compete against the Company should they terminate their affiliation with the Company. While we believe that we could find replacements for these key personnel, loss of their services could adversely affect our operations. Although we carry some key man life insurance on Mr. Bianco, the amount of such coverage may not be sufficient to offset any adverse economic effects on our operations and we do not carry key man life insurance on any of our other executive officers or directors.

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

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

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

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

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

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

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

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

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.
In the ordinary course of our business, we collect and store sensitive data that may include intellectual property, our proprietary business information and that of our tenants and business partners, including personally identifiable information of our tenants and employees, on our networks. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations, and damage our reputation, which could adversely affect our business.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company owns a commercial office building in Greenwich, Connecticut. The building is approximately 14,500 square feet and is available for lease with approximately 3,500 square feet utilized by the Company for its offices.

The Company leases approximately 1,085 square feet of office space for its executive office at One South Ocean Boulevard, Suite 301, Boca Raton, Florida 33432, with a lease expiration date in March 2019.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of the Company's legal proceedings, including the Company's Supervisory Goodwill Settlement Agreement - Tax Gross-up and income tax matters, see Part II - Item 8 - Notes 10 and 11 to the Company's consolidated financial statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

The Common Stock of the Company trades through one or more market makers, with quotations made available in the over-the-counter market under the symbol ABCP. The sales prices per share for the Company's Common Stock represent the range of the reported high and low bid quotations. Such prices reflect interdealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

	2014		2013	
	High	Low	High	Low
First Quarter	$1.23	$1.14	$1.27	$0.96
Second Quarter	1.43	1.18	1.28	0.85
Third Quarter	1.45	1.29	1.25	0.90
Fourth Quarter	1.70	1.22	1.23	1.08

As of February 28, 2015, there were approximately 10,100 beneficial owners of the Company's Common Stock. No dividends were declared or paid on the Company's Common Stock in 2014 and 2013. The Company has no current plans to declare or pay dividends in the foreseeable future.

For information concerning the Company's stockholder rights plan, see Part II - Item 8 - Note 7 to the Company's consolidated financial statements.

Common Stock Repurchase Plan

In January 2002, and reaffirmed by the Company's Board of Directors in June 2013, the Company announced a common stock repurchase plan (the "Repurchase Plan") which allows for the repurchase by the Company 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.

From	To	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
-	Initial Balance	-	-	-	10,000,000

Prior to	January 1, 2014	-	-		4,212,130
January 1, 2014	January 31, 2014	231,200	1.20	6,019,070	3,980,930
February 1, 2014	February 28, 2014	64,190	1.18	6,083,260	3,916,740
March 1, 2014	March 31, 2014	79,228	1.18	6,162,488	3,837,512
April 1, 2014	April 30, 2014	53,180	1.25	6,215,668	3,784,332
May 1, 2014	May 31, 2014	10,100	1.28	6,225,768	3,774,232
June 1, 2014	June 30, 2014	-	1.16	6,225,768	3,774,232
July 1, 2014	July 31, 2014	-	1.06	6,225,768	3,774,232
August 1, 2014	August 31, 2014	-	1.20	6,225,768	3,774,232
September 1, 2014	September 30, 2014	-	1.18	6,225,768	3,774,232
October 1, 2014	October 31, 2014	-	1.15	6,225,768	3,774,232
November 1, 2014	November 30, 2014	-	1.20	6,225,768	3,774,232
December 1, 2014	December 31, 2014	-	1.20	6,225,768	3,774,232
Total		437,898			

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

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

BUSINESS OVERVIEW

AmBase Corporation (the "Company") is a holding company which has an equity investment in a real estate development property in New York, New York and owns a commercial office building in Greenwich, Connecticut.

The Company's assets currently consist primarily of cash and cash equivalents, an equity investment in a real estate development property, and real estate owned. The Company earns non-operating revenue consisting principally of investment earnings on investment securities and cash equivalents. As further discussed in Part II – Item 8 – Note 5 to the Company's consolidated financial statements, in June 2013, the Company, through a newly formed subsidiary, purchased an equity interest in a real estate development project through a joint venture agreement to purchase and develop real property located at 105 through 111 West 57th Street in New York, New York (the "111 West 57th Property"). The Company continues to evaluate a number of possible acquisitions and is engaged in the management of its assets and liabilities. From time to time, the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company intends to aggressively contest all litigation and contingencies, as well as pursue all sources for contributions to settlements. For a discussion of lawsuits and proceedings, including a discussion of the Supervisory Goodwill Settlement Agreement – Tax Gross-up and income tax matters, see Part II – Item 8 – Notes 10 and 11 to the Company's consolidated financial statements.

