AMBASE CORP
Form 10-K
March 27, 2009

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)

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from ________ to ________

Commission file number 1-07265

AMBASE CORPORATION

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices)

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

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

Title of each class

Common Stock ($0.01 par value)

Rights to Purchase Common Stock

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

Yes No 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 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 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

1

At February 28, 2009, there were 43,215,464 shares of registrant's Common Stock outstanding. At June 30, 2008 the aggregate market value of registrant's voting securities (consisting of its Common Stock) held by nonaffiliates of the registrant, based on the average bid and asking price on such date of the Common Stock of $0.40 per share, was approximately $11 million. The Common Stock constitutes registrant's only outstanding class of security.

Portions of the registrant's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders, which Proxy Statement the registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year, is incorporated by reference with respect to certain information contained therein, in Part III of this Annual Report.

The Exhibit Index is located in Part IV, Item 15, Page 45.

AmBase Corporation

Annual Report on Form 10-K

December 31, 2008

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

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

The Company’s assets currently consist primarily of cash and cash equivalents, investment securities, and real estate 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 II - Item 8 - Notes 9 and 10* to the Company’s consolidated financial statements. Discussions and negotiations are ongoing with respect to certain of these matters. From time to time, the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company intends to aggressively contest all litigation and contingencies, as well as pursue all sources for contributions to settlements. The Company had 6 employees at December 31, 2008.

In July 2005, the Company sold its 38,000 square foot office building at Two Soundview Drive in Greenwich, Connecticut (“Two Soundview”). Accordingly, the results of operations of Two Soundview were retroactively reclassified as discontinued operations in accordance with Financial Account Standards Board, State of Financial Accounting Standards No. 144, *“Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS144”).* In connection with the sale, the Company recorded a gain of $10,290,000 in 2005.

Background

City originally incorporated AmBase as the holding company for The Home Insurance Company, and its affiliated property and casualty insurance companies (“The Home”). In 1985, City, which owned all the outstanding shares of the Common Stock of the Company, distributed the Company’s shares to City’s common stockholders. The Home was sold in February 1991.

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

In December 1997, the Company formed a new wholly owned subsidiary, SDG Financial Corp. (“SDG Financial”), to pursue merchant banking activities. SDG Financial purchased an equity interest in SDG, Inc. (“SDG”) and was granted the exclusive right to act as the investment banking/financial advisor to SDG, Inc. and all of its subsidiaries and affiliates. The Company also purchased convertible preferred and common stock in AMDG, Inc. (“AMDG”), a majority owned subsidiary of SDG. SDG and AMDG are development stage pharmaceutical companies. In connection with a litigation settlement with SDG and AMDG, the Company received $72,000 in April 2006. The Company remains a shareholder in SDG and AMDG and will continue to monitor the status of SDG and its subsidiary, AMDG, Inc. These investments have no current carrying value, as the Company’s original cost basis was previously written off.

STOCKHOLDER INQUIRIES

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

American Stock Transfer and Trust Company

59 Maiden Lane

New York, NY 10038

Attention: Shareholder Services

(800) 937-5449 or (718) 921-8200 Ext. 6820

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

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

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

ITEM 1A. RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

The Company is in a competitive business.

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

Company’s ability to make suitable property acquisitions on favorable terms in the future.

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Executive Officers of the Registrant

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

Set forth below is a list of executive officers of the Company at December 31, 2008:

Name	**Age**	**Title**
Richard A. Bianco	61	Chairman, President and Chief Executive Officer
John P. Ferrara	47	Vice President, Chief Financial Officer and Controller
Joseph R. Bianco	64	Treasurer

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

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

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

PART II

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

	2008		**2007**	
	High	**Low**	**High**	**Low**
First Quarter	$ 0.44	$ 0.38	$ 0.59	$ 0.47
Second Quarter	0.47	0.36	0.52	0.47
Third Quarter	0.44	0.35	0.50	0.40
Fourth Quarter	0.37	0.16	0.44	0.40

As of February 28, 2009, there were approximately 13,700 beneficial owners of the Company's Common Stock. No dividends were declared or paid on the Company's Common Stock in 2008 or 2007. The Company does not intend to declare or pay dividends in the foreseeable future.

