10-K

FILING-DATE: 03/31/93 DOCUMENT-DATE: 12/31/92

AMBASE CORP
CROSS-REFERENCE: OTC PINK SHEETS - 12/92
TICKER-SYMBOL: ABCP EXCHANGE: OTP

100 FIELD POINT ROAD
GREENWICH, CT 06830
203-532-2000

INCORPORATION: DE

COMPANY-NUMBER: CUSIP NUMBER: 02316410
DUNS NUMBER: 09-506-7278
COMMISSION FILE NO.: 1-7265
IRS-ID: 95-2962743

SIC: SIC-CODES: 6035, 6141, 6211, 6289, 6331, 6351
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INDUSTRY-CLASS: SAVINGS INSTITUTION, FEDERALLY CHARTERED

FYE: 12/31

AUDITOR: PRICE WATERHOUSE

STOCK-AGENT: AMERICAN STOCK TRANSFER & TRUST COMPANY

COUNSEL: CRAVATH, SWAINE & MOORE

TABLE OF CONTENTS FOR 10K

[*1] [HARDCOPY PAGE H1]

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

AMBASE CORPORATION
100 FIELD ROAD
GREENWICH, CT 06830
(203) 532-2000

FOR FISCAL YEAR ENDED : 12/31/92
COMMISSION FILE NUMBER: I-7265

STATE OF INCORPORATION: DELAWARE

IRS EMPLOYERS I.D.: 95-2962743

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK ($0.01 PAR VALUE)	NONE
RIGHTS TO PURCHASE COMMON STOCK	NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
NONE	NONE

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.
YES [X] NO [ ]

INDICATE BY CHECK MARK 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 FROM 10-K OR ANY AMENDMENT TO THE FORM 10-K. YES [ ] NO [X]

At February 15, 1993, there were 44,308,519 shares of registrant's Common Stock, par value 0.01 per share, outstanding, excluding 126,448 treasury shares. The registrant's shares were delisted from the New York Stock Exchange on December 4, 1992, and began trading through one or more market-makers with quotations available in the Pink Sheets published by the National Quotations Bureau, Inc. At February 15, 1993 the aggregate market value of registrant's voting securities (consisting of its Common Stock) held by non affiliates of the registrants, based on the average bid and asking the price on the date of the Common Stock of $0.12 per share, was approximately $5,317,022. The Common Stock constitutes registrant's only outstanding security.

The registrant's definitive Proxy Statement for its 1993 Annual Meeting of Stockholders, which Proxy Statement registrant intends to file with the Securities and Exchange Commission not later than 120 days and the close of its fiscal year, is incorporated by reference by in Part ii of this Annual Repot.

[*2] [HARDCOPY PAGE H2]

(*) NOTE: The following index is part of the original documents.
Page numbers have been kept for your convenience in location
data referred to within the text and are identified as [HARDCOPY PAGE]
in the upper left-hand corner of each page. To access this pages,
refer to SEC Online's Table of Contents.

AMBASE CORPORATION

ANNUAL REPORT ON FORM 10-K
DECEMBER 31, 1992

CROSS REFERENCE SHEET FOR
PARTS I, II, III AND IV PAGE

(*) Omitted except for certain information with respect to executive contained herein. Registrant intends to file a definitive Proxy Statement containing such information with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year.

[*3] [HARDCOPY PAGE 1]

PART I

ITEM I. BUSINESS

CORPORATE PROFILE

AmBase Corporation (the "Company") was incorporated in 1975 as the holding company for The Home Insurance Company, a New Hampshire insurance corporation, and its affiliated property and casualty insurance companies ("The Home"). In 1985, City Investing Company ("City which prior to that date owned all the outstanding shares of the commoon stock of the Company, distributed such shares to City's common stockholders.

On February 13, 1991, the Company sold all the outstanding Common Stock of The Home and its subsidiaries (the "Sale") to Home Holdings, Inc. ("Home Holdings") and accordingly, the consolidated operations of The Home and its subsidiaries are presented in the consolidated financial statements herein as discontinued insurance operations.

In August 1988, the Company acquired Carteret Bancorp. Carteret Bancorp, through its principal wholly owned subsidiary, Carteret Saving Bank, FA ("Carteret" or "Carteret Savings") was principally engaged in retail and consumer banking and mortgage including mortgage servicing. Following the sale of The Home and its subsidiaries, Carteret remained as the Company's principal operating subsidiary representing substantially all of the consolidated revenues, expenses, assets and liabilities of the Company.

On December 4, 1992, Carteret Saving was placed in receivership by the Office of Thrift Supervision ("OTS")and a new institution, Carteret

Federal Saving Bank, was established to assume the assets and certain liabilities of Carteret Saving under the management of the Resolution Trust Corporation ("RTC"). Carteret had been out of compliance with minimum regulartory capital requirement of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and had been subjected to regulatory actions, including demands for new capital. Although Carteret Savings operated profitably for the eleven months ended November 30, 1992, its ability to continue as a going concern without regulatory intervention was dependent on raising sufficient capital to meet minimum regulatory requirements. After two preliminary agreements with prospective investors to obtain the necessary capital to recapitalize Carteret were terminated, the OTS placed Carteret in receivership, eliminating the Company's ownership interest in Carteret and its control of the authority over all of the assets and liabilities of Carteret. Accordingly, the operations of Carteret Savings are presented in the consolidated financial statements herein as discontinued banking operations.

Following the sale of The Home and its subsidiaries and placement of Carteret in receivership by the OTS, the Company's remaining assets consist primarily of cash and cash equivalents and receivable from Home Holdings. This receivable arose pursuant to the sale agreement, under which Home Holdings also agreed to pay $48 million to the Company over a period of years to meet certain specified future obligations of the Company, as incurred, relating to litigation, taxes and the company's ongoing general and administrative expenses. During 1992, proceeds of $8,401,000 were received reducing the receivable balance to $34,019,000 at December 31, 1992. From 1989 through 1992, one of the Company's remaining subsidiaries generated operating revenue from management and consulting contracts; see MODERNFOLD litigation described in ITEM 8-NOTE 10 to the Company's consolidated financial statements. At December 31, 1992, the Company's liabilities, including certain contingent alleged tax and litigation liabilities, exceeded total assets by approximately $52 million. The Company has significant alleged tax liabilities and is defendant in a number of lawsuits and proceedings, the ultimate outcome or which could have a material effect on it is financial condition and results of operations. The Company is assessing a variety of business opportunities sand is engaged in the management of its remaining assets and liabilities, including the contingent and alleged tax litigation liabilities as more fully described in ITEM 8-NOTE 8 AND 10 to the Company's consolidated financial statements. In order

[*4] [HARDCOPY PAGE 2]

to continue on a long-term basis, the Company must both resolve its contingent and alleged liabilities by settling its claims for loss than amounts recorded and generate profitable operations by acquiring existing operations and/or by developing new operations. Presently the Company's main source of continuing revenue is non-operating revenue, consisting of interest earned on cash equivalents. In order to maintain the principal value of its existing assets while this process continues, the Company has invested substantially all of its funds in consecutive short-term money markets funds. Because of the nature of the contingent and alleged liabilities as described ITEM 8-NOTES 8 AND 10 to consolidated financial statements management is unable to predict whether the Company's recorded liabilities will be adequate or its resources sufficient to satisfy its ultimate obligations. The accompanying consolidated financial statements do not include any adjustment that might results from the outcome of these uncertainties.

The Company is presently preparing to file a claim against the United States based upon the impact of FIRREA on its investment in Carteret Savings. This is the type of litigation generally referred to as "goodwill litigation". It is expected that the claim will be filed in the United States Court of Federal Claims during 1993. The ultimate outcome of such claim cannot be predicted.

Following the OTS action, trading in the Common Stock of the Company was suspended by the New York Stock Exchange and the Common Stock was subsequently delisted. The National Association of Securities Dealers ("NASD") has declined to grant as exception to the requirements (specifically to requirement that listing companies have a minimum net worth of $2 million) for listing the Common Stock of the company on the Capitalization Issues list. The Common Stock of the Company is now trading through one or more market-makers with quotations made available in the "pink sheets" published by the National Quatation Bureau, Inc. under the symbol ABCP.

The Company's principal executive office is located at 100 Field Point Road, Greenwich, CT 06830. The telephone number at this location is (203) 532-2000. The Company and its subsidiaries had 14 employees at December 31, 1992.

DISCONTINUED OPERATIONS

For a discussion of discontinued banking and insurance operations refer to ITEM 7 AND ITEM 8-NOTES 3 AND 4 TO THE Company's consolidated financial statements.

[*5] [HARDCOPY PAGE 3]

ITEM 2. PROPERTIES

The Company leases approximately 11,500 square feet for use as its executive office at 100 Field Point Road, Greenwich, CT 06830. The Company expects to sublet a portion of this space in 1993. In addition, it leases approximately 2,200 square feet of office space for administrative purpose in New York,NY.

ITEM 3. LEGAL PROCEEDINGS

The Company has significant alleged tax liabilities and is a defendant in a number of lawsuits and proceedings,the ultimate outcome of which could have a material adverse effect on its financial condition and results of operations. Because of the nature of the contingent and alleged liabilities, management is unable to predict whether the Company's recorded liabilities will be adequate or its resources sufficient to satisfy its ultimate obligations. For a discussion of the alleged tax liabilities, lawsuits and m proceedings, see ITEM 8- NOTES 8 AND to the Company's consolidated financial statements.

The Company is presently preparing to file a claim against the United States based upon the impact of FIRREA on its investment in Carteret Savings. This is the type of litigation generally referred to as "good will litigation". It is expected that the claim will be filed in the UNited States Court of Federal Claims during 1993. The ultimate outcome of such claim cannot predicted.

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

No information is required to be set forth by the company in response to this item.

[*6] [HARDCOPY PAGE 4]

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Common Stock of the Company is now trading 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 ACBP. Following the OTS actions on December 4, 1992, trading in the common Stock of the Company was suspended by the new York Stock Exchange ("NYSE") and the Common Stock was subsequently delisted. The National Association of Securities Dealers ("NASD") has declined to grant an exception to the requirement (specially to the requirement that listing companies have a minimum net worth of $2 million net worth of $2 million) for listing the common Stock of the Company on the National Association of Securities Dealers Automated Quotation System

("NASDAQ") Small Capitalization Issues list. The sales prices per share for the Company's Common Stock as indicated below represent the high and low sales prices per share, through December 4, 1992, as reported by the NYSE. Subsequent to December 4, 1992, the sales prices 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, mark-down or commission and may not necessarily represent actual transactions.

1992	High	Low
First Quarter	$ 0.94	$ 0.34
Second Quarter	0.69	0.28
Third Quarter	0.63	0.28
Fourth Quarter		
October 1, 1992 through December 4, 1992	0.56	0.28
December 5, 1992 through December 31, 1992	0.08	0.04

1991	High	Low
First Quarter	$ 1.38	$ 0.25
Second Quarter	1.00	0.56
Third Quarter	0.69	0.38
Fourth Quarter	0.56	0.25

As of February 15, 1993, there were approximately 28,750 beneficial owners of the Company's Common Stock. No dividends have been declared or paid on the Company's Common Stock in 1992 or 1991.

In connection with the proceeding entitl ed ROLO AND TENERELLI V. CITY INVESTING COMPANY LIQUIDATING TRUST, ET AL., pending in the District Court of New Jersey, as further described in Item 8 - Note 10 to the Company's consolidated financial statements, the Company is currently prohibited, pending further judicial action, from the payment of any dividends.

[*7] [HARDCOPY PAGE 5]

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data should be read in conjunction with the Company's consolidated financial statements included in ITEM 8 of this Form 10-K and in particular ITEM 8 - NOTES 3 AND 4 to the Company's consolidated financial statements thereto regarding the placement of Carteret in receivership by the OTS and the sale of The Home and its subsidiaries, respectively. In accordance with generally accepted accounting principles ("GAAP"), the statements of operations for the periods ended prior to the secure of Carteret in receivership by the OTS and the sale of The Home and its subsidiaries, respectively. In accordance with generally accepted accounting principles ("GAAP"), the statements of operations for the period ended prior to the seizure of Carteret Savings and the sale of The Home have been retroactively reclassified to reflect their respective operations as discontinued operations.