FINANCIAL CONDITION AND LIQUIDITY

The Company's assets at December 31, 2014, aggregated $78,491,000, consisting principally of cash and cash equivalents of $5,299,000, an equity investment in a real estate development property of $71,038,000, and real estate owned, net of $1,776,000. At December 31, 2014, the Company's liabilities aggregated $722,000. Total stockholders' equity was $77,769,000.

For the year ended December 31, 2014, cash of $3,087,000 was used by operations for the payment of operating expenses. The cash needs of the Company for 2014 were principally satisfied by the Company's financial resources and, to a lesser extent, the receipt of investment earnings on investment securities and cash equivalents. In addition, cash flows used by investment activities for 2014 include $17,010,000 of additional equity investments in 111 West 57th Partners LLC. For additional information regarding subsequent capital calls and investment relating to 111 West 57th Partners, see Part II – Item 8 – Note 5 to the Company's consolidated financial statements.

The Company was a plaintiff in a legal proceeding, commenced in 1993, seeking recovery of damages from the United States Government for the loss of the Company's wholly-owned subsidiary, Carteret Savings Bank, F.A. (the "Supervisory Goodwill" legal proceedings). Pursuant to a Settlement Agreement between the Company, the Federal Deposit Insurance Corporation-Receiver ("FDIC-R") and the Department of Justice ("DOJ") on behalf of the United States of America (the "United States"), (the "Settlement Agreement") as approved by the United States Court of Federal Claims (the "Court of Federal Claims"), in October 2012, the United States paid $180,650,000 directly to AmBase (the "Settlement Amount"). As part of the Settlement Agreement in the Company's Supervisory Goodwill legal proceedings, the Company is entitled to a tax gross-up in an amount to be determined if and when any federal taxes should be imposed on the Settlement Amount. In December 2014, the Internal Revenue Service ("IRS") completed their review of the examination of the Company's 2012 Federal Income Tax Return with no change to the tax return as filed. For additional information including a discussion of the Supervisory Goodwill Settlement Agreement – Tax Gross-up and income tax matters see Part II – Item 8 – Notes 10 and 11 to the Company's consolidated financial statements.

Pursuant to the accounting principles with regard to recognition of uncertain tax positions, (ASC 740-10, Accounting for Income Taxes), the Company was required to record an aggregate tax reserve of approximately $36,045,000 ($18.9 million for federal) as of December 31, 2013, to reflect the net tax effect plus accrued interest for potential tax audit and uncertainty that the $152 million Carteret worthless stock tax deduction (uncertain tax position), could have been disallowed in whole or in part by the tax authorities. The Company believes that if any additional federal tax had been owed as a result of any adjustments, these potential amounts would be reimbursable to the Company pursuant to the tax gross-up provision of the Settlement Agreement. As a result, the Company recorded an indemnification asset – federal tax gross-up of $18,429,000, as of December 31, 2013, to reflect the net amount (excluding accrued interest) of the federal uncertain tax position reserve recognized. A portion of the uncertain tax position reserve as of December 31, 2013 was attributable to certain state taxes on the Settlement Amount which were not reimbursable to the Company as part of the Settlement Agreement. In December 2014, the IRS completed their review of the examination of the Company's 2012 federal income tax return with no change to the tax return as filed, as a result the Company, in December 2014, recorded a reversal of the $18,429,000 indemnification asset – federal tax gross-up and the reversal of the $36,045,000 uncertain tax position reserve. For additional information including a discussion of the Supervisory Goodwill Settlement Agreement – Tax Gross-up and income tax matters see Part II – Item 8 – Notes 10 and 11 to the Company's consolidated financial statements.

For the year ended December 31, 2013, cash of $2,267,000 was used by operations for the payment of operating expenses. The cash needs of the Company for 2013 were principally satisfied by the Company's financial resources and to a lesser extent, the receipt of investment earnings on investment securities and cash equivalents. In addition, cash flows used by investment activities for 2013, include a $57,250,000 equity investment in 111 West 57th Partners LLC ("111 West 57th Partners").