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

Common Stock Repurchase Plan

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

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

	Total Number of Shares Purchased	**Average Price Paid per Share (including Broker**	**Total Number Shares Purchased as Part of Publicly Announced Plans**	**Maximum Number Shares that may yet be Purchased under**

		Commissions)		the Plan
Beginning balance January 1, 2008	-	-	2,424,855	7,575,145
January 1, 2008 - January 31, 2008	189,100	0.45	2,613,955	7,386,045
February 1, 2008 - February 28, 2008	-	-	2,613,955	7,386,045
March 1, 2008 - March 31, 2008	-	-	2,613,955	7,386,045
April 1, 2008 - April 30, 2008	70,400	0.38	2,684,355	7,315,645
May 1, 2008 - May 31, 2008	-	-	2,684,355	7,315,645
June 1, 2008 - June 30, 2008	-	-	2,684,355	7,315,645
July 1, 2008 - July 31, 2008	-	-	2,684,355	7,315,645
August 1, 2008 - August 31, 2008	50,000	0.41	2,734,355	7,265,645
September 1, 2008 - September 30, 2008	52,800	0.38	2,787,155	7,212,845
October 1, 2008 - October 31, 2008	63,900	0.36	2,851,055	7,148,945
November 1, 2008 - November 30, 2008	50,000	0.25	2,901,055	7,098,945
December 1, 2008 - December 31, 2008	167,000	0.22	3,068,055	6,931,945
Total	**643,200**			

STOCK PERFORMANCE GRAPH

The following graph compares the cumulative total shareholder return on the Company's Common Stock for the past five years with the performance of the Standard & Poor's 500 Financials Index (S&P 500 Financials) and the Standard & Poor's 500 Stock Index (S&P 500) for that period. The graph assumes that a $100 investment was made in the Company's Common Stock and each of the indices at the earliest date shown, and the dividends, if any, were reinvested. No dividends have been paid by the Company over the past five (5) years. The stock price performance shown in the graph below should not be considered indicative of potential future stock price performance.

	December 31					
Company/Index	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
AmBase Corporation	100.00	118.46	80.77	76.92	61.54	24.62
S&P 500 Index	100.00	110.88	116.33	134.70	142.10	89.53
S&P 500 Financial Index	100.00	100.89	118.07	140.73	114.52	51.17

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data should be read in conjunction with the Company's consolidated financial statements included in*Part II - Item 8* of this Form 10-K. The consolidated statements of operations for the periods ended prior to the July 2005 sale of Two Soundview were retroactively reclassified to reflect the operations as discontinued operations.

(in thousands, except per share data)	**Years ended December 31,**				
	2008	**2007**	**2006**	**2005 (a)**	**2004**
Operating revenue	$-	$-	$92	$170	$176
Interest income	353	1,305	1,846	1,034	505
Loss from continuing operations	$(4,431)	$(3,936)	$(5,463)	$(5,519)	$(4,696)
Income from discontinued operations	-	-	-	10,647	1,345
Net income (loss)	$(4,431)	$(3,396)	$(5,463)	$5,128	$(3,351)
Per share data:					
Loss from continuing operations - Basic	$(0.10)	$(0.09)	$(0.12)	$(0.12)	$(0.10)
Income from discontinued operations - Basic	-	-	-	0.23	0.03
Net income (loss) - Basic	$(0.10)	$(0.09)	$(0.12)	$0.11	$(0.07)
Dividends	-	-	-	-	-
Total assets	$16,241	$21,559	$42,148	$45,883	$40,860
Total stockholders' equity	15,928	20,578	24,667	29,682	25,574

(a) Net income in 2005 includes a $10,298,000 gain from the sale of Two Soundview.

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 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*. Discussions and negotiations are ongoing with respect to certain of these matters. From time to time, the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company intends to aggressively contest all litigation and contingencies, as well as pursue all sources for contributions to settlements.

FINANCIAL CONDITION AND LIQUIDITY

The Company's assets at December 31, 2008, aggregated $16,241,000, consisting principally of cash and cash equivalents of $2,667,000, investment securities of $11,400,000 and real estate owned of $2,069,000. At December 31, 2008, the Company's liabilities aggregated $313,000. Total stockholders' equity was $15,928,000.

The Company previously sponsored a non tax-qualified supplemental retirement plan, initially adopted by the Company in 1985, and as amended and restated (the "Supplemental Plan"), under which only one current executive officer of the Company was the sole participant. The cost of the Supplemental Plan was previously accrued but not funded.