(in thousands, except per share data)	Year ended December 31 1992	1991	1990
Operating revenue	$ 1,070	$ 1,110	$ 2,441
Loss from continuing operations	(8,559)	(47,280)	(140,520)
Income (loss) from discontinued banking operations, net of income taxes	32,017	(155,305)	(228,716)
Income (loss) from dis continued insurance operations, net of income taxes	-	-	(650,505)
Extraordinary gain on extinguishment of debt, net of income taxes	-	57,584	-
Net income (loss)	23,458	(145,001)	(1,019,741)
Per share data:			
Loss from continuing operations	0.21	(1.22)	(4.10)
Income (loss) from discontinued banking operations, net of income taxes	0.79	(4.02)	(6.67)
Income (loss) from discontinued insurance operations, net of income taxes	-	-	(18.97)
Extraordinary gain on extinguishment of debt, net of income taxes	-	1.49	-
Net income (loss)	0.58	(3.75)	(29.74)
Dividends	-	-	.05

Total assets	$ 70,365	$ 5,257,129	$ 6,319,990
Deposits	-	2,934,971	3,032,482
Advance from the Federal Home Loan Bank of New York	-	1,888,476	1,963,246
Unpaid losses and loss adjustment expenses	-	-	-
Corporate and nonbanking indebtedness	-	-	728,669
Preferred stock of subsidiary	-	-	-
Total stockholders' equity	(51,964)	(76,017)	67,769

(TABLE CONTINUED)

	Years ended December 31	
(in thousands, except per share data)	1989	1988
Operating revenue	$ 19	$ -
Loss from continuing operations	(98,502)	69,718
Income (loss) from discontinued banking operations, net income taxes	42,905	17,090
Income (loss) from discontinued insurance operations, net of income taxes	151,648	140,082
Extraordinary gain on extinguishment of debt, net of income taxes	-	-
Net income (loss)	96,051	87,454
Per share data:		
Loss from continuing operations	(2.89)	(2.04)
Income (loss) from discontinued operations, net of income taxes	1.26	0.50
Income (loss) from discontinued insurance operations, net of income taxes	4.45	4.10
Extraordinary gain on extinguishment of debt, net of income taxes	-	-
Net income (loss)	2.82	2.56
Dividends	.20	.20
Total assets	$ 13,087,372	$ 13,302,400
Deposits	4,276,500	4,364,085
Advances from the Federal Home Loan Bank of New York	694,381	717,910

Unpaid losses and loss adjust- ment expenses	3,404,111	3,305,298
Corporate and nonbanking indebtedness	784,669	650,077
Preferred stock of subsidiary	160,801	254,372
Total stockholders equity	1,083,483	994,285

[*8] [HARDCOPY PAGE 6]

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, which follows, should be read in conjunction with the Financial Statements and related notes which are contained in ITEM 8 herein. As a result of the OTS action described below, the operations of Carteret have been designated as discontinued banking operations and the consolidated statements of operations for the periods presented have been retroactively reclassified to report the income (loss) from discontinued banking operations separately from the results of continuing operations. Additionally, on February 13, 1991, the Company sold all the outstanding Common Stock of The Home and its subsidiaries pursuant to a stock purchase agreement dated September 28, 1990. Accordingly, the operations of The Home have been classified as discontinued insurance operations in the accompanying consolidated financial statements.

CONTINUING OPERATIONS

FINANCIAL CONDITION

The Company has historically conducted its business operations through its subsidiary companies. On December 4, 1992, the Company's principal operating subsidiary, Carteret Savings, was placed in receivership by the OTS eliminating the Company's ownership interest in Carteret Savings. A new institution, Carteret Federal Savings Bank, was established to assume the assets and certain liabilities of Carteret Savings under the management of the RTC.

At December 31, 1992, the Company's liabilities, including certain contingent and alleged statements, exceeded total assets by $51,964,000. The Company's remaining assets at December 31, 1992,aggregate $70,365,000, consisting principally of $36,010,000 of cash and cash equivalents, currently invested in conservative short-term money market funds and receivable from Home Holdings pursuant to the sale agreement, aggregating $34,019,000. During 1992, proceeds of $9,401,000 from the receivable were received, reducing the receivable balance to $34,019,000 at December 31, 1992. See ITEM 8 - NOTE 4 to the Company's consolidated financial statements for a further description.

The Company is currently assessing a variety of business opportunities and is engaged in the management of its remaining assets and liabilities including the contingent and alleged tax and litigation liabilities described in ITEM 8 - NOTES 8 AND 10, to the Company's consolidated financial statements. Extensive discussions are ongoing with respect to certain of these matters. The Company intends to aggressively dispute all threatened litigation and contingencies and pursue all sources of contributions to settlements. From 1989 through 1992, one of the Company's remaining subsidiaries generated operating revenues from management and consulting contracts; see MODERNFOLD litigation described in ITEM 8 - NOTE 10 to the Company's consolidated financial statements. In order to continue on a long-term basis, the Company must both resolve its contingent and alleged liabilities by settling its claims for less than the amounts record and generate profitable operations by acquiring existing operations and/or by developing new operations. See ITEM 8 - NOTES 8 AND 10 to the Company's consolidated financial statements. The Company's main source of continuing revenue is currently non-operating revenue representing interest earned on cash equivalents.

As more fully described in ITEM 8 - NOTE 10 to the Company's consolidated financial statements, the Company and certain of its current and former officers and directors are defendants in various lawsuits. substantial judgments against the Company. Because of the nature of the contingent and alleged liabilities, management is unable to predict whether the Company's recorded liabilities will be adequate or its resources sufficient to satisfy its ultimate obligations. See ITEM 8 - NOTES 8 AND 10 to the Company's consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

[*9] [HARDCOPY PAGE 7]

The Company's income tax returns are open for assessment under the statute of limitations from 1981 to the present. In addition, the Company has contractually assumed the income tax liabilities of City for the periods that City remains open for assessment under the statute of limitations, 1981 through September 1982, and The Home and its subsidiaries from 1981 through 1989. Audit issues have been raised by the Internal Revenue Service ("IRS") that would have a material effect on the Company's consolidated financial statements were the IRS to be successful in sustaining its positions. The Company believes that it has meaningful defenses to these issues.

As a result of examinations of City's tax returns, the IRS has proposed assessments for withholding taxes on interest payments for the years

1979 through 1985 for which the Company is responsible. The IRS's contention is based on the theory that City's wholly owned Netherlands Antilles finance subsidiary was not adequately capitalized and thus should be disregarded for tax purposes. If the IRS's theory was correct, the Company would be liable for substantial taxes and interest. The Company has vigorously contested the position in accordance with the IRS's internal appeals procedures. Nevertheless, in March 1992, the National Office of the IRS issued technical advice supporting the auditing agent's position. The Company is currently appealing this technical advice with the National Office. Unless satisfactory settlement can be reached, the Company will be required to litigate this issue in the United States Tax Court. The proposed assessment currently exceeds the Company's available financial resources. Based on counsel's evaluation of the IRS's contentions, counsel has advised the Company that it has a very strong case and should prevail. See ITEM 8 - NOTES 9 and 10 to the Company's consolidated financial statements.

The Company is presently preparing to file a claim against the United States based upon the impact of FIRREA on its investment in Carteret Savings. This is the type of litigation generally referred to as "goodwill litigation". It is expected that the claim will be filed in the United States Court of Federal Claims during 1993. The ultimate outcome of such claim cannot be predicted.

The cash needs of the Company in 1992 and 1991 were principally satisfied by payments under the receivable from Home Holdings pursuant to the stock purchase agreement relating to the sale of The Home, income tax refunds, and interest income earned on cash equivalents. Management believes that the Company's cash resources are sufficient to continue operations for 1993. Because of the nature of the contingent and alleged liabilities described in ITEM 8 - NOTES 8 AND 10 to the Company's consolidated financial statements, the Company is unable to predict whether it will have the ability to generate sufficient resources to satisfy its ultimate obligations.

Net cash provided by continuing operations was $4,978,000 in 1992 compared to cash used of $29,434,000 in 1991. This increase in cash provided is principally due to the ea rnings of interest income on cash equivalents in 1992 as compared to the payment of interest expense on in indebtedness in prior years, decreased operating expenses of the Company's continuing operations, off by receipt of $17,865,000 of income tax refunds in 1992 compared to $30,198,000 in 1991. Net cash used for continuing operations in 1990 was $121,065,000 consisting principally of the payment of corporate interest expense due to increased levels of indebtedness in 1990, particularly attributable to the Company's borrowing under the bridge loan facility in connection with the sale of The Home and the debentures issued in October 1989 pursuant to the Company's exchange offer for the outstanding shares of preferred stock of The Home, as well as increased operating and other expenses in 1990.

There were no material commitments for capital expenditures as of December 31, 1992.

[*10] [HARDCOPY PAGE 8]

RESULTS OF OPERATIONS

Summarized financial information for the continuing operations of the Company for the years ended December 31 is as follows:

(In thousands)	1992	1991	1990
Operating revenue	$ 1,070	$ 1,110	$ 2,441
Operating expenses:			
Compensation and benefits	2,565	5,891	11,546
Professional and outside services	2,189	6,132	6,234
Insurance	781	1,462	979
Occupancy and other rating expenses	435	1,491	6,702
Restructuring charges	-	12,435	19,685
	5,970	27,411	45,146
Operating loss	(4,900)	(26,301)	(42,705)
Interest income (expense), net	1,124	(9,390)	(87,170)
Loss from continuing operations before taxes	$ (3,776)	$ (35,691)	$ (129,875)

As set forth under financial condition, the Company's principal operating subsidiary, Carteret, was seized by the OTS on December 4, 1992. The Company is presently assessing a variety of business opportunities and is engaged in the management of its remaining assets and liabilities including the contingent and alleged tax and litigation liabilities as described in ITEM 8 - NOTES 10 to the Company's consolidated financial statements. In order to continue on a long-term basis, the Company must both resolve its contingent liabilities by settling its claims for less than the amounts recorded and generate profitable operations by acquiring existing operations and/or by developing new operations.

From 1989 through 1992, one of the Company's remaining subsidiaries generated operating revenues from management and consulting contracts; see MODERNFOLD litigation described in Item 8 - Note 10 to the Company's consolidated financial statements. Presently the Company's main source operating revenue is interest earned on cash equivalents. The Company's management expects that this existing source of revenue, along with the receipt of cash under the receivable from Home Holdings pursuant to the sale agreement and anticipated income tax refunds will be sufficient to cover operating expenses during 1993.

The Company's continuing operations resulted in a pretax loss of $3,776,000 in 1992, $35,691,000 in 1991 and $129,875,000 in 1990. The 1992 results include $1,124,000 of interest income earned in cash equivalents. The pretax losses in 1991 and 1990 included net interest expense of $9,390,000 and $87,170,000, respectively. The Company, excluding its discontinued banking operations, had no indebtedness outstanding in 1992. All indebtedness of the Company and Home Group Funding Corporations (one of the subsidiaries sold to Home Holdings) was either repaid, purchased in tender offers or assumed by Home Holdings in connection with the sale of The Home. The significantly higher level of interest expense in 1990 was attributable to the Company's borrowings under a bridge loan facility in connection with the sale of The Home.

[*11] [HARDCOPY PAGE 9]

Operating expenses, in total, declined to $5,970,000 in 1992 from $27,411,000 in 1991 and $45,146,000 in 1990. The reduced level of expenses in 1992 is the result of a significantly reduced administrative organization at the Company and subsidiary level, as well as new management's continuing efforts to reduce and control costs. The substantially higher level of expenses in 1991 and 1990 is partially due to the result of the restructuring charges of $12,435,000 in 1991 and $19,685,000 in 1990. The 1991 charge included costs recognized to further restructure the Company and the reserve for additional expenses anticipated in connection with litigation. The 1990 charge included expenses attributable to employee severance payments incurred to downsize the Company's administrative organization, a settlement with the Company's former President and the writedown of an investment in the Company's Common Stock held in the AmBase Executive Benefits Trust.

Compensation and benefits declined to $2,565,000 in 1992 as compared to $5,891,000 in 1991 and $11,546,000 in 1990. Such decreases were principally due to significant staff reductions at both the Company and subsidiary levels as well as a decreased level of employee benefits. The 1990 expense was offset in part by reductions in accruals for certain employee benefit plans.

Professional and outside services decreased to $2,189,000 in 1992 as compared to $6,132,000 in 1991 and $6,234,000 in 1990. The decrease in 1992 as compared to 1991 and 1990 is primarily due to the reserving for litigation expenses in 1991 in connection with new management's restructuring efforts.

Insurance, occupancy and other operating expenses declined in 1992 as compared with 1991 and 1990 primarily as a result of significantly reduced operations and new management's continuing efforts to reduce and control costs.

Income taxes on continuing operations were $4,783,000, $11,589,000 and $10,645,000 in 1992, 1991 and 1990, respectively. Income taxes during these years was principally attributable to potential IRS exposures. The losses from continuing operations before income taxes did not result in federal income tax benefits to the consolidated statements of operations. A reconciliation between income taxes computed at the statutory federal rate and the provision for income taxes is included in ITEM 8 - NOTE 8 to the Company's consolidated financial statements.

[*12] [HARDCOPY PAGE 10]

DISCONTINUED BANKING OPERATIONS

Income from discontinued banking operations was $32,017,000 in 1992. This reflects the unaudited results of operations from the Company's discontinued banking operations of $14,712,000 for the nine month period ended September 30, 1992 and a non-cash gain of $17,305,000 due to the elimination of the Company's negative investment in Carteret which arose as a result of the recognition of losses in excess of the Company's original investment basis and subsequent capital contributions. Due to the OTS's seizure of Carteret, the Company does not have full access to Carteret's relevant financial information. Consequently, Carteret's results of operations for the period October 1, 1992 to December 4, 1992 are included as a component of the non-cash gain on disposition in the accompanying consolidated statements. of operations. For a further discussion of discontinued banking operations refer to ITEM 8 - NOTE 3 to the Company's co nsolidated financial statements. Loss from discontinued banking operations was $155,305,000 in 1991 and $228,716,000 in 1990. The 1991 loss includes a provision for losses on loans and real estate of $171,634,000. The 1990 loss was primarily attributable to the write-off of goodwill at December 31, 1990 aggregating $161,000,000 and provision for losses on loans and real estate of $122,349,000.

Summarized information relating to income (loss) from discontinued banking operations follows:

(In thousands)	Year Ended December 31, 1992	Year Ended December 31, 1991	Year Ended December 31, 1990
Interest income	$ 271,849	$ 453,245	$ 557,625
Interest expense	191,382	358,627	441,529
Net interest income	80,467	94,168	116,097
Provision for losses on loans and real estate	18,777	171,634	122,349
Net interest income after			

provision for losses	61,690	(77,016)	(6,252)
Non-interest income	34,267	56,718	103,968
Net interest and non-interest income	95,957	(20,298)	97,734
Other expenses	80,367	134,816	331.300
Income (loss) from discontinued banking operations before income taxes	15,590	(155,114)	(233,566)
Income tax (expenses) benefit	(878)	(191)	(4,850)
Income (loss) from discontinued banking operations through September 30, 1992	14,712	(155,305)	(288,716)
Non-cash gain on disposition	17,305	-	-
Income (loss) form discontinued banking operations	$ 32,017	$ (155,305)	$ (228,716)

[*13] [HARDCOPY PAGE 11]

DISCONTINUED INSURANCE OPERATIONS

The loss from discontinued insurance operations in 1990 was $650,505,000, including the estimated loss on the disposition of The Home of $540,653,000. For a further discussion of discontinued insurance operations,refer to ITEM 8-NOTE 4 to the Company's consolidated
financial statements.