Real estate owned consists of a commercial office building in Greenwich, Connecticut that is managed and operated by the Company. The building is approximately 14,500 square feet; with approximately 3,500 square feet utilized by the Company for its 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 the location of the property; current market rents in the area, leasing values, and comparable property sales, the Company believes the property's fair value exceeds the property's current carrying value. Therefore, the Company believes the carrying value of the property as of December 31, 2014 has not been impaired. For additional information see Part II – Item 8 – Note 4 to the Company's consolidated financial statements.

Accounts payable and accrued liabilities aggregated $722,000 at December 31, 2014 and $2,545,000 at December 31, 2013. Included in accounts payable and accrued liabilities at December 31, 2013, was an incentive compensation accrual of $1,843,000 which could have been payable to Richard A. Bianco, the Company's Chairman, President and Chief Executive Officer ("Mr. R.A. Bianco") pursuant to his 2007 Employment Agreement between the Company and Mr. R.A. Bianco, as amended (the "2007 Employment Agreement") related to the tax gross-up indemnification asset. As a result of the completion by the IRS of the Company's 2012 federal income tax return examination with no changes to the tax return as filed, the $1,843,000 incentive compensation accrual was reversed in December 2014, and was recorded as an expense reversal in the Company's consolidated statement of operations.

There are no material commitments for capital expenditures as of December 31, 2014. Inflation has had no material impact on the business and operations of the Company.

RESULTS OF OPERATIONS

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

The Company recorded net income of $14,421,000 or $0.35 per share for the year ended December 31, 2014. Included in net income for the year ended December 31, 2014, is an income tax benefit of $35,862,000 principally relating to the reversal of the Company's uncertain tax position reserve as a result of the IRS's completion of the Company's 2012 federal income tax return examination with no changes to the tax return as filed and an incentive compensation accrual reversal of $1,843,000 offset by the reversal of the $18,429,000 indemnification asset – federal tax gross-up which was recorded as other expense in the Company's consolidated statement of operations. For the year ended December 31, 2013, the Company recorded a net loss of $6,018,000 or $0.14 per share.

Compensation and benefits increased to $1,875,000 in 2014 from $1,798,000 in 2013. The increased amounts in 2014 as compared to 2013 are due to general increased compensation and benefit expenses in 2014 versus 2013. No stock based compensation expense was recorded for the years ended December 31, 2014 and 2013.

Based on the IRS's completion of the Company's 2012 federal income tax return examination with no changes to the tax return as filed, the Company recorded an incentive compensation accrual reversal of $1,843,000 reflected as an expense reversal in the Company's consolidated statement of operations for the year ended December 31, 2014. Pursuant to the 2007 Employment Agreement, Mr. R.A. Bianco, in September 2013, was paid $50,000 of previously accrued incentive compensation based on the federal tax gross-up amount received in connection with the Supervisory Goodwill Settlement Agreement. Additional amount(s), to be determined, could be payable to Mr. R.A. Bianco pursuant to the 2007 Employment Agreement, based on value realized by the Company with respect to a gross-up for federal taxes imposed on the Settlement Amount, if any.

Professional and outside services expenses decreased to $316,000 in 2014 from $515,000 in 2013. The decrease in 2014 as compared to 2013 is principally the result of a higher level of legal fees and other professional fees incurred in 2013 in connection with the tax gross-up provisions of the Supervisory Goodwill Settlement Agreement. See Part II - Item 8 - Note 11 to the Company's consolidated financial statements for a discussion of the Supervisory Goodwill legal proceedings.

Property operating and maintenance expenses increased to $134,000 in 2014 from $131,000 in 2013. The increase is primarily due to a general increase in costs and the incurring of various repair and maintenance expenses in 2014 versus 2013.

Insurance expenses increased to $108,000 in 2014, compared with $43,000 in 2013. The increase is primarily due to an increase in insurance coverage levels and insurance premium costs.

Other operating expenses decreased slightly to $300,000 in 2014 compared with $310,000 in 2013 due to a general lower level of expenses in 2014 versus 2013.

Interest income decreased to $10,000 in 2014 from $50,000 in 2013. The decreased interest income is principally due to a lower average level of cash and cash equivalents and investments on hand in 2014 compared with the 2013 due to the Company's initial and additional investments in the 111 West 57th Street Property in June 2013 and during 2014.

Realized gains on sales of investment securities were $20,000 in 2014 and $39,000 in 2013. The gains are the result of the realization of gains on sales due to market appreciation.