In accordance with an amendment to the Supplemental Plan, as previously adopted in March 2006, the liability for the Supplemental Plan was fully satisfied on May 31, 2007, by the lump-sum benefit payment of $16,676,115 (to Mr. Bianco, the Company's Chairman, President and Chief Executive Officer), and immediately thereafter, the Supplemental Plan automatically terminated. The lump-sum Supplemental Plan benefit payment to Mr. Bianco was paid from the Company's available financial resources. As a result of the termination of the Supplemental Plan, after May 31, 2007, no further Supplemental Plan expense was required to be recognized by the Company. See *Results of Operations* below for further information regarding the Supplemental Plan expense. For a further discussion of the Supplemental Plan termination and Mr. Bianco's 2007 Employment Agreement, see *Part II – Item 8 – Note* 7 to the Company's consolidated financial statements.

For the year ended December 31, 2008, cash of $4,781,000 was used by operations, including the payment of operating expenses and prior year accruals; partially offset by the receipt of interest income and investment earnings. The cash needs of the Company for 2008 were principally satisfied by the Company's financial resources and to a lesser extent the receipt of investment earnings on investment securities and cash equivalents. Management believes that the Company's liquid assets are sufficient to continue operations for the next twelve months.

For the year ended December 31, 2007, cash of $19,116,000 was used by operations, primarily due to the payment of the Supplemental Plan lump-sum benefit payment of $16,676,115, and to a lesser extent the payment of operating expenses and prior year accruals, partially offset by the receipt of interest income and investment earnings. The cash needs of the Company for 2007 were principally satisfied by the Company's financial resources and the receipt of investment earnings on investment securities and cash equivalents.

For the year ended December 31, 2006, cash of $4,519,000 was used by operations, including the payment of operating expenses and prior year accruals, partially offset by the receipt of interest income and investment earnings. The cash needs of the Company for 2006 were principally satisfied by investment earnings received on investment securities and cash equivalents and the Company's financial resources.

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

Although the portion of the building not being utilized by the Company is currently unoccupied and available for lease, based on the Company's analysis including but not limited to current market rents in the area, leasing values, and comparable property sales, the Company believes the property's fair market value exceeds the property's current carrying value; and, therefore the carrying value of the property as of December 31, 2008, has not been impaired.

Pursuant to the Company’s Repurchase Plan, the Company repurchased, from unaffiliated parties, an aggregate of 643,200 shares of common stock during the year ended December 31, 2008, at various dates, at market prices at their time of purchase for an aggregate cost of $219,000. See *Part II - Item 8 - Note 5* for further details with regard to the Company’s purchases of common stock pursuant to its common stock repurchase plan. There are no material commitments for capital expenditures as of December 31, 2008. Inflation has had no material impact on the business and operations of the Company.

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

RESULTS OF OPERATIONS

Continuing Operations

In 2008, the Company earned non-operating revenue consisting principally of investment earnings on investment securities and cash equivalents; the Company had no operating revenue in 2008 or 2007. The Company's management believes that operating cash needs for the next twelve months will be met principally by the receipt of investment earnings on investment securities and cash equivalents, and the Company's current financial resources. The Company's main source of operating revenue in 2006 was rental income earned on real estate owned.

The Company recorded a net loss of $4,431,000 or $0.10 per share for the year ended December 31, 2008; $3,936,000 or $0.09 per share for the year ended December 31, 2007; and $5,463,000 or $0.12 per share for the year ended December 31, 2006.

No rental income was earned by the Company in 2008 or 2007. The Company received rental income from real estate owned of $92,000 in 2006. The decreased amounts in the 2008 and 2007 periods, is due to unoccupied office space currently available for lease, versus partial occupancy in the same 2006 period.

Compensation and benefits decreased to $1,533,000 in 2008 from $2,911,000 in 2007, and from $4,778,000 in 2006. The decrease in compensation and benefits in 2008 compared to 2007 is due to no Supplemental Plan expense being recognized in 2008, as a result of the Supplemental Plan termination as of May 31, 2007, as further described below and a lower level of incentive compensation accruals in 2008. Included in compensation and benefits is an accrual for the Supplemental Plan of $868,000 for 2007 and $2,539,000 for 2006. Incentive compensation accruals decreased to $179,000 in 2008 from $443,000 in 2007. The decrease in compensation and benefits in 2007 compared to 2006 is primarily due to the significant decrease in the Supplemental Plan expense in 2007, as a result of the Supplemental Plan termination as of May 31, 2007, as further described below and to a lesser extent, a lower level of incentive compensation accruals in 2007. As a result of the termination of the Supplemental Plan, after May 31, 2007, no further Supplemental Plan expense was required to be recognized by the Company.