Summarized information relating to loss from discontinued insurance operations follows:

(In thousands)	Year Ended December 31, 1990
REVENUES	
Insurance:	
Earned premiums	$ 2,022,091
Net investment income	321,022
Realized losses on investments	(254,105)
	2,089,008
Investment services	262,684
	$ 2,351,692
LOSS FROM DISCONTINUED INSURANCE OPERATIONS	
Insurance:	
Underwriting loss	$ (214,921)

Net investment income	321,022
Realized losses on investments	(254,105)
	(148,004)
Investment services	(4,781)
Other	(20,278)
Loss before income taxes including ($86,013) through September 30, 1990 (measurement date)	(173,063)
Income tax expense	(6,777)
Preferred dividends of The Home, net of amounts paid to the Company	(25,206)
Loss from operations of The Home	(205,046)
Loss from operations since September 30, 1990 included in the estimated loss on disposition	95,194
Loss from operations prior to September 30, 1990	(109,852)
Estimated loss on disposition	(540,653)
Loss from discontinued insurance operations	$ (650,505)

EXTRAORDINARY GAIN ON EXTINGUISHMENT OF DEBT

For a discussion of discontinued insurance operations and the related extraordinary gain on extinguishment of debt of $57,584,000 refer to Item 8 -Note 4 to the Company's consolidated financial statements.

RECENT DEVELOPMENTS

On January 26, 1993, Richard A. Bianco was named Chairman of the Board of Directors of the Company. Prior thereto he served as President and Chief Executive Officer of the Company. As of December 31, 1992 he resigned from his position of Chairman, President and Chief Executive Officer of Carteret Bancorp and Carteret Savings. In February 1992, Neil L. Cohen was named Executive Vice President and Chief Financial Officer of the Company. In July 1992, Mr. Cohen was named to the

[*14] [HARDCOPY PAGE 12]

position of Secretary, and in January 1993 he was named to the additional position of Treasurer. Mr. Cohen became a director of the Company in June 1992. In December 1992, William H. Purcell, who has served as an independent financial and investment banking consultant to the Company since June 1991, became a director of the Company.

In addition, on January 26, 1993, Geo. T. Scharffenberger, Edwin I. Hatch, Paul D. Paganucci, Eben W. Pyne and W. Thomas Rice resigned as directors of the Company. On March 2, 1993, concurrently with his resignation from Carteret Federal Savings Bank where he had remained to assist in the transition, Donald Kramer resigned as a director of the Company. Accordingly, pursuant to the By-Laws of the Company, the size of the Board of Directors has been reduced to four persons.

In December 1990, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" ("Statement 106") which is effective for fiscal periods beginning after December 15, 1992. Under Statement 106, employers must recognize the cost of certain postretirement benefits during the periods employees and its subsidiaries recognized these costs on a cash basis. As of December 31, 1991, the Company had accrued $1,786,000 of postretirement welfare benefits costs in connection with its corporate restructuring efforts. The Company and its subsidiaries do not provide postretirement welfare benefits to employees currently retiring. Management believes that the adoption of Statement 106 will not have a material effect on the consolidated financial statements.

In December 1991, the FASB issued Statement of Financial Accounting Standards No. 107, "Disclosure About Fair Value of Financial Instruments ("Statement 107")," Statement 107 requires the disclosure of the fair value of all financial instruments, both on and off-balance sheet. Statement 107 is effective for years ending after December 15, 1992 although entities with less than $150 million in total assets may delay adoption for another three years. Management believes that the adoption of Statement 107 will not have a material effect on the consolidated financial statements.

In February 1992, the FASB issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("Statement 109") which is effective for fiscal periods beginning after December 15, 1992. Management has determined that Statement 109, when adopted, will not have a material effect on the consolidated financial statements.

[*15] [HARDCOPY PAGE 13]

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS
AND STOCKHOLDERS OF
AMBASE CORPORATION

We have audited the accompanying Consolidated Balance Sheets of AmBase Corporation ("AmBase" or the "Company") and its subsidiaries as of December 31, 1992 and 1991, and the related consolidated Statements of Operations, of Changes in Stockholders' Equity, and of Cash Flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits. The financial statements of AmBase for the year ended December 31, 1990 were audited by other independent accountants whose report date March 25, 1991 and April 11, 1991 was qualified because of unresolved matters, involving regulatory authorities, related to accounting, by Carteret Savings Bank, FA ("Carteret" or the "Bank"), the Company's principal operating subsidiary, for purchased and excess mortgage servicing rights and the allowance for loan losses. In addition, the report included explanatory paragraphs which expressed doubt about the ability of the Company and Carteret to continue as going concerns because of uncertainties surrounding the Bank's failure to meet minimum regulatory capital requirements as defined in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and other regulatory requirements prescribed by the Office of Thrift Supervision ("OTS") and other matters.

Except as explained in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, or 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion.

We did not evaluate the adequacy of the allowance for loan losses or the allowance for losses on real estate of Carteret as of December 31, 1990, as that date was prior to our appointment as independent accountants for the Company. Since we do not have knowledge of all facts and circumstances which existed when the allowance for loan losses and the allowance for losses on real estate were estimated at December 31, 1990, we were unable to satisfy ourselves that the charge to operations for losses on loans and real estate for the year ended December 31, 1991 is solely related to facts and circumstances arising during 1991.

Because of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying Consolidated Statements of Operations, of Changes in Stockholders' Equity, and of Cash Flows for the year ended December 31, 1991.

In our opinion, the Consolidated Balance Sheets as of December 31, 1992 and 1991, and the related Statements of Operations, of Change in Stockholders' Equity, and of Cash Flows for the year ended December 31, 1992 audited by us present fairly, in all material respects, the financial condition of AmBase Corporation and subsidiaries at December

31, 1992 and 1991 and the results of operations and their cash flows for the year ended December 31, 1992 in conformity with generally accepted accounting principles.

[*16] [HARDCOPY PAGE 14]

TO THE BOARD OF DIRECTORS
AN STOCKHOLDERS OF
AMBASE CORPORATION
PAGE 2

In December 1992, the OTS took possession of Carteret, the principal subsidiary of the Company. Accordingly, operations of Carteret, which accounted for substantially all of the Company's operations, have been reflected as discontinued operations in the accompanying consolidated financial statements for the year ended December 31, 1992. As discussed in NOTE 3, due to the unavailability of operating information subsequent to September 30, 1992, the Company's allocation of discontinued operations in 1992 between operating income of Carteret in 1992 and the gain from the adjustment of the investment to a zero balance at December 31, 1992 has been presented as a net amount in the accompanying consolidated statement of operations.

As discussed in NOTE 10, the Company and certain of its former officers and directors are defendants in various lawsuits and proceedings. These legal actions are in various stages. The allegations are serious and, if proven, could result in substantial judgment against the Company which may have a material effect on its financial condition and results of operations. In addition, as discussed in NOTE 8, the accompanying financial statements include a deferred tax liability relating to a number of issues. Final resolution of actual amounts are dependent upon future events and such resolution may be more or less than the amounts presented. The ultimate outcome of these matters cannot presently be determined.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the sixth and seventh paragraphs of this report, substantially all of the operations of the Company have been discontinued and substantial contingencies exist against the Company in various lawsuits and proceedings. The Company has a net capital deficiency of approximately $52,000,000 at December 31, 1992. These factors raise substantial doubt about the Company's ability to continue as a going concern. It will be necessary for the Company to resolve the contingent liabilities at amounts less than the claims and the amounts recorded and to generate, through acquisition or start up, profitable operations to continue on a long-term basis. At the present time, the Company is involved in extensive discussion with respect to certain litigation matters and is assessing a variety of business opportunities. SEE NOTE 1 for further discussion of management's plans. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Price Waterhouse
New York, New York
March 24, 1993

[*17] [HARDCOPY PAGE 15]

AMBASE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended December 31

(In thousands, except per share data)	1992	1991	1990
Operating revenue	$ 1,070	$ 1,110	$ 2,441
Operating expenses:			
Compensation and benefits	2,565	5,891	11,546
Professional and outside services	2,189	6,132	6,234
Insurance	781	1,462	979
Occupancy and other operating expenses	435	1,491	6,702
Restructuring charges	-	12,435	19,685
	5,970	27,411	45,416
Operating loss	(4,900)	(26,301)	(42,705)
Interest income (expense), net	1,124	(9,390)	(87,170)
Loss from continuing operations before income taxes	(3,776)	(36,691)	(129,875)
Income tax expense	(4,783)	(11,589)	(10,645)
Loss from continuing operations	(8,559)	(47,280)	(140,520)
Income (loss) from discontinued banking operations, net of income taxes	32,017	(155,305)	(228,716)
Loss from discontinued insurance operations, net of income taxes	-	-	(650,505)
Income (loss) before extraordinary item	23,458	(202,585)	(1,019,741)
Extraordinary gain on			

extinguishment of debt, net of income taxes	-	57,584	-
Net income (loss)	$ 23,458	$ (145,001)	$ (1,019,741)

PER SHARE DATA:			
Loss from continuing operations	$ (0.21)	$ (1.22)	$ (4.10)
Income (loss) from discontinued banking operations, net of income taxes	0.79	(4.02)	(6.67)
Loss from discontinued insurance operations, net of income taxes	-	-	(18.97)
Income (loss) before extraordinary item	0.58	(5.24)	(29.74)
Extraordinary gain on extinguishment of debt, net of income taxes	-	1.49	-
Net income (loss)	$ 0.58	$ (3.75)	$ (29.74)
Dividends	$ -	$ -	$ 0.05
Average shares outstanding	40,642	38,683	34,288

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

[*18] [HARDCOPY PAGE 16]

AMBASE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31

(In thousands)	1992	1991
ASSETS		
Cash (including $1,372 of restricted cash in 1992)	$ 36,010	$ 356,212
Federal funds sold	-	53,000
Cash and cash equivalents	36,010	409,212
Receivable from Home Holdings	34,019	42,420

Investment securities, at amortized cost (market $279,048), including held for sale of $159,949 in 1991 (market $162,644)	-	274,596
Mortgage-backed securities, net (market $1,564,544), including held for sale of $156,525 (market $159,058)	-	1,529,154
Loans receivable, net including held for sale of $230,500	-	2,333,059
Investment in real estate, net	-	338,278
Interest and dividends receivable	-	38,212
Federal Home Loan Bank of New York stock, at cost	-	99,453
Capitalized costs of future servicing	-	81,250
Other assets	336	111,495
Total assets	$ 70,365	$ 5,257,129
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES:		
Supplemental retirement plan	$ 4,662	$ 4,559
Restructuring reserves	3,426	8,258
Other liabilities	5,274	134,318
Litigation and contingency reserves	32,226	37,800
Deferred income taxes	76,741	54,178
Deposits	-	2,934,971
Advances from the Federal Home Loan Bank of New York	-	1,888,476
Securities sold under agreements to repurchase	-	51,063
Other borrowed funds	-	86,919
Escrow	-	132,604
Total liabilities	122,329	5,333,146
Commitments and contingencies	-	-
STOCKHOLDERS' EQUITY:		
Common stock	407	397
Paid-in capital	547,314	546,699
Accumulated deficit	(599,038)	(622,496)
Treasury stock	(647)	(617)
Total stockholders' equity	(51,964)	(76,017)
Total liabilities and stockholders' equity	$ 70,365	$ 5,257,129

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

[*19] [HARDCOPY PAGE 17]

AMBASE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended December 31

(in thousands) except per share data)	Common Stock	Paid-In Capital	Retained Income (Accumu- lated) Deficit	Unrealized Losses of Insurance Investment
December 31, 1989	$ 39,685	$ 628,935	$ 543,935	$ (4,678)
Net loss	-	-	(1,019,741)	-
Common dividends ($0.05 per share)	-	-	(1,689)	-
Unrealized losses	-	-	-	4,678
Unrealized translation adjustments	-	-	-	-
Issuance of treasury net of purchase	-	(51,989)	-	-
Other, net	-	24	-	-
December 31, 1990	39,685	576,345	(477,495)	-
Net loss	-	-	(145,001)	-
Issuance of treasury stock	-	(68,934)	-	-
Change of par value to S0.02 per share	(39,288)	39,288	-	-
December 31, 1991	397	546,699	(622,496)	-
Net income	-	-	23,458	-
Issuance of common stock	10	615	-	-
Increase in treasury stock	-	-	-	-
December 31, 1992	$ 407	$ 547,314	$ (599,038)	$ -

TABLE (Continued)

(in thousands) except per share data)	Unrea- lized Currency Translation Adjustments	Unallo- cated LESOP Shares	Treasury Stock	Total
December 31, 1989	$ 8,952	$ (20,296)	$ (112,425)	$ 1,083,483
Net loss	-	-	-	(1,019,741)
Common dividends				

($0.05 per share)	-	-	-	(1,689)
Unrealized losses	-	-	-	4,678
Unrealized translation adjustments	(8,952)	-	-	(8,952)
Issuance of treasury net of purchase	-	18,267	41,659	7,937
Other, net	-	2,029	-	2,053
December 31, 1990	-	-	(70,766)	67,769
Net loss	-	-	-	(145,001)
Issuance of treasury stock	-	-	70,149	1,215
Change of par value to S0.02 per share	-	-	-	-
December 31, 1991	-	-	617	(76,017)
Net income	-	-	-	23,458
Issuance of common stock	-	-	-	625
Increase in treasury stock	-	-	(30)	(30)
December 31, 1992	-	-	(647)	(51,964)