Other expense of $18,429,000 in 2014 relates to the reversal of the indemnification asset - federal tax gross-up which was recorded as a result of the IRS's completion of the Company's 2012 federal income tax return examination with no changes to the tax return as filed.

Equity income (loss) - 111 West 57th Partners of $2,104,000 represents the Company's share of the 111 West 57th Partners' loss for the year ended December 31, 2014. Equity income (loss) - 111 West 57th Partners of $1,118,000 in

2013 represents the Company's share of the 111 West 57th Partners' loss for the period June 28, 2013 through December 31, 2013. The increase in the loss for 2014 is due to increased expenses due to activity for the full year 2014 versus activity in 2013 from June 28, 2013 (date of investment).

For the year ended December 31, 2014, the Company recorded an income tax benefit of $35,862,000. The 2014 income tax benefit is attributable to a current federal benefit of $19,179,000 and a current state benefit of $16,683,000. These amounts reflect the reversal of the Company's previously recorded uncertain tax position reserve, plus accrued interest as a result of the IRS's completion of the Company's 2012 federal income tax return examination with no changes to the tax return as filed. Included in the income tax benefit for the year ended December 31, 2014, is an income tax expense of $183,000, attributable to a provision for a minimum tax on capital imposed by the state jurisdictions.

In connection with the reversal of the accounting for the uncertain tax position reserve liability as previously recorded, the Company expects that based on federal income tax returns as filed, an additional $24.0 million of federal net operating loss carryforwards and an additional $21.0 million of federal minimum tax credits will be available to the Company to reduce future federal taxable income subject their expiration as provided for in the federal tax code. These net operating loss carryforwards and minimum tax credits are offset by a full valuation allowance. For additional information including a discussion of income tax matters, see Part II – Item 8 – Note 10 to the Company's consolidated financial statements.

For the year ended December 31, 2013, the Company recorded an aggregate income tax provision of $2,144,000. This amount is attributable to a provision for a minimum tax on capital imposed by the state jurisdictions and a provision of $1,888,000 for federal and state interest expense on uncertain tax provisions.

A reconciliation between income taxes computed at the statutory federal rate and the provision for income taxes is included in Part II - Item 8 – Note 10 to the Company's consolidated financial statements.

For a further discussion of income taxes see Part II – Item 8 – Note 10 to the Company's consolidated financial statements.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

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

Investment Securities: Securities that the Company has both the positive intent and ability to hold to maturity are classified as held to maturity investments and are carried at amortized cost (which includes accrued interest). Investment securities - held to maturity consist of U.S. Treasury Bills 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 – trading consist of investments in equity securities held for trading purposes and are carried at fair value with net unrealized gains and losses recorded directly in the consolidated statement of operations.

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

Equity Method Investment: Investments and ownership interests are accounted for under the equity method of accounting if the Company has the ability to exercise significant influence, but not control (under GAAP), over the investment. Investments accounted for under the equity method are carried at cost, plus or minus the Company's equity in the increases and decreases in the net assets after the date of acquisition and certain other adjustments. The Company's share of income or loss for equity method investments is recorded in the consolidated statements of operations as equity income (loss). Dividends received, if any, would reduce the carrying amount of the Company's investment.

Legal Proceedings: From time to time the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company presently is not aware of any pending or threatened litigation which could have a material adverse effect on the consolidated financial statements presented herein. Management of the Company, in consultation with outside legal counsel, continually reviews the likelihood of liability and associated costs of pending and threatened litigation including the basis for the calculation of any litigation reserves which may be necessary. The assessment of such reserves includes an exercise of judgment and is a matter of opinion. The Company intends to aggressively contest all threatened litigation and contingencies, as well as pursue all sources for contributions to settlements. For a discussion of lawsuits and proceedings, see Part II - Item 8 - Note 11 to the Company's consolidated financial statements.

Income Tax Audits: The Company's federal, state and local tax returns, from time to time, may be audited by the tax authorities, which could result in proposed assessments or a change in the net operating loss ("NOL") carryforwards currently available. The Company's federal income tax returns for the years subsequent to 1992 have not been examined by the Internal Revenue Service ("IRS") or state authorities, except for tax years 2007 and 2012, which were examined by the IRS and have been concluded. In connection with the IRS's examination of the Company's 2012 federal income tax return, the IRS accepted the Company's federal NOL loss carryforward deductions from 1997 through 2006 which were utilized as part of the Company's 2012 federal income tax return to reduce the Company's 2012 federal taxable income. The Company has not been notified of any other potential tax audits by any federal, state or local tax authorities. As such, the Company believes the statutes of limitations for the assessment of additional federal and state tax liabilities are generally closed for tax years prior to 2011.