For the year ended December 31, 2007, the Supplemental Plan expense reflects recognition of an expense of $394,000 recorded to increase the Supplemental Plan liability to the present value of the May 31, 2007 lump-sum payment amount of $16,676,115, utilizing a 5.75% discount rate factor based on the 2007 Employment Agreement between the Company and Mr. Bianco and the amendment of the Supplemental Plan.

An additional Supplemental Plan expense of $474,000 in the year ended December 31, 2007, and $852,000 for the year ended December 31, 2006 was recorded to amortize the Supplemental Plan minimum pension liability adjustment. The minimum pension liability adjustment, which was included as a component of stockholders' equity within accumulated other comprehensive loss in the Company's consolidated financial statements, was $1,326,000 as of March 31, 2006, and was amortized on a straight line basis over the 14-month period from April 1, 2006, through May 31, 2007, as an additional Supplemental Plan expense of $284,000 per quarter. The amortization of the additional minimum pension liability in the 2007 and 2006 periods, although recorded as a component of compensation expense in the Company's consolidated statement of operations, did not result in a decrease in total stockholders' equity, as its recognition results in an increase in one component and a corresponding decrease in another component of stockholders' equity. See *Part II - Item 8 - Notes 6 and 7* to the Company's consolidated financial statements for further information.

The Supplemental Plan expense of $2,539,000 in 2006 is due to recognition of an expense of $1,687,000, comprised of an expense of $1,224,000 recorded to increase the Supplemental Plan liability to reflect the December 31, 2006 present value of the anticipated May 31, 2007 lump-sum payment amount of $16,676,115, utilizing a 5.75% discount rate factor based on the 2007 Employment Agreement between the Company and Mr. Bianco and the amendment of the Supplemental Plan as further described in *Part II – Item 8 – Note 7* to the Company's consolidated financial statements, and an expense of $463,000 to reflect actuarially determined pension costs.

The Company adopted SFAS 123R effective on January 1, 2006. In accordance with SFAS 123R, the Company has applied the "modified prospective" method in which compensation cost for stock options is recognized beginning with the effective date. No stock based compensation expense was recorded for the years ended December 31, 2008 and 2007, as all previously granted outstanding options vested as of January 2, 2007. No stock option awards have been granted since January 2005. During the year ended December 31, 2006, the Company recorded $88,000 of compensation expense relating to stock options. For further information regarding the Company's adoption of SFAS 123R and its impact on the Company's financial statements, see *Part II – Item 8 – Note 8* to the Company's consolidated financial statements.

Professional and outside services increased to $3,286,000 in 2008 from $2,195,000 in 2007 and from $2,655,000 in 2006. The increase in the 2008 period of $1,091,000 from $2,195,000 in 2007 is principally the result of higher legal expenses relating to the Supervisory Goodwill litigation as a result of trial preparation, legal and expert trial costs and post trial brief preparation. The decrease in the 2007 period to $2,195,000 from $2,655,000 in 2006 is principally the result of a lower level of legal fees in 2007, relating to the Supervisory Goodwill litigation and to a lesser extent, a lower level of other corporate professional fees. During 2007, Supervisory Goodwill fees were principally attributable to expert report preparation costs, expert depositions of the Company's and the Government's witnesses and overall trial preparations costs in anticipation of the February 2008 Supervisory Goodwill trial. Supervisory Goodwill litigation expenses in 2006 includes expenses relating to discovery, brief preparation and expert reports relating to the Show Cause Hearing. See *Part II - Item 8 - Note 10* to the Company's consolidated financial statements for a discussion of the Supervisory Goodwill litigation proceedings.

Property operating and maintenance expenses were $116,000 in 2008, $122,000 in 2007, and $123,000 in 2006. Although the 2008 property operating and maintenance expenses includes increased utility costs, the overall expense amount decreased slightly from prior years as a result of overall cost reduction measures.