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

[*20] [HARDCOPY PAGE 18]

AMBASE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year Ended December 31

(in thousands)	1992	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss from continuing operations	$ (8,559)	$ (47,280)	$ (140,520)
Adjustments to reconcile loss from continuing operations to net cash provided by (used for) continuing operations:			
Other assets	529	5,205	(2,509)
Accounts payable and accrued liabilities	(163)	(17,637)	6,969
Interest payable	-	(21,235)	6,705
Restructuring charges	(4,832)	12,435	19,685
Litigation and contingency reserve	(5,574)	-	-
Deferred income taxes	22,563	37,014	(10,305)
Other, net	1,014	2,064	(1,090)

Net cash provided by (used for) continuing operations	4,978	(29,434)	(121,065)
Income (loss) from discontinued banking operations	32,017	(155,305)	(228,716)
Adjustments to reconcile income (loss) discontinued banking operations to net cash provided by (used for) discontinued banking operations:			
Gains on sales of securities, loans, servicing and branches by banking subsidiaries	-	(33,477)	(70,669)
Provisions for losses on loans and real estate	-	171,634	122,349
Accretion of loan fees, premiums and discounts	-	(5,223)	(38,298)
Depreciation and amortization	-	36,317	47,399
Goodwill writeoff and amortization	-	-	167,917
Interest and dividends receivable	-	23,246	(5,908)
Interest payable	-	(2,658)	12,061
Non-cash gain on disposition of banking operations	(17,305)	-	-
Discontinued banking operations	(401,303)	-	-
Other, net	-	(15,483)	(55,563)
Net cash provided by (used for) discontinued banking operations	386,591	19,051	(49,428
Loss from discontinued insurance operations	-	-	(650,505)
Adjustments to reconcile loss from discontinued insurance operations to net cash used for discontinued insurance operations:			
Discontinued insurance operations	-	-	606,342
Net cash used for discontinued insurance operations	-	-	(44,163)
Net cash used for operating activities	(381,613)	(10,383)	(214,656)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds on fixed maturities and equity securities, principally sales	-	180,355	774,576
Purchases of fixed maturities and equity securities	-	(347,956)	(780,737)
Payments on mortgage-backed securities	-	275,039	121,918
Loan payments and originations, net	-	(1,180,280)	(1,831,251)
Mortgage-backed securities sold	-	1,450,191	1,070,404
Sales of loans	-	981,591	1,779,320
Mortgage-backed securities purchased	-	(1,009,485)	(890,201)
Loans purchased	-	(66,836)	(49,460)
Proceeds from sale of discontinued insurance operations	-	541,000	-
Securities transactions in the course of settlement	-	-	(2,130)
Proceeds from Home Holdings receivable	8,401	5,580	-
Other, net	-	20,929	64,430
Net cash provided by investing activities	8,401	850,128	256,869
CASH FLOWS FROM FINANCING ACTIVITIES:			
Certificates of deposit, net	-	(131,082)	400,166
Deposits receipts over (under) withdrawals	-	34,913	(458,177)
Sales of deposits and branches	-	-	(1,151,035)
Securities sold under agreements to repurchase, net	-	51,063	(143,346)
Increases in indebtedness	-	151,908	2,121,470
Reductions in indebtedness	-	(733,429)	(898,750)
Payments to repurchase indebtedness	-	(51,632)	-
Escrow	-	(9,948)	(30,026)
Issuance of Common Stock	10	-	-
Treasury stock, net	-	1,218	(10,330)
Other, net	-	-	(43,132)
Net cash provided by (used for) financing activities	10	(686,989)	(213,160)
Net increase (decrease) in cash and cash equivalents	(373,202)	152,756	(170,947)
Cash and cash equivalent at			

beginning of year	409,212	256,456	427,403
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 36,010	$ 409,212	$ 256,456

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

[*21] [HARDCOPY PAGE 19]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

On December 4, 1992, Carteret Savings Bank, FA ("Carteret" or "Carteret Savings"), the principal operating subsidiary of AmBase Corporation (the "Company"), was placed in receivership by the Office of Thrift Supervision ("OTS"), eliminating the Company's ownership interest in Carteret. Carteret represented substantially all of the continuing operations of the Company. Accordingly, the statements of operations presented herein have been retroactively reclassified to present the consolidated operations of Carteret as discontinued banking operations.

Additionally, on February 13, 1991, the Company sold all the outstanding common stock of The Home Insurance Company and its subsidiaries ("The Home") pursuant to a stock purchase agreement dated September 28, 1990. Accordingly, the operations of The Home have been classified as discontinued insurance operations in the accompanying financial statements.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed above, substantially all of the operations of the Company have been discontinued. Additionally, substantial contingent and alleged liabilities exist against the Company through various lawsuits and proceedings, see Notes 8 and 10. These factors raise substantial doubt about the Company's ability to continue as a going concern. In order to continue on a long-term basis, the Company must both resolve its contingent and alleged liabilities by settling its claims for less than the amounts recorded and generate profitable operations by acquiring existing operations and/or by developing new operations. The Company is currently assessing a variety of business opportunities and is engaged in the management of its remaining assets and liabilities, including the contingent and alleged tax and litigation liabilities described in Notes 8 and 10. From 1989 through 1992, one of the Company's remaining subsidiaries generated operating revenues from management and consulting contracts; see Moderfold litigation described in Note 10. Presently, the Company's main source of continuing revenue is non-operating revenue consisting of interest earned on cash equivalents. The Company's management expects this existing source of revenue, along with cash received from Home Holdings from payments under the receivable pursuant to the sale agreement and anticipated income tax refunds will be sufficient to cover operating expenses during 1993. Because of the nature of the contingent and alleged liabilities described in Notes 8 and 10, management is unable to predict whether the Company's recorded liabilities will be adequate or its resources sufficient to satisfy its ultimate obligations. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION:

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

The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP"). Accordingly, management is required to make assumptions and estimates, that it deems reasonable, that affect certain reported amounts. Future actual results could differ from such assumptions and estimates.

CASH AND CASH EQUIVALENTS:

Highly liquid investments with original maturities of three months or less are classified as cash equivalents. The Company invests excess funds in conservative short-term money market accounts. Included in cash and cash equivalents at December 31, 1992 is $1,372,000 of funds held in escrow in

[*22] [HARDCOPY PAGE 20]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

connection with a litigation appeal which have been classified as restricted. In 1991 cash equivalents included amounts held by Carteret in repurchase agreements collateralized by mortgage-backed securities, deposits at other financial institutions and federal funds sold.

INCOME TAXES:

The Company and its domestic subsidiaries file a consolidated federal income tax return. Net deferred, but not net prepaid, income taxes have been provided for timing differences between income tax and financial statement recognition of revenues and expenses. The Company currently accounts for income taxes in accordance with Accounting Principles Board No. 11, "Accounting for Income Taxes".

INCOME (LOSS) PER SHARE:

Income (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the periods.

RECLASSIFICATION:

Certain reclassifications have been made to the 1991 and 1990 consolidated statements to conform with the 1992 presentation.

THE FOLLOWING SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES PERTAINS SOLELY TO THE FINANCIAL STATEMENTS OF THE COMPANY'S DISCONTINUED BANKING OPERATIONS:

INVESTMENTS, MORTGAGE-BACKED SECURITIES AND LOANS RECEIVABLE HELD FOR SALE:

Investments, mortgage-backed securities and loans receivable intended to be sold were each carried at the lower of cost or market value in the aggregate. Market value was based on outstanding investor commitments, prices quoted in financial publications or other independent sources. Net unrealized losses on investments, mortgage-backed securities and loans held for sale were charged to current operations.

INVESTMENT SECURITIES:

Investment securities, other than those held for sale, were carried at cost, adjusted for the amortization of premiums and accretion of discounts using the level-yield method. Where investment securities are carried at amortized cost, Carteret had the ability and intent to hold these securities for the foreseeable future.

MORTGAGE-BACKED SECURITIES AND LOANS RECEIVABLE:

Mortgage-backed securities and loans receivable, other than those held for sale were carried at cost or the contractual amounts owed by borrowers, net of charge off, loan participations sold, discounts, undisbursed loan funds, unearned fees and allowance for losses on loans. Discounts and premiums on purchased mortgage-backed securities and loans receivable were amortized using the level-yield method. Where mortgage-backed securities and loans receivable were carried at amortized cost, it was because Carteret had the ability and intent to

hold these securities and loans receivable for the foreseeable future.
[*23] [HARDCOPY PAGE 21]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ALLOWANCE FOR LOSSES ON LOANS AND REAL ESTATE:

Provisions for losses were charged to operations based upon management's periodic review of the adequacy of the allowance for losses on loans and real estate. Reserve calculations were based on, but not limited to, the value of the underlying collateral, historical loss experience, delinquency trends, classified asset trends, loans types, financial status and creditworthiness of the borrower and general state of the economy and the real estate market. The larger commercial real estate and corporate loans and real estate properties were generally analyzed and reserved for on an individual basis. Mortgage, consumer and premium finance loans were generally reserved for in the aggregate.

INVESTMENT IN REAL ESTATE:

Carteret's net investment in real estate held for development and sale were carried at the lower of cost or net realizable value.

Real estate acquired as a result of foreclosure or in settlement of loans was are corded at the lower of cost or estimated fair market value at the time of acquisition through off or the establishment of a specific reserve; thereafter the real estate was carried at the lower of the new cost basis, or net realizable value. In-substance foreclosed loans comprised loans which, because of surrounding facts and circumstance, were expected to be foreclosed, and were accounted for in the same manner as collateral that had been formally repossessed. Cost incurred in developing or preparing properties for sale were capitalized only to the extent the capital cost, when added to the carrying value, does not exceed the net realizable value. Gains and losses on sales of residential properties were credited or charged, respectively, to operation as incurred. Gains or losses on sales of commercial properties were generally recorded as a recovery or charge, respectively, to the allowance for losses on real estate.

ALLOWANCE FOR UNCOLLECTED INTEREST:

Loans on which interest was more than 90 days past due were generally placed on a nonaccrual status. Interest income previously accrued on these loans, but not yet received, was reversed in the current period by establishing an allowance for uncollected interest. This allowance reduced interest and dividends receivable.

FEDERAL HOME LOAN BANK OF NEW YORK STOCK:

The stock of the Federal Home Loan Bank of New York ("FHLB") was carried at cost. Carteret was required to own and in fact did own capital stock in the FHLB in an amount determined generally by its outstanding home mortgage loans and advances from the FHLB.

MORTGAGE BANKING ACTIVITIES:

Gains or losses on sales of originated whole loans, mortgage-backed securities, and participating interests in mortgage loans with servicing rights retained were recognized at the tine of sale. Such amounts were determined by the difference between net sales proceeds and the carrying value of the loans adjusted to provide for a normal servicing fee in subsequent periods. This adjustment was determined by present valuing the differential between the weighted average contracted rate of the loans sold over the net yield to the purchaser allowing for a normal servicing fee over the estimated remaining lives of the loans adjusted for anticipated prepayments. The resulting gain or loss was reduced by any fees paid to the purchaser. The asset resulting from present valuing the "excess servicing spread" was included in "Capitalized costs of future servicing" in the accompanying consolidated balance sheets. Amortization of this asset was in proportion to and over the remaining estimated life of the related servicing income adjusted for prepayments.

[*24] [HARDCOPY PAGE 22]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Carteret had also purchased the rights to service mortgage loans for other investors. This asset was included in "Capitalized costs of future servicing" in the accompanying consolidated balance sheets. Such amounts were carried at the lower of amortized costs or net present value of the excess of estimated future servicing revenues over expected future servicing costs for the remaining lives of the related loans, adjusted for anticipated prepayments. The recorded was amortized in proportion to and over the remaining estimated life of the related servicing income adjusted for prepayment

FEE INCOME AND DISCOUNT ON LOANS PURCHASED AND MORTGAGE-BACKED SECURITIES:

Loans origination and commitment fees, and certain direct loan origination costs were deferred and amortized over the actual lives, adjusted for actual prepayments, of the related loans as a yield adjustment using the level-yield method. Discounts on loans purchaesed and mortgage-backed securities were excreted to income using the level-yield method over the lives of the related assets.

UNEARNED FINANCE CHARGES:

Finance charges are accreted to income by the effective yield method over the lives of the related premium finance loans, which were generally due within six to nine months from origination.

PREMIUM FINANCE OPERATIONS

The operations of Imperial Premium Finance, Inc. ("IPF"), an indirect wholly owned subsidiary of Carteret Savings, consisted of the financing of fire, marine, casualty and other types of insurance premiums written though independent insurance agents and brokers. In the normal course of business, IPF entered into loan sale agreements and typically recognized a net gain on the sales. Servicing rights were retained in connection with the sales. The value of excess servicing was capitalized to reflect the present value of the difference between the yield to IPF and the net yield to the purchaser in excess of a normal servicing fee. The capitalized servicing fees were carried at the lower of cost or market and amortized over the estimated life of the related service fee income. In addition to service fee income, IPF collected other loan fees such as late charges.

INTEREST RATE FUTURES CONTRACTS AND INTEREST RATE SWAP TRANSACTIONS:

Carteret periodically entered into financial futures contracts and interest rate swap transactions as part of a program to hedge interest rate exposure. Gains and losses resulting from futures contracts were deferred and amortized over the expected remaining lives of the hedged asset or liability.