Deferred Tax Assets: As of December 31, 2014, the Company had deferred tax assets arising primarily from net operating loss carryforwards available to offset taxable income in future periods. 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. The valuation allowance was calculated in accordance with current standards, which places primary importance on a company's cumulative operating results for the current and preceding years. We intend to maintain a valuation allowance for the entire deferred tax asset until sufficient positive evidence exists to support a reversal. See Part II - Item 8 - Note 10 to the Company's consolidated financial statements.

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

Cautionary Statement for Forward-Looking Information

This Annual Report together with other statements and information publicly disseminated by the Company may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended,(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 Annual Report, the words "estimates," "expects," "anticipates," "believes," "plans," "intends" and variations of such words and similar expressions are intended to identify forward-looking statements that involve risks and uncertainties. The Company cautions readers that a variety of factors could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These risks and uncertainties, many of which are beyond the Company's control, include, but are not limited to those set forth in "Item 1A, Risk Factors" and elsewhere in this Annual Report and in the Company's other public filings with the Securities and Exchange Commission including, but not limited to: (i) transaction volume in the securities markets; (ii) the volatility of the securities markets; (iii) fluctuations in interest rates; (iv) risks inherent in the real estate business, including, but not limited to, insurance risks, 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; (ix) certain assumptions regarding the outcome of pending legal and/or tax matters, based in whole or in part upon consultation with outside advisors, and (x) risks arising from unfavorable decisions in the Company's current material tax and litigation matters, or unfavorable decisions in other Supervisory Goodwill cases. These are not the only risks that we face. There may be additional risks that we do not presently know of or that we currently believe are immaterial which could also impair our business and financial position.

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

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the Board of Directors and Shareholders of
AmBase Corporation

We have audited the accompanying consolidated balance sheets of AmBase Corporation and Subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. Our audit also includes the financial statement schedule as of December 31, 2014 and 2013, and for the years then ended listed in the index at item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AmBase Corporation and subsidiaries, as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/Marcum LLP
Hartford, CT
March 30, 2015

AMBASE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

(in thousands, except per share data)

	Years Ended December 31,	
	2014	2013
Operating expenses:		
Compensation and benefits	$1,875	$1,798
Incentive compensation accrual reversal	(1,843)	-
Professional and outside services	316	515
Property operating and maintenance	134	131
Depreciation	48	48
Insurance	108	43
Other operating	300	310
Total operating expenses	938	2,845
Operating income (loss)	(938)	(2,845)
Interest income	10	50
Realized gains (losses) on sales of investment securities	20	39
Other expense - federal tax gross-up – indemnification asset reversal	(18,429)	-
Equity income (loss) – 111 West 57th Partners LLC	(2,104)	(1,118)
Income (loss) before income taxes	(21,441)	(3,874)
Income tax expense (benefit)	(35,862)	2,144
Net income (loss) before non-controlling interest	14,421	(6,018)
Net income (loss) attributable to non-controlling interest	-	-
Net income (loss)	$14,421	$(6,018)
Net income (loss) per common share - basic	$0.35	$(0.14)

Net income (loss) per common share - assuming dilution	$0.35	$(0.14)
Weighted average common shares outstanding - basic	40,792	42,275
Weighted average common shares outstanding - assuming dilution	40,792	42,275

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

AMBASE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

(in thousands, except per share data)

	December 31, 2014	December 31, 2013
Assets:		
Cash and cash equivalents	$ 5,299	$ 6,940
Investments securities - held to maturity	-	14,798
Investments securities - trading carried at fair value	-	-
Total investment securities	-	14,798
Real estate owned:		
Land	554	554
Buildings	1,900	1,900
Real estate owned, gross	2,454	2,454
Less: accumulated depreciation	678	630
Real estate owned, net	1,776	1,824
Indemnification asset - federal tax gross-up	-	18,429
Investment in 111 West 57th Partners LLC	71,038	56,132
Other assets	378	240
Total assets	$ 78,491	$ 98,363
Liabilities and Stockholders' Equity:		
Liabilities:		
Accounts payable and accrued liabilities	$ 722	$ 2,545
Uncertain tax position reserve	-	36,045
Other liabilities	-	-
Total liabilities	722	38,590