Interest income was $353,000 in 2008, $1,305,000 in 2007, and $1,846,000 in 2006. The decrease in 2008 compared to 2007 is due to a decreased yield on investments due to decreasing interest rates and a lower aggregate amount of cash equivalents and investment securities invested for the full year of 2008, compared with a higher average level of cash equivalents and investment securities in the first five months of 2007. The decrease in 2007 compared to 2006 is principally due to a lower level of cash equivalents and investments securities as a result of the Supplemental Plan lump-sum benefit payment in May 2007, as further described in *Part I - Item 1, Note 7* to the Company's consolidated financial statements offset slightly by an increased yield on investments due to rising interest rates. The payment decreased the Company's cash equivalents and investment securities by approximately $16.7 million, resulting in a decrease in the interest income earned by the Company beginning in June 2007. See *Item 3 - Quantitative and Qualitative Disclosure about Market Risk* for information concerning the Company's weighted average interest rate yield on investment securities.

During 2007 and 2006 realized gains on sales of investment securities available for sale were $310,000, and $45,000 respectively. The increase in 2007 is the result of a higher level of investment securities available for sale and realization of gains on sales due to market appreciation.

Other expense of $1,100,000 for 2006 is attributable to a payment in October 2006 for the settlement of potential claims by two stockholders of the Company as more fully described in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. Other income of $400,000 for the year ended December 31, 2006, is attributable to receipt of insurance proceeds received in connection with the settlement of those claims. The net cost to the Company for the settlement of the matter was approximately $700,000.

Other income of $247,000 in 2008 is attributable to an IRS interest refund, received by the Company in June 2008. Other income of $1,273,000 in 2006 consists of $1,201,000 attributable to an IRS interest refund, consented to by the IRS in December 2006, and received by the Company in January 2007. The IRS refunds in 2008 and 2006 resulted from the Company's pursuit of interest refund claims for several prior tax years under a tax code provision which allowed for the retroactive recovery of the interest differential where a taxpayer had a tax underpayment (subject to higher interest payment rates) for one tax year and a simultaneous tax overpayment (subject to lower interest refund rates) for another tax year. The additional $72,000 of other income in 2006 is attributable to settlement proceeds received from the litigation with SDG, Inc. The

Company remains a shareholder in SDG and AMDG, but has no current carrying value for this investment, as the Company's original cost basis was previously written off.

As noted above, during the year ended December 31, 2006, the Company recorded various amounts of other non-recurring other income and other expense from various sources and matters. The net aggregate amount of these non-recurring items resulted in the recognition of other income of $573,000, for the year ended December 31, 2006.

The Company recorded an income tax benefit of $160,000 in 2008 due to the reversal of prior year estimated tax accruals. For the years ended December 31, 2007, and December 31, 2006, the Company recorded income tax provisions of $50,000 and $132,000, respectively. The 2007 and 2006 income tax provisions were attributable to a provision for a minimum tax on capital imposed by the state of Connecticut.

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

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	$27	$14	$13	$-	$-
Total	$27	$14	$13	$-	$-

APPLICATION OF CRITICAL ACCOUNTING POLICIES

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

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

Income Tax Audits: The Company’s federal, state and local tax returns, from time to time, may be audited by the tax authorities, which could result in proposed assessments or a change in the net operating loss (“NOL”) carryforwards currently available. The Company’s federal income tax returns for the years subsequent to 1992 have not been reviewed by the Internal Revenue Service. The accrued amounts for income taxes reflects management’s best judgment as to the amounts payable for all open tax years.

Deferred Tax Assets: As of December 31, 2008, the Company had deferred tax assets arising primarily from net operating loss carryforwards and alternative minimum tax credits available to offset taxable income in future periods. A valuation allowance has been established for the entire net deferred tax asset of $39 million, as management, at the current time, has no basis to conclude that realization is more likely than not. The valuation allowance was calculated in accordance with the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes” (“SFAS 109”), which places primary importance on a company’s cumulative operating results for the current and preceding years. We intend to maintain a valuation allowance for the entire deferred tax asset until sufficient positive evidence exists to support a reversal. See *Part II - Item 8 - Note 9.*