Interest rate swap transactions generally involved the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying notional principal amounts. Swap agreements were entered into to minimize the exposure to the repricing of certain assets and liabilities due to interest rate changes. The differential to be paid or received on interest rate swap agreements was recognized over the life of the agreements. Notional principal amounts were often used to express the volume of these transactions, although the amounts potentially subject to credit risk were significantly smaller.

[*25] [HARDCOPY PAGE 23]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 - DISCONTINUED BANKING OPERATIONS

On December 4, 1992, Carteret Savings was placed in receivership by the OTS, eliminating the Company's ownership interest in Carteret.

Accordingly, the consolidated operations of Carteret have been designated as discontinued banking and consolidated statements of operations for the periods presented have been retroactively reclassified to report the income (loss) from discontinued banking operations separately from the results of continuing operations by excluding the operating revenues and expenses of discontinued banking operations from the respective statement captions. The amount of income taxes allocated to continuing operations reflects the tax consequences of the pretax loss from continuing operations exclusive of the pretax income (loss) from discontinued banking and insurance operations and the effects of an extraordinary gain on the extinguishment of debt see Note 8. The amount of income taxes allocated to discontinued banking operations reflects the incremental effect on income taxes that resulted from such operations.

Income from discontinued banking operations was $32,017,000 in 1992. This reflects the unaudited results of operations from the Company's discontinued banking operations of $14,712,000 for the nine month period ended September 30, 1992 and a non-cash gain of $17,305,000 due to elimination of the Company's negative investment in Carteret which arose as a result of the recognition of losses in excess of the Company's original investment basis and subsequent capital contributions. Due to the OTS's seizure of Carteret, the Company does not have full access to Carteret's relevant financial information. Consequently, Carteret's results of operations for the period October 1, 1992 to December 4, 1992 are included as a component of the non-cash gain on disposition in the accompanying consolidated statements of operations. Loss from discontinued banking operations was $155,305,000 in 1991 and $228,716,000 in 1990. The 1991 loss includes a provision for losses on loans and real estate of $171,634,000. The 1990 loss was primarily attributable to a write-off of goodwill at December 31, 1990 aggregating $161,000,000 and provision for losses on loans and real estate of $122,349,000.

Summarized information relating to income (loss) from discontinued banking operations follows:

(in thousands)	Year Ended December 31, 1992	Year Ended December 31, 1991	Year Ended December 31, 1990
Interest income	$ 271,849	$ 453,245	$ 557,626
Interest expense	191,382	358,627	441,529
Net interest income	80,467	94,618	116,097
Provision for losses on loans and real estate	18,777	171,634	122,349
Net interest income after provision for losses	61,690	(77,016)	(6,252)

Non-interest income	34,267	56,718	103,986
Net interest and non-interest income	95,957	(20,298)	97,734
Other expenses	80,367	134,816	331,300
Income (loss) from discontinued banking operations before income taxes	15,590	(155,114)	(233,566)
Income tax (expense) benefit	(878)	(191)	4,850
Income (loss) from discontinued banking operations through September 30, 1992	14,712	(155,305)	(228,716)
Non-cash gain on disposition	17,305	-	-
Income (loss) from discontinued banking operations	$ 32,017	$ (155,305)	$ (228,716)

(*) See paragraph 4 to Report of Independent Accountants included herein.

[*26] [HARDCOPY PAGE 24]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The OTS assumed the assets and certain liabilities of Carteret On December 4, 1992, therefore the information relating to the financial condition of Carteret included in this note is for the year prior to 1992. In addition, certain information to Advances from the Federal Home Loan Bank of New York, Securities Sold Under Agreements to Repurchases and Other Borrowed Funds, discussed below, relating to indebtedness outstanding during the 1992 period is not available to the Company and therefore has been excluded.

INVESTMENT SECURITIES

Investment securities at December 31 consist of the following:

(in thousands)	1991
Investment securities held for sale:	
U.S. Government and agency obligations (market $162,644)	$ 159,949
Total held for sale	159,949
Investment securities held for investment:	

U.S. Government and agency obligations, at amortized cost (market $41,928)	39,742	
Corporate obligations, at amortized cost (market $4,648)		4,651
Collateralized mortgage obligations, at amortized cost (market 69,701)	70,127	
Preferred stock, non-sinking fund, at amortized cost (market $127)	127	
Total held for investment	$ 274,596	

Net unrealized gains on investment securities reflect gross unrealized gains of approximately $5 million and gross unrealized losses of approximately $1 million at December 31, 1991.

Certain corporate obligations and collateralized mortgage obligations were pledged as collateral for advances from the FHLB and securities sold under agreements to repurchases at December 31, 1991 (see the respective captions included below).

[*27] [HARDCOPY PAGE 25]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

MORTGAGE - BACKED SECURITIES

Mortgage-backed securities, at December 31 are summarized as follows:

	1991	
(in thousands)	Carrying Value	Market Value
Mortgage-backed securities held for sale:		
Federal Home Loan Mortgage Corporation ("FHLMC")	$ 116,030	$ 116,533
Federal National Mortgage Association ("FNMA")	36,343	38,327
Government National Mortgage Association ("GNMA")	396	442
Pass-through securities	3,756	3,756
Total mortgage-backed securities held for investment	156,525	159,058
Mortgage-backed securities held for investment:		
FHLMC	58,820	61,233

FNMA	20,190	21,342
GNMA	249,203	265,270
Pass-through securities	1,032,933	1,405,486
Other mortgage-backed securities	11,483	10,014
Total mortgage-backed securities held for investment	1,372,629	1,405,486
	$ 1,529,154	$ 1,564,544
Weighted average yield	8.70%	

Net unrealized gains on mortgage-backed securities reflect gross unrealized of approximately $40 million and gross unrealized losses of approximately $5 million at December 31, 1991.

Certain mortgage-backed securities totaling approximately $1.4 billion were pledged as collateral for various borrowing including $1.1 billion pledged to secure advances from the FHLB (see the respective caption below).

[*28] [HARDCOPY PAGE 26]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

LOANS RECEIVABLE, NET

Loans receivable, net at December 31 consist of the following:

(in thousands)	1991
Loans receivable held for sale, net:	
Residential first mortgage loans	$ 232,828
Unearned discounts and deferred loan fees	(2,328)
Total loans receivable held for sale, net	230,500
Loans receivable held for investment, net:	
Residential first mortgage loans	1,839,638
Commercial real estate loans	347,088
Total first mortgage loans	2,186,726
Corporate loans	159,496
Consumer loans	105,644
Premium finance loans	77,312

Total other loans	342,452	
		2,529,178
Loan participation sold	(330,320)	
Loans in process	(10,127)	
Unearned discounts and deferred loan fees	(21,529)	
Allowance for losses on loans	(64,643)	
		(426,619)
Total loans receivable held for investment, net	2,102,559	
		$ 2,333,059
Weighted average yield	9.45	

[*29] [HARDCOPY PAGE 27]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Components of the allowance or losses on loans by major category at December 31 follow:

(in thousands)	1991
Residential first mortgage loans	$ 14,371
Commercial real estate loans	33,177
Total fist mortgage loans	47,548
Corporate loans	13,481
Consumer loans	1,706
Premium finance loans	1,908
Total other loans	17,095
	$ 64,643

The following is an analysis of the allowance for losses on loans for the year ended December 31:

(In thousands)	1991

Balance at beginning of the year	$ 100,422
Provisions charged to operations	79,701
Losses charged off, net	(67,948)
Reclassification to investment in real estate, net	(47,532)
Balance at end of year	$ 64,643

In accordance with OTS regulations, when an asset or a portion of an assets is classified "loss", either a specific reserve shall be established equal to 100 percent of the portion of the asset classified loss or the loss amount shall be charged off. Losses charged off in 1991 amounted to $74,125,000, principally commercially real estate and corporate loans. At December 31, 1991 there were no specific reserves as all loans classified loss had been charged off. The large amount of 1991 provisions and losses charged off was the result of management's intensive efforts to identify and value problem assets in Carteret's portfolios.

[*30] [HARDCOPY PAGE 28]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table sets forth information on nonaccrual loans, past due loans which are still accruing interest and restructured loans at December 31:

(in thousands)	1991
Residential first mortgage loans	$ 53,610
Commercial real estate loans	60,804
Corporate loans	20,209
Consumer loans	4,370
Total nonaccrual loans	138,993
Commercial real estate loans - 90 days past due	15,159
Residential first mortgage loans - 90 days past due	10,649
Premium finance loans - 180 days past due	2,492
Total loans 90 or more days past due, still accruing	28,300
Total non-performing loans	167,293
Restructured loans	63,995
	$ 231,248

Restructured loans were problem loans for which the original contacted terms have been modified, generally providing more favorable terms to the borrower, including but not limited to, lower interest rates. Carteret, as the lender, was provides with a resumption or continuation of the income stream. Certain first mortgage loans were pledged as collateral for advances from the FHLB (see the respective caption below).

Certain first mortgage loans were pledged as collateral for advances from the FHLB (see the respective caption below.)

INVESTMENT IN REAL ESTATE, NET

Investment in real estate, net at December 31 consists of the following:

(in thousands)	1991
Real estate held for development and sale	$ 20,561
Real estate owned ("REO")	109,842
In-substance foreclosed loans	227,813
	358,216
Allowance for losses on real estate:	
REO	(150)
In-substance foreclosed loans	(19,788)
	(19,938)
	$ 338,278

[*31] [HARDCOPY PAGE 29]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following is an analysis of the allowance or losses on real estate or the year ended December 31:

(in thousands)	1991
Balance at beginning of year	$ 60,473
Provisions charged to operations	91,933
Losses charged off	(180,000)

Reclassification from loans receivable, net	47,532
Reclassification from other general reserves	-
Balance at end of year	$ 19,938

In accordance with OTS regulations, when an assets or a portion of an asset is classified "loss", either a specific reserve shall be established equal to 100 percent of the portion of the asset classified loss or the loss amount shall be charged off. Losses charged off in 1991 amounted to $180 million. At December 31, 1991, there were no specific reserves as all real estate classified loss had been charged off. The large amount of 1991 provisions, and losses charged off was the result of management's intensive efforts to identify and value problem assets in Carteret's portfolios (see Loans Receivable, Net, above).

CAPITALIZED COSTS OF FUTURE SERVICING

Capitalized costs of future servicing at December 31 consist of the following:

(in thousands)	1991
Purchased mortgage servicing rights	$ 66,790
Excess servicing rights:	
Mortgage loans	12,239
Home equity loans	2,221
Total excess servicing rights	14,460
	$ 81,250

[*32] [HARDCOPY PAGE 30]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table details the activity of the capitalized costs of future servicing for the year ended December 31:

(in thousands)	1991
Balance at beginning of year	$ 101,539
Amortization of:	
Purchased mortgage servicing rights	(15,716)
Excess servicing rights	(6,672)

	(22,388)
Gain on value of servicing retained	4,857
Excess servicing sold	(2,758)
Balance at end of year	$ 81,250

At December 31, 1991, Carteret serviced approximately $8.0 billion in loans, including $6.8 billion in loans serviced for others.

DEPOSITS

Deposits at December 31 were comprised of the following:

(dollars in thousands)	1991
Passbook	$ 110,706
Money market accounts	301,879
Certificates of deposits:	
3 months	62,255
6-11 months	583,786
12-23 months	869,505
24-35 months	230,877
36-47 months	73,353
48-59 months	21,506
5-10 years	197,574
Negotiable rate, 7 days to 1 year	79,462
As agent	11,171
	2,129,489
Demand:	
Money market demand accounts	312,972
Interest bearing demand accounts	69,881
Non-interest bearing demand deposits	6,948
	389,801
Accrued interest payable	3,096
	$ 2,934,971
Weighted average rate	6.11%

Certificates of deposit $100,000 and over aggregated $171,026,000 as

of December 31, 1991.
[*33] [HARDCOPY PAGE 31]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

ADVANCES FROM THE FEDERAL HOME LOAN BANK OF NEW YORK ("FHLB")

Advances from the FHLB were maturing or scheduled or repayment at December 31 as follows:

	1991	
(dollars in thousands)	Interest Rate	Amount
Within one year	4.56-10.58%	$ 115,003
One to two years	5.03-9.26	159,179
Two to three years	4.69-5.34	119,750
Three to four years	4.09-6.29	1,253,810
Four to five years	4.36-7.96	240,734
		$ 1,888,476
Weighted average rate		5.73%

Adjustable rate advances comprise $1.7 million of the advances outstanding at December 31, 1991. Adjustable rate advances reprice every three or six months and were tied to the three and six month London Interbank Offered Rate ("LIBOR") rates. The adjustable rate advances had prepayment options that range from after six months to after three years.

Carteret Savings was required to physically deliver specific collateral to the FHLB to secure its advances. Under the policies of the FHLB, member institution were required to maintain collateral with market values in an amount ranging from 100% to 125% of outstanding advances, depending on the type of collateral pledged and the member's financial condition. Carteret Savings had delivered to the FLBH the required level of collateral necessary to secure its outstanding advances. The advances from the FHLB were secured by investments, first mortgage loans, FHLB stock and mortgage-backed securities with carrying values totaling $2,459 million at December 31, 1991, with corresponding market values totaling approximately $2,465 million.

The maximum amount of such advances outstanding at any month-end was $1,973 million and $1,963 million during the years ended December 31, 1991 and 1990, respectively. The average amount outstanding, based on a daily average was $1,923 million and $967 million during the years ended December 31, 1991 and 1990, respectively.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASES

Carteret Savings entered into sales of securities under agreements to repurchase ("reverse repurchase agreements"). These agreements were accounted for a financing arrangements and the obligations to repurchases securities sold were reflected as a liability in the accompanying consolidated balance sheets. During the years ended December 31, 1991 and 1990, the average outstanding amount of reverse repurchase agreements was $42 million and $258 million, respectively, and the maximum outstanding at any month-end was $222 million and $456 million, respectively. Reverse repurchase agreements, which generally mature within one month, were typically collateralized by mortgage-backed securities, U.S. Government securities, collateralized mortgage obligations and first mortgage loans which were under the control of the counterparty and continued to be carried as assets by Carteret Savings. At December 31, 1991, reverse repurchase agreements outstanding $51 million were collateralized by U.S. Government securities with carrying values of $50 million. The market value of the collateral was $51 million. The weighted average rate on the reverse repurchase agreements outstanding at December 31, 1991 was 4.35%.

[*34] [HARDCOPY PAGE 32]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

OTHER BORROWED FUNDS

As of December 31, 1991, other borrowed funds aggregates approximately $86,919,000 with a weighted average interest rate of 9.14%. Included in other borrowed funds was $85,925,000 of medium-term notes with maturities ranging between two and the three years and interest rates ranging from 8.00% to 9.34%. Other borrowed funds also included $994,000 of other borrowings with maturities of five years and thereafter at an interest rate of 9.03%.

The maximum amount of other borrowed funds outstanding at any month-end was $182 million and $343 million during the years ended December 31, 1991 and 1990, respectively. The daily average amount outstanding was $147 million and $271 million during the years ended December 31, 1991 and 1990, respectively.

The medium-term notes were not redeemable at the option of Carteret. The collateral for the medium-term notes at December 31, 1991 was mortgage-backed securities. Interest on such notes was payable semi-annually on March 15 and September 15.

NOTE 4 - DISCONTINUED INSURANCE OPERATIONS

On February 13, 1991 the Company sold (the "Sale") all the outstanding Common Stock of The Home and its subsidiaries, including US International Re, Inc ("USIRe"), Gruntal Financial Corp. ("Gruntal") and Sterling Forest Corporation and certain other subsidiaries of the Company, together with 6,277,180 shares of The Home's $2.95 Cumulative Preferred Stock, Series A, held by the Company, to Home Holdings, Inc. (formerly TVH Acquisition Corporation) ("Home Holdings"), a Delaware corporation owned by an investment group consisting of Trugg-Hansa SPP Holdings AB, a major Swedish insurer, Industrial Mutual Insurance Co., a major Finnish insurer, and certain other investor, pursuant to a stock purchase agreement dated as of September 28, 1990, as amended, among the Company, The Home and Home Holdings.

The Company received approximately $540,653,000 in cash in connection with the Sale. In addition, Home Holdings assumed approximately (i) $101,950,000 aggregate principal amount of the Company's 11-3/4% sinking fund debentures due April 15,2008 ("11-3/4% Debentures"), (ii)$59,869,000 aggregate principal amount of the $150,000,000 aggregate principal theretofore outstanding of the Company's 14-7/8% senior subordinated notes due 1998 ("14-7/8% Notes") not purchased by the Company in its tender offer therefore, and (iii) $56,589,000 aggregate principal amount of the $75,675,000 aggregate principal theretofore outstanding of the 14-7/8% debentures due 1999 ("Funding Debentures") of Home Group Funding Corporation ("Home Funding") (one of the subsidiaries sold to Home Holdings) not purchased by the Company in its tender offer therefore. The Home Funding debentures were guaranteed on a subordinated basis by the Company. Home Holdings also agreed to pay $48 million to the Company over a period of years to meet certain specified future obligations of the Company, as incurred, relating to litigation, taxes and the Company's ongoing general and administrative expenses. Final settlement of any remaining amounts due under the receivable are due to be paid no later than 1997, with the exception of any amounts applicable to taxes which will be due no later than the expiration of the statute of limitations for the Company's tax year ending December 31, 1991. During 1992, proceeds of $8,401,000 were received, reducing the receivable balance $34,019,000 at December 31, 1992. The cash proceeds of the Sale were used to repay the Company's bank indebtedness of $410,000,000, to pay for securities purchased in the Company's tender offers and to pay expenses associated with the Sale.

[*35] [HARDCOPY PAGE 33]

Accordingly, the consolidated operations of The Home have been designated as discontinued insurance operations and the consolidated statements of operations for the periods presented have been retroactively reclassified to report the income (loss) from discontinued insurance operations separately from the results of continuing operations by excluding the operating revenues and expenses of discontinued insurance operations from the respective statement captions. The amount of income taxes allocated to continuing operations reflects the tax consequences of the pretax loss from continuing operations exclusive of the pretax income (loss) from discontinued insurance and banking operations and the effects of an extraordinary gain of the extinguishment of debt, see Note 8. The amount of income taxes allocated to discontinued insurance operations reflects the incremental effect on income taxes that resulted from such operations. The loss from discontinued insurance operations in the 1990 also includes the effects of charge related to the estimated loss on disposition of discontinued insurance operations based on the consideration, net of associated costs, and expenses, available to the Company under the stock purchase agreement.

Summarized information to loss from discontinued insurance operations follows:

(in thousands)	Year Ended December 31, 1990
Revenues:	
Insurance:	
Earned premiums	$ 2,022,091
Net investment income	321,022
Realized losses on investments	(254,105)
	2,089,008
Investment services	262,684
	$ 2,351,692
Loss from discontinued insurance operations:	
Insurance:	
Underwriting loss	$ (214,921)
Net investment income	321,022
Realized losses on investments	$ (254,105)
	(148,004)
Investment services	(4,781)
Other	(20,278)
Loss before income taxes including ($86,013) through September 30, 1990 (measurement date)	(173,063)
Income tax expense	(6,777)

Preferred dividends of The Home, net of paid to the Company	(25,206)
Loss from operations of The Home	(205,046)
Loss from operations since September 30, 1990 included in the estimated loss on disposition	95,194
Loss from operations prior to September 30,1990	(109,852)
Estimated loss on disposition	(540,653)
Loss from discounted insurance operations	$ (650,505)

[*36] [HARDCOPY PAGE 34]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 5 - STOCKHOLDERS' EQUITY

Authorized capital stock consists of 50,000,000 shares of cumulative preferred stock and 200,000,000 shares of Common Stock. The par value of both the cumulative preferred stock and the Common Stock was reduced from $1.00 to $0.01 per share following a vote held at a special meeting of stockholders on February 12, 1991.

Changes in the outstanding shares of Common Stock of the Company follow:

	1992	1991
Balance at beginning of year	39,654,212	36,156,320
Issuance of common shares	1,000,000	-
Issuance of treasury stock	-	3,497,892
Increase in treasury stock	(95,693)	-
Balance at end of year	40,558,519	39,654,212

Common Stock balances exclude 126,488 and 30,795 treasury shares at December 31, 1992 and 1991, respectively.

In connection with the proceeding entitled Rolo and Teberelli v. City Investing Company Liquidating Trust, et al., pending in the District Court of New Jersey, as further described in Note 10, the Company is currently prohibited, pending further judicial action, from the payment of any dividends.

As of January 1, 1992, 1,000,000 previously authorized unissued shares of the Company's Common Stock were issued to the Company's President and

Chief Executive Officer, pursuant to a Restricted Stock Award. The average number of shares outstanding has been adjusted to reflect this issuance as of July 1, 1991.

Treasury stock is carried at an average costs of $5.12 per share. At December 31,1992, treasury stock consisted of 126,488 shares aggregating approximately $647,000 compared with 30,795 shares at an average cost of $20.05 per share aggregating $617,000 at December 31, 1991. The increase in treasury stock held in 1992 is due to the transfer of 95,693 shares of Common Stock at approximately $0.31 per share, into treasury from the AmBase Executive Benefits Trust which was terminated in 1992.

The increase in treasury stock held in 1992 is due to the transfer of 95,693 shares of Common Stock at approximately $0.31 per share, into treasury from the AmBase Executive Benefits Trust which was terminated in 1992.

On January 29, 1986, the Company's Board of Directors declared a dividend distribution of one right for each outstanding share of Common Stock of the Company. The rights, as amended March 24, 1989, November 20, 1990 and February 12, 1991, which entitle the holder to purchase from the Company a common share at a price of $75.00, are not exercisable until either a person a person or group of affiliated persons acquires 15% or more of the Company's outstanding common shares or the commencement or disclosure of an intention to commence a tender offer or exchange offer for 20% or more of common shares. The rights are redeemable by the Company at $0.05 per right at any time until the earlier of the 10th day following an accumulation of 20% or more of the Company's shares by a single acquirer, or group or the occurrence of certain Triggering Events (as defined in the plan governing the rights). In the event the rights become exercisable and thereafter the Company is acquired in a merger or other business combination, or ion certain other circumstances, each right will entitle the holder to purchase from the surviving corporation, for the exercise price, Common Stock having a market value of twice the exercise price of the right. The rights are subject to adjustment to prevent dilution and expire on February 10, 1996.

[*37] [HARDCOPY PAGE 35]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

At December 31, 1992, there were 4,110,000 shares reserved for issuance under the Company's stock option and other employee benefit plans.

Included in the cash received by the Company upon the sale of The Home was a $30 million closing dividend from The Home on February 13, 1991.

NOTE 6 - PENSION PLANS

The Company and its subsidiaries had several noncontributory defined benefit pension plans covering substantially all employees. Pension benefits were generally based on years of service and compensation during the last five years of employment. As of December 31, 1991, the Board of Directors of the Company in anticipation of terminating the AmBase Retirement Plan (the "Plan") approved the freezing of benefit accruals for employees of the Company and its direct subsidiaries under the Plan. As of December 31, 1992, the Board of Directors of the Company approved the transfer of the portion of the Plan allocable to participants employed by the Imperial Premium Finance companies (former indirect subsidiaries of the Company) to a plan to be established by such companies in accordance with procedures established by the Internal Revenue Code and the Pensions Benefit Guaranty Corporation and the termination of the reminder of the Plan. The Company's funding policy was to contribute annually amounts at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended.

The following information relating to the Company's pension plans includes the applicable information for Carteret for 1991 and The Home and Carteret for 1990. The 1992 Plan information includes information relating solely to the Company's continuing operations and the related pension plans.

The components of pension expense for the years ended December 31 follow:

	1992	1991	1990
Services cost of current period	$ -	$ 2,385	$ 7,303
Interest cost of projected benefit obligation	117	1,542	4,399
Actual return on plan assets	(167)	(6,409)	3,395
Net amortization and deferral	72	4,340	(8,374)
	$ 22	$ 1,858	$ 6,723

Pension expected charged to earnings of continuing operations was $22,000 in 1992, $161,000 in 1991 and $246,000 in 1990.
[*38] [HARDCOPY PAGE 36]

AMBASE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table sets forth the pension plan's funded status, the amounts recognized as accrued pension cost at December 31 and the major assumptions used to determine these amounts:

(in thousands)	1992	1991
Actuarial present value of benefit obligations:		
Accumulated benefit obligations, including vested of $1,624 in 1992 and $8,515 in 1991	$ 1,624	$ 10,030
Projected benefit obligation for service rendered to date	$ 1,624	$ 12,187
Plan assets at fair value	1,590	14,972
Projected benefit obligation in excess of (less than) plan assets, at fair value	34	(2,785)
Unrecognized prior service costs	-	3,241
Unrecognized net transition obligation	-	(10)
Unrecognized net loss from past experience different from that assumed	-	(1,058)
Accrued (prepaid) pension costs	$ 34	$ (612)
Major assumptions:		
Discount rate	7.9%	8.2%
Rate of increase in future compensation	N/A	6.0
Long-term rate of return on plan assets	9.0	9.0

Plan assets at December 31, 1992 are invested in a highly liquid short-term investment portfolio. At December 31, 1991 plan assets were invested in a diversified portfolio that primarily consisted of fixed maturities and equity securities.

In connection with the sale of The Home and various subsidiaries, on February 13, 1991, employees of such subsidiaries were no longer eligible to participate in the AmBase Retirement Plan and were transferred into a new plan sponsored by Home Holdings along with the related accumulated benefit obligations of approximately $35 million and the related plan assets of approximately $33 million.

In addition, pension expense charged to earnings of continuing operations with respect to certain supplemental benefits aggregated $572,000 in 1992, $1,096,000 in 1991 and $1,032,000 in 1990.

POSTRETIREMENT WELFARE BENEFITS

In December 1990, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" ("Statements 106") which is effective for fiscal periods beginning after December 15, 1992. Under Statement 106, employers must recognize the cost of certain postretirement benefits during the periods employees render service, with all such costs being recognized in full by the eligibility date. Historically, the Company and its subsidiaries recognized these costs on a cash basis. As of December 31, 1991, the Company had accrued $1,786,000 of postretirement welfare benefit costs in connection with its corporate restructing efforts. The Company and its subsidiaries do not provide postretirement welfare benefits to employees currently retiring. Management believes that the adoption of Statement 106 will not have a material effect on the consolidated financial statements.

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 7 - INCENTIVE PLANS

The Share Unit Plan provides that participants receive on the fifth anniversary of the date of award cash equivalent to the increase in market value per share of the Company's Common Stock multiplied by the number of vested units held by the participants. In addition, each participant's account is credited with dividend units equivalent to any cash dividends on total units in the participant's account on dividend payments dates. No awards are currently outstanding under the Share Unit Plan.

Under the Company's 1985 Stock Option Plan, options to purchase shares of Common Stock can be granted to salaried employees. The plan provides for the granting of incentive stock options and/or nonqualified stock options through May 22, 1995. The exercise price of incentive stock options may not be less than 100% of the fair market value of the Company's Common Stock on the date of grant. The plan provides that nonqualified stock options may be granted at an exercise price that will be determined by the committee that administers the plan. At December 31, 1992, no stock options were outstanding under the plan.