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No.157, "Fair Value Measurements,"("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring the fair value of assets and liabilities, and expands disclosure requirements regarding the fair value measurement. SFAS 157 does not expand the use of fair value measurements. This statement, as issued, is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. FASB Staff Position (FSP) FAS No. 157-2 was issued in February 2008 and deferred the effective date of SFAS 157 for non-financial assets and liabilities to fiscal years beginning after November 2008. As such, the Company adopted SFAS 157 as of December 30, 2007 for financial assets and liabilities only. There was no material impact on the Company's consolidated financial statements. The adoption of SFAS No. 157 related to the Company's financial assets and liabilities did not have a material impact on the fair value measurement or require expanded disclosures. See Note 11 – Financial Instruments and Fair Value Measurements.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. The objective of SFAS 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under SFAS 159, a company may elect to use fair value to measure eligible items at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Eligible items include, but are limited to, accounts receivable, accounts payable, and issued debt. If elected, SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company has not elected to measure any additional assets or liabilities at fair value that are not already measured at fair value under existing standards.

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

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51,"("SFAS No. 160")SFAS 160 clarifies the classification of noncontrolling interests in consolidated balance sheets and reporting transactions between the reporting entity and holders of noncontrolling interests. Under this statement, noncontrolling interests are considered equity and reported as an element of consolidated equity. Further, net income encompasses all consolidated subsidiaries with disclosure of the attribution of net income between controlling and noncontrolling interests. SFAS No. 160 is effective prospectively for fiscal years beginning after December 15, 2008. The Company believes the adoption of SFAS No. 160 will not have a material impact on the Company's consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures About Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" ("SFAS No. 161"), which expands the disclosure requirements in SFAS 133 about an entity's derivative instruments and hedging activities. SFAS No. 161 expands the disclosure provisions to apply to all entities with derivative instruments subject to SFAS No. 133 and its related interpretations. The provisions also apply to related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS No. 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. Such disclosures, as well as existing SFAS No. 133 required disclosures, generally will need to be presented for every annual and interim reporting period. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. As the Company currently has no derivative instruments or hedging activities, the Company believes the adoption of SFAS No. 161 will not have an impact on the Company's consolidated financial statements.

In April 2008, the FASB issued FSP SFAS No. 142-3, “Determination of the Useful Life of Intangible Assets” (“FSP SFAS No. 142-3”). FSP SFAS No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* (“SFAS No. 142”). The intent of FSP SFAS No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) and other applicable accounting literature. FSP SFAS No. 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and must be applied prospectively to intangible assets acquired after the effective date. The Company believes the adoption of FSP SFAS No. 142-3 will not have a material impact on the Company’s consolidated financial statements.

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

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

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

Cautionary Statement for Forward-Looking Information

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

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

ITEM 7A. 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 at December 31, 2008 and 2007, with maturity dates of less than one year consist of the following:

($ in thousands)	**2008 Carrying Value**	**Fair Value**	**2007 Carrying Value**	**Fair Value**
U.S. Treasury Bills	$ 11,400	$ 11,400	$ 16,313	$ 16,329
Weighted average interest rate	-		4.77 %	

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 not currently providing an investment yield.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF UHY LLP

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

AmBase Corporation

We have audited the accompanying consolidated balance sheets of AmBase Corporation and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in stockholders' equity, comprehensive (loss) income, and cash flows for the years then ended. Our audits also included the financial statement schedule for 2008 and 2007. The Company's management is responsible for these financial statements and schedule. Our responsibility is to express an opinion on these financial statements and 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial position of AmBase Corporation and subsidiaries as of December 31, 2008 and 2007 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule for 2008 and 2007, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We were not engaged to examine management's assertion about the effectiveness of the Company's internal control over financial reporting as of December 31, 2008 included under Item 9A(T) under the caption "Management's Annual Report on Internal Control Over Financial Reporting" and accordingly we do not express an opinion thereon.

/s/ UHY LLP

New Haven, CT

March 27, 2009

REPORT OF PRICEWATERHOUSECOOPERS LLP

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directorsand Stockholders of

AmBase Corporation

In our opinion, the accompanying consolidated statements of operations, of changes in stockholders' equity, of comprehensive loss, and of cash flows for the year ended December 31, 2006 present fairly, in all material respects, the results of operations and cash flows of AmBase Corporation and its subsidiaries for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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. An audit 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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

New York, NY

March 27, 2007

AMBASE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
Years Ended December 31

(in thousands, except per share data)