Under the Company's Long-Term Incentive Compensation Plan, awards could be granted to officers and other salaried employees of the Company and its subsidiaries. The plan provides that such awards may be granted in tandem with and, in general, will have identical terms and vesting provisions as related share unit or stock option awards. Under the plan, awards are granted in the form of units, each of which has an initial value equal to the Company's book value per share or as determined by the committee that administers the plan. Whenever the Company pays any dividend on its Common Stock, each participant's account is credited with a number of additional units determined by dividing the cash dividend equivalent on the total units in the account by the book value per share at the end of the month prior to the dividend payment date. The plan provides that at the maturity of a share unit award, or at such times and in such percentages as stock options become exercisable, the participant may in the case of awards that exist in tandem with share units or stock options elect to receive payment based on either the Long-Term Incentive Compensation Plan or the related Share Unit or Stock Option Plan, but not both. However, in the case of awards that are independent of share units or stock options, the participant's election to receive payment under the Long-Term Incentive Compensation Plan does not require the participant to forego any payment under another plan. On January 4, 1991, the Personnel Committee of the Board of Directors, acting pursuant to provisions of the plan that permit the Committee, in its sole discretion, to adjust book value per share in order to reflect extraordinary nonrecurring items or other changes in circumstances beyond the control of the Company that have materially affected the total stockholders' equity account, adjusted book value per share for purposes of the plan to eliminate any value for all unpaid awards thereunder. No awards are currently outstanding under the Long-Term Incentive Compensation Plan.

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Incentive plan activity is summarized as follows:

(awards in thousands)	Share Unit Plan	Stock Option Plan	Long-Term Incentive Compensation Plan
Outstanding at December 31, 1989	1,277	1,579	3,843
Exercised	-	-	(232)
Cancelled	(7)	(10)	(6)
Outstanding at December 31, 1990	1,270	1,569	3,605

Exercised	(1,270)	-	-
Cancelled	-	(1,569)	(3,605)
Outstanding at December 31, 1991	-	-	-
Exercised	-	-	-
Cancelled	-	-	-
Outstanding at December 31, 1992	-	-	-
Initial Value	$11.25-$27.06	$13.32$20.88	$19.03-$30.60

Continuing operations were credited $2,368,000 and $5,587,000 with respect to these plans in 1991 and 1990, respectively.

In July 1991, the Company granted to its President and Chief Executive Officer a Restricted Stock Award ("Restricted Stock") of 1,000,000 shares of the Company's Common Stock for $10,000 which was equal to the par value of the Restricted Stock times the number of shares awarded. The Restricted Stock vests in three equal installments commencing on January 1, 1992 and each successive anniversary date thereafter through January 1, 1994. Under the award to the extent the shares are not vested, they may not be sold, assigned, transferred, pledged or otherwise encumbered. However, they entitle the holder to all rights of a stockholder including the right to vote such stock and receive dividends, if any, thereon as and when paid.

In December 1991, the Personnel Committee recommended, and the Board of Directors of the Company approved, awards of 1,000,000 shares of the Company's Common Stock to the Company's President and Chief Executive Officer, of which 800,000 shares were issued from the Company's treasury stock, and 500,000 shares of the Company's Common Stock to Carteret's Vice Chairman and Chief Financial Officer. The average of the high and low trading prices of the Company's Common Stock on the date of the awards was $0.3281 per share.

In January 1993, the Company's Chairman, President and Chief Executive Officer ("Chairman") and the Company's Executive Vice President, Chief Financial Officer, Treasurer and Secretary ("Chief Financial Officer") were permitted to purchase 3,000,000 and 750,000 shares, respectively, under the Company's Stock Purchase and Loan Plan, from previously authorized unissued shares. Although the plan provides that the Company may make loans pursuant to the plan's terms, both the Chairman and Chief Financial Officer paid cash for their purchases. The price paid in accordance with the plan was the average of the high bid and low asked price of the Company's Common Stock on the date of the award of $0.11 per share. No loans were made to these individuals under the plan.

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In addition, in January 1993, the Chairman was awarded an incentive stock option to acquire 1,150,000 shares of AmBase Common Stock pursuant to the Company's 1985 Stock Option Plan. The Chief Financial Officer was awarded a similar option to acquire 450,000 shares under the Plan. The exercise price of these options was $0.11 per share, the average of the high bid and low asked trading price of the Company's Common Stock on the date of grant. These options become exercisable in 50% increments in 1994 and 1995 and generally can be exercised by the optionee only if he is employed by the Company at the Time of exercise. Neither of these individuals had any stock options for Common Stock of the Company prior to January 1993.

NOTE 8 - INCOME TAXES

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

(in thousands)	1992	1991	1990
Income tax expense (benefit)	$ 4,783	$ 11,589	$ 10,645
Continuing operations	878	191	(4,850)
Discontinued banking operations	-	-	6,777
	$ 5,661	$ 11,780	$ 12,572

The components of pretax (loss) income and the difference between income taxes from continuing operations computed at the statutory federal rate of 34% and the provision for income taxes from continuing operations for the years ended December 31, follows:

(in thousands)	1992	1991	1990
Loss from continuing operations before income taxes	$ (3,776)	$ (35,691)	$ (129,875)
Tax expense (benefit):			
Tax at statutory federal rate	$ (1,284)	$ (12,135)	$ (44,158)
Loss benefit not recognized	1,284	12,135	52,035

Prior years' issues	4,170	11,000	1,690
State income taxes	613	589	1,078
	$ 4,783	$ 11,589	$ 10,645

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The composition of income tax expense continuing operations for the year ended December 31 is as follows:

(in thousands)	1992	1991	1990
Current-state	$ 613	$ 589	$ 1,078
Deferred (primarily federal):			
Prior years' issues	4,170	11,000	1,690
Interest	-	-	5,524
Compensation matters	-	-	1,706
Reserves	-	-	1,413
Other	-	-	(766)
	4,170	11,000	9,567
	$ 4,783	$ 11,589	$ 10,645

The Company's income tax returns are open for assessment under the statute of limitations, from 1981 to the present. In addition, the Company has contractually assumed the income tax liabilities of City Investing Company ("City"), which previously owned all the outstanding shares of Common Stock of the Company, for the periods that City remains open for assessment under the statute of limitations, 1981 through September 1985, and The Home and its subsidiaries from 1981 through 1989. Audit issues have been raised by the International Revenue Service ("IRS") that would have a material effect on the Company's consolidated financial statements were the IRS to be successful in sustaining its positions. The Company believes that it has meaningful defenses to these issues.

As a result of examinations of City Investing Company's ("City") tax returns, the Internal Revenue Service (the "IRS") has proposed assessments for withholding taxes on interest payments for the years 1979 through 1985 for which the Company is responsible. The IRS's contention is based on the theory that City's wholly owned Netherlands Antilles finance subsidiary was not adequately capitalized and thus should be disregarded for tax purposes. If the IRS's theory were correct, the Company would be liable for substantial taxes and interest. The Company has vigorously contested the position in accordance with the IRS's internal appeals procedures. Nevertheless, in March 1992, the National Office of the IRS issued technical advice supporting the auditing agent's position. The Company is currently appealing this technical advice with the National Office. Unless satisfactory settlement can be reached, the Company will be required to litigate this issue in the United States Tax Court. The proposed assessment currently exceeds the Company's available financial resources. Based on counsel's evaluation of the IRS's contentions, counsel has advised the Company that it has a very strong case and should prevail.

In February 1992, the FASB issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("Statement 109") which is effective for fiscal periods beginning after December 15, 1992. Management has determined that Statement 109, when adopted, will not have a material effect on the consolidated financial statements.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Future minimum rental payments, principally for office space, under noncancellable operating leases at December 31, 1992 are: 1993, $215,000; 1994, $192,000; 1995, $117,000; 1996, $3,000; 1997, $1,000 thereafter. Rent expense charged to earnings of continuing operations was $207,000, $667,000 and $2,088,000 for the years ended December 31, 1992, 1991 and 1990, respectively.

[*43] [HARDCOPY PAGE 41]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 10 - LITIGATION

(a) The Company is a defendant in a number of lawsuits or proceedings, including the following:

CONSOLIDATED SECURITIES AND STOCKHOLDER DERIVATIVE ACTIONS.

Since the initial announcement on February 20, 1990, by the Company that the Company had retained First Boston Corporation as its financial advisor to offer for sale The Home and its subsidiaries, fifteen complaints purporting to be class actions or stockholder derivative actions involving the Company have been filed in or transferred to the

United States District Court for the Southern District of New York. Those actions have been consolidated under the caption In re AmBase Corporation Securities Litigation (U.S. District Court, Southern District of New York) (the "Consolidated Actions"). The Consolidated Amended Class Action and Derivative Complaint (the "Consolidated Complaint") in the Consolidated Actions names as defendants the Company. The Home, Home Group Funding Corporation, certain of the current and former officers and directors of the Company, as well as certain other parties.

The Consolidated Complaint asserts causes of action under Section 10(b) of the Securities Exchange Act of 1934, as amended, and under Rule 10b-5 thereunder and under Sections 11, 12(2) and 15 of the Securities Act of 1933, as amended, as well as causes of action based on common law negligent misrepresentation. Plaintiffs are purchasers of four classes of securities: (i) the Company's Common Stock; (ii) Preferred Stock of The Home; (iii) the 14-7/8% senior subordination notes due 1998 ("14-7/8% Notes") of the Company; and (iv) the 14-7/8% debentures due 1999 of Home Group Funding Corporation ("Funding Debentures"). Plaintiffs claim to represent various classes of persons who purchased these securities between October 1987 and November 1990, including persons who exchanged preferred stock of The Home for Funding Debentures in 1989). Plaintiffs seek damages in an amount to be determined, plus certain declaratory and injunctive relief, costs and attorneys' fees.

The Consolidated Complaint alleges that defendants published false and misleading information and wrongfully failed to disclose material information concerning the Company and its financial condition, including: (i) the Company's investment in certain noninvestment grade securities; (ii) the Company's unsecured loans to certain brokerage firms, including Drexel Burnham Lambert Group Inc. ("Drexel"); (iii) the impact of debt incurred by the Company as a result of its diversification program; (iv) the mismanagement and deliberate undercapitalization of Gruntal Financial Corp. ("Gruntal"); (v) the inadequacy of Carteret's loan loss reserves and overstatement of its asset values; (vi) the inadequacy of The Home's loss reserves and corresponding overstatement of income at The Home; (vii) obstacles to developing Sterling Forest Corporation; (viii) fraudulent business practices of General Development Corporation ("GDC"), which shared common directors and transacted business with the Company; and (ix) the Company's inability to pay a special dividend to stockholders or to repay the Company's debt upon a sale of The Home.

The Consolidated Complaint also asserts derivatively on behalf of the Company claims against certain of the current and former officers and directors of the Company based on alleged breach of fiduciary duty, gross mismanagement and corporate waste arising out of the following alleged wrongdoings; (i) an unduly risky business strategy involving leveraged transactions, investment in noninvestment grade securities, unsecured loans to brokerage firms, undercapitalization of Gruntal, the making of risky loans through Carteret and the failure to maintain adequate loan loss reserves at Carteret; (ii) excessive compensation arrangements for the Company's directors and certain members of senior management; and (iii) materially misleading disclosures concerning the Company (discussed above), which have exposed the Company to liabilities under the securities laws.

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

No class has been certified in the Consolidated Actions. On March 4, 1991, defendants moved to dismiss the Consolidated Complaint or, in the alternative, for summary judgment on all of plaintiffs' claims. That motion was fully briefed.

Another securities law action making allegations similar to those in the Consolidated Actions, Angel, et al. v. AmBase Corp., et al., was commenced in the United States District Court for the Southern District of New York on July 12, 1991. The plaintiffs in Angel are approximately 50 purchasers of the Company's Common Stock, including the Lindner Fund. Unlike Consolidated Actions, this action is not filed as a class action, but rather is asserted individually on behalf of each of the plaintiffs. By stipulation, the time within which those defendants who have been served must answer this complaint has been extended because of the similarity between the allegations in the complaint and those in the Consolidated Complaint. The parties stipulated that the Company is required to answer the complaint within 45 days after the Court's decision on the Company's motion to dismiss or for summary judgment in the Consolidated Actions.

On January 19, 1993, counsel for the Company, for its present and former officers and directors named as defendants in the Consolidated Actions, and for plaintiffs sent a letter to Judge Haight, who presides over the Consolidated Actions, jointly advising the judge "that defendant AmBase Corporation and the individual AmBase officer and director defendants have reached an agreement in principle with plaintiffs to settle [this] matter. We are presently working out the details of such settlement. We hope to include all of the defendants [i.e., Merrill Lynch and Peat Marwick] in the settlement, but we do not know whether this will be possible." It is anticipated that the settlement will also include and dispose of the derivative litigation described below. Counsel for the Company hopes to resolve outstanding contingencies and negotiate the terms of a definitive settlement agreement in the next several weeks. In connection with the settlement of the class and derivative actions, the Company has agreed to make certain discovery available to plaintiffs' counsel.

DELAWARE DERIVATIVE ACTION

In June 1990, a stockholder derivative action, Charal V. Scharffenberger, et al., was filed in Delaware Chancery Court. The allegations in this action are similar to the stockholder derivative allegations in the Consolidated Complaint. Because of this similarity, the parties to the Delaware action have agreed to a stay of that action pending decision on the Company's motion to dismiss the derivative count in the Consolidated Complaint or, in the alternative, for summary judgment in the Consolidated Actions. If that motion is granted other than for lack of jurisdiction, the parties will jointly request that the action be dismissed; if the motion is denied, the Delaware action will proceed.

NEW YORK STATE DERIVATIVE ACTIONS

In February 1991, a stockholder brought an action, Sumers v. AmBase Corp., et al., allegedly on his own behalf and on behalf of fellow stockholders, and also derivatively on behalf of the Company, in New York State Supreme Court. Plaintiff alleged causes of action for breach of fiduciary duty, waste of corporate assets and various claims and allegations relating to Marshall Manley, the Company's former President and Chief Executive Officer. Plaintiff requested damages against certain current and former Company directors, and restitution and damages from Mr. Manley. After defendants moved to dismiss the complaint on the ground that plaintiff to make a demand on the Company's Board of Directors prior to commencing this action, plaintiff served an amended complaint. On June 17, 1991, defendant renewed their motion to dismiss on essentially the same grounds. On November 22, 1991, the Court dismissed plaintiff's complaint on the grounds of forum non conveniens. On April 16, 1992, plaintiff served a Notice of Appeal and Pre-argument Statement upon the Company. On January 15, 1993, plaintiffs-appellants filed their brief on appeal with the Appellate Division-First Department of the New York State Supreme Court. The parties have agreed to put off defendants-appellees' time to file their opposition papers based on the prospective settlement discussed above.
[*45] [HARDCOPY PAGE 43]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On July 8, 1991, a stockholder derivative action, Heidorn v. AmBase Corp., et al., was commenced in New York State Supreme Court. Plaintiffs in this action assert derivatively on behalf of the Company claims against certain current and former officers and directors of the Company and The Chase Manhattan Bank, N.A. On June 28, 1991, plaintiffs made a demand on the Company's Board of Directors to commence an action asserting the same claims. One week later, plaintiffs commenced this action, without allowing the Board any reasonable time to consider the demands made in the letter. July 2, 1992, the Court issued an order granting the Company's motion to dismiss plaintiffs' complaint on forum non conveniens grounds. On November 2, 1992, plaintiffs served a Notice of Appeal and Pre-argument Statement upon the Company. Under applicable court rules, plaintiffs have nine months from that date to perfect their appeal by filing a brief and record on appeal.

In August 1990, a stockholder derivative action, Reich v. Scharffenberger, et al., was filed in the United States District Court for the Southern District of New York. The claims in Reich are virtually identical to those in Charal and the Consolidated Actions. Plaintiffs assert derivatively on behalf of the Company causes of action against the Company's directors and officers for breach of fiduciary duty, gross mismanagement, and corporate waste. Defendants moved to dismiss the Reich derivative allegations as part of the motions to dismiss filed in the Consolidated Actions.

The prospective settlement of the securities law cases discussed above is expected to include a settlement of the derivative cases.

ROLO AND TENERELLI V. CITY INVESTING COMPANY LIQUIDATING TRUST, ET AL

This is a purported class action filed in the United States District Court for the District of New Jersey. Plaintiffs assert a variety of Federal and state causes of action in connection with an alleged fraudulent scheme involving the marketing and sale of homesites and houses by GDC. Plaintiffs have named as defendants the Company and Carteret, as well as a number of directors and other financial institutions that had business dealings with GDC. By order dated December 12, 1990, the District Court administratively terminated the action. On April 26, 1991, plaintiffs' motion for reconsideration of that order was denied and the action was stayed pending the adjudication of plaintiffs' claims against GDC in bankruptcy proceedings pending in Florida and the conclusion of criminal proceedings against two former GDC officers also named as defendants in the action. In early April 1991, prior to the decision on plaintiffs' motion for reconsideration, plaintiffs moved for a temporary restraining order and preliminary injunction seeking to restrain the Company and City Investing Company Liquidating Trust ("CILT") from paying dividends or liquidating . The District Court denied plaintiffs' application for a temporary restraining order and took no action on their request for a preliminary injunction in light of the stay entered in the action.

Plaintiffs appealed the District Court's order and, in November 1991, the United States Court of Appeals for the Third Circuit ruled that it lacked jurisdiction over the District Court's order staying the action pending the Florida proceedings and declined to issue a writ of mandamus. The Third Circuit also ruled that the District Court's order staying plaintiffs' application for a preliminary injunction to enjoin the Company and CILT from liquidating and distributing their assets was an abuse of the District Court's discretion. The Third Circuit vacated this stay order and remanded to allow the District Court to consider the merits of plaintiffs' application for preliminary injunctive relief. On December 23, 1991, the District Court entered a consent order under which the parties agreed that plaintiffs' application for preliminary injunctive relief would be held in abeyance for 120 days, during which time neither the Company nor CILT would make liquidating distributions or pay any dividends. At a status conference on March 8, 1993, Judge Ackerman dissolved this stay on plaintiffs' motion and refused himself from the case. No schedule is in place for discovery or motions. Recently, Judge Bissell was assigned to the case.

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company and certain present and former officers and directors of the Company are also named as defendants in Tapken, et al. v. Brown, et al., a consolidation of stockholder lawsuits brought in the United States District Court for the Southern District of Florida, alleging causes of action under the federal securities laws and state law. On March 13, 1992, Judge Marcus denied the Company's motion to dismiss, as well as the motion to dismiss or for summary judgment filed by the other defendants. Judge Marcus also granted plaintiffs' motion for class certification as to all counts except Count VI (alleging common law fraud), Count VII (alleging negligent misrepresentation), and Count VIII (alleging Peat Marwick's failure to use reasonable care). Judge Marcus held that while a direct 10b-5 action against the Company was not sustainable, the Company may be both secondarily liable under Rule 10b-5 and liable as a "controlling person" under Section 20(a). The Company served its answer to the Complaint on April 13, 1992, denying all allegations of wrongdoing made therein. The parties have submitted a joint Notice of Class Certification, and discovery is underway. Judge Marcus entered a discovery order providing that deposition and document discovery will end by September 30, 1993, and a final pretrial conference will be held in April 1994.

In United States v. Brown, pending in the United States District Court for the Southern District of Florida, certain officers of GDC, none of whom was an officer of the Company, were convicted of violating the Federal mail fraud statute and certain other related statutes. This development led two of GDC's insurers, National Union and Pacific Insurance, to seek to terminate their directors and officers' insurance coverage in two actions pending in the United States District Court for the Southern District of Florida, Pacific Insurance Co. v. Brown, et al. and National Union Fire Ins. Co. v. Brown, et al. Although the Company is not a party to these actions, certain individuals who were directors of GDC and the Company are defendants. On October 4, 1991, Judge Davis (who presides over the Consolidated Action by National Union and Pacific Insurance--two of GDC's insurers--seeking to rescind their insurance coverage) had ruled that National Union had to continue funding the defense costs of the GDC civil and criminal cases, pending the resolution of National Union's underlying suit. On April 30, 1992, Judge Davis had issued a similar ruling with respect to Pacific Insurance. (The Eleventh Circuit Court of Appeals had subsequently affirmed Judge Davis' ruling against National Union, and has scheduled argument on his order against Pacific Insurance.) In August 1992, after the verdicts were issued, Pacific Insurance filed a motion seeking relief from the April 30, 1992 order, that is, permission to stop funding the defense of the GDC civil and criminal cases.

On January 21, 1993, Judge Davis ruled that Pacific Insurance could be relieved of its obligations with respect to the four convicted GDC officers, but not with respect to any of the other GDC officers and directors whose defense Pacific Insurance is funding in the GDC civil case. Judge Davis also permitted defendants to amend their pleadings to add counterclaims asserting, among other things, fraud and violations of RICO against Pacific Insurance. Judge Davis is permitted the defendants to assert such counterclaims against National Union. In his January 21, 1993 opinion, Judge Davis dismissed defendants' counterclaims for breach of fiduciary duty and bad faith refusal to settle against National Union, but declined to dismiss defendants' counterclaims against National Union for fraud and for violations of RICO. National Union and Pacific Insurance and the defendants in this action have cross-moved for summary judgment in these actions, the insurance companies seeking to be relieved of any further obligation to provide defense costs on the grounds of rescission based on alleged misrepresentations in the application process, and the insured opposing that motion and moving for summary judgment on the grounds that the insurers have waived any such claims. The Court has established a schedule for briefing and hearing these motions over the next several weeks.

The Company is also not a party to three putative securities class actions concerning GDC's public disclosures: Drooker v. Painewebber, et al. (U.S. District Court, Southern District of Florida filed March 11, 1991, Spritzler v. Brown, et al. (U.S. District Court, Southern District of Florida filed

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 12, 1991), and Menowitz v. Brown, et al. (U.S. District Court, Southern District of New York filed January 25, 1991). Four former directors of the Company who also served as directors of GDC were named as defendants in the three actions. The Drooker action was brought on behalf of putative purchasers of notes, and the Spritzler and Menowitz actions were brought on behalf of putative purchasers of bonds. These actions are similar to the consolidated Tapken action. These actions were dismissed with prejudice, and plaintiffs appealed to the United States Court of Appeals for the Second Circuit. The appeal is fully submitted.

LITIGATION WITH MARSHALL MANLEY

On August 9, 1991, Marshall Manley, former President and Chief Executive Officer of the Company, submitted a demand for arbitration against the Company to the American Arbitration Association. In his arbitration demand, Mr. Manley asserted claims for accrued or vested benefits, rights and entitlements owing to him in connection with past services, including, but not limited to, benefits under the Company's Long-Term Incentive Compensation Plan ("LTICP") and Supplemental Retirement Plan ("SERP") which, he asserted, were not released as part of his January 31, 1991 settlement with the Company. No specific amount was claimed, however, Mr. Manley has previously claimed an amount in excess of $20 million for these benefits and entitlements.

By Order to Show Cause dated August 28, 1991, the Company obtained a temporary stay of arbitration from the New York State Supreme Court. The Company also submitted to the Supreme Court a petition to stay arbitration permanently on the ground that his dispute did not arise under Mr. Manley's Employment Agreement (which provided for arbitration) and that the Company had not otherwise agreed to arbitrate disputes with Mr. Manley. Oral argument on the Company's petition was held on October 9, 1991, and on November 26, 1991, the Supreme Court stayed Mr. Manley's arbitration. Mr. Manley's motion for reconsideration of that decision and renewal of his opposition was denied by the Supreme Court on February 25, 1992, and a judgment permanently staying arbitration was entered on April 17, 1992. Mr. Manley filed an appeal from that judgment, which was denied by the Appellate Division on March 16, 1993.

On October 22, 1991, prior to the ruling by the Supreme Court, Mr. Manley commenced an action in the United States District Court for the Southern District of New York, Manley v. AmBase Corporation, f/k/a The Home Group, Inc., asserting similar claims under the Company's LTICP and SERP. In addition, Mr. Manley sought a declaratory judgment that the Company is required to indemnify him for his legal expenses in certain actions. On December 4, 1991, the Company filed an answer to Mr. Manley's complaint, denying his charges and asserting counterclaims, which seek: (1) the return of all compensation paid to Mr. Manley during his employment by the Company; (2) damages for fraud; (3) a declaratory judgment that the Company has complied with the terms of its January 31, 1991 settlement agreement with Mr. Manley and that his claims were released; (4) reformation of the settlement agreement; and/or (5) rescission of the settlement agreement. AmBase amended its answer and counterclaims as of July 10, 1992, to allege misconduct by Mr. Manley relating to his expense reimbursement practices. Mr. Manley answered those counterclaims and withdrew the summary judgment motion that he had filed at the original close of discovery, pending the close of discovery on AmBase's amended answer and counterclaims. Discovery is expected to conclude in April 1993.

EMPLOYEE SEVERANCE ACTIONS

Five former officers of the Company and its subsidiary, Home Capital Services, Inc. ("Home Capital"), have filed actions seeking payments pursuant to their "golden parachute" type severance agreements with the Company. The officers allege that their employments were terminated without cause or for good reason and that the sale of The Home in February 1991 triggered the change in control provisions of their agreements, entitling them to a payment equal to three times their annual base salary and bonus plus certain other benefit, including Pendente Lite salary payments retroactive to their dates of termination and Pendente Lite payments of their attorney's fees and costs. Three of these

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

officers also allege that the Company has violated ERISA by refusing to provide them with a special severance payment equal to six months of their pre-termination salary. The Company has answered the complaints in these actions and pleaded various defenses and counterclaims. Three of the actions were consolidated for discovery purposes in the United States District Court for the Southern District of New York. The fourth action was filed in the Southern District much later and was not consolidated. The fifth action was filed in New York State Supreme Court, New York County. On June 25, 1992, the complaint in the state action was dismissed pursuant to the Company's motion for summary judgment. Discovery has been completed in the three consolidated Federal actions, and one of them was settled. On June 22 and 23, 1992, the two remaining plaintiffs in the Consolidated Actions moved for summary judgment on all claims. On March 5, 1993, Judge Leisure issued an opinion in which he (1) denied plaintiffs' motions as to their principal claims for payment of three times their annual salary and bonus; (2) granted the motions as to their claims for six months' special severance pay; (3) granted the motions as to their claims for attorneys' fees, though making them only payable at the end of the litigation; and (4) granted the motions as to payment of Pendente Lite salary and benefits. In an opinion issued on March 11, 1993, Judge Leisure indicated that the award of Pendente Lite salary and benefits was prospective only and not retrospective. The two plaintiffs have demanded immediate enforcement of the six months salary awards and the Pendente Lite salary and benefits awards. The Company has advised plaintiffs that it will move for reargument on the former awards and will appeal the later awards. As to the action brought by the former officer of Home Capital, the parties have cross-moved for summary judgment and for sanctions based on plaintiffs' most recent complaint and on a limited amount of discovery. The motions are fully briefed.

Three former officers of Carteret have also brought actions against the Company under their severance agreements, on which the Company and Carteret are jointly and severally liable. One had commenced an action in Union County Superior Court, the second in Monmouth County Superior Court, and the third in Mercer County Superior Court, all in the Chancery Division of the New Jersey state court system. The Company filed an answer and counterclaim in the Union County Superior Court action brought by the first former officer, and this officer responded by filing a Cross-Claim and Third Party Complaint for indemnification and contribution against