	2008	2007	2006
Revenues:			
Rental income	$ -	$ -	$ 92
Operating expenses:			
Compensation and benefits	1,533	2,911	4,778
Professional and outside services	3,286	2,195	2,655
Property operating and maintenance	116	122	123
Depreciation	51	51	51
Insurance	73	79	80
Other operating	132	143	200
	5,191	5,501	7,887
Operating loss	(5,191)	(5,501)	(7,795)
Interest income	353	1,305	1,846
Other expense, claims settlement	-	-	(1,100)
Other income, insurance recovery	-	-	400
Realized gains on sales of investment securities, net	-	310	45
Other income	247	-	1,273
Loss before income taxes	(4,591)	(3,886)	(5,331)
Income tax benefit (expense)	160	(50)	(132)
Net loss	$ (4,431)	$ (3,936)	$ (5,463)
Per share data:			
Net loss attributable to common stockholders - basic	$ (0.10)	$ (0.09)	$ (0.12)
Net loss attributable to common stockholders - assuming dilution	$ (0.10)	$ (0.09)	$ (0.12)
Weighted average common shares outstanding:			
Basic	43,571	44,691	45,327
Assuming dilution	43,571	44,691	45,327

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

AMBASE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31

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

Assets:	**2008**	**2007**
Cash and cash equivalents, (including restricted cash of $900 in 2008)	$ 2,667	$ 2,894
Investment securities:		
Held to maturity (market value $11,400 and $16,329, respectively)	11,400	16,313
Total investment securities	11,400	16,313
Real estate owned:		
Land	554	554
Buildings	1,900	1,900
	2,454	2,454
Accumulated depreciation	(385)	(334)
Real estate owned, net	2,069	2,120
Other assets	105	232
Total assets	$ 16,241	$ 21,559
Liabilities and Stockholders' Equity:		
Liabilities:		
Accounts payable and accrued liabilities	$ 304	$ 962
Other liabilities	9	19
Total liabilities	313	981
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock ($0.01 par value, 200,000,000 authorized, 46,410,007 issued and 43,215,464 outstanding in 2008 and 43,858,664 outstanding in 2007)	464	464
Additional paid-in capital	548,044	548,044
Accumulated deficit	(530,488)	(526,057)
Treasury stock, at cost - 3,194,543 and 2,551,343 shares, respectively	(2,092)	(1,873)
Total stockholders' equity	15,928	20,578
Total liabilities and stockholders' equity	$ 16,241	$ 21,559

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

AMBASE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

(in thousands)

	Common stock	Additional paid-in capital	Accumulated other compre-hensive income (loss)	Accumulated deficit	Treasury stock	Total
December 31, 2005	$ 464	$ 547,956	$ (1,395)	$ (516,658)	$ (685)	$ 29,682
Net loss	-	-	-	(5,463)	-	(5,463)
Stock-based compensation	-	88	-	-	-	88
Common stock repurchased	-	-	-	-	(699)	(699)
Other comprehensive income	-	-	1,059	-	-	1,059
December 31, 2006	464	548,044	(336)	(522,121)	(1,384)	24,667
Net loss	-	-	-	(3,936)	-	(3,936)
Common stock repurchased	-	-	-	-	(489)	(489)
Other comprehensive income	-	-	336	-	-	336
December 31, 2007	464	548,044	-	(526,057)	(1,873)	20,578
Net loss	-	-	-	(4,431)	-	(4,431)
Common stock repurchased	-	-	-	-	(219)	(219)
December 31, 2008	$ 464	$ 548,044	$ -	$ (530,488)	$ (2,092)	$ 15,928

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

AMBASE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

Years Ended December 31,

(in thousands)

	2008	2007	2006
Net loss	$ (4,431)	$ (3,936)	$ (5,463)
Minimum pension liability adjustment, net of tax effect of $0	-	474	852
Unrealized holding gains (losses) on investment securities - available for sale, net of tax effect of $0	-	(138)	207
Comprehensive loss	$ (4,431)	$ (3,600)	$ (4,404)

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

AMBASE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended December 31

(in thousands)	**2008**	**2007**	**2006**
Cash flows from operating activities:			
Net loss	$ (4,431)	$ (3,936)	$ (5,463)
Adjustments to reconcile net loss to net cash used by operations:			
Accretion of discount - investment securities	140	(34)	(53)
Depreciation and amortization	51	51	51
Realized gains on sales of investment securities	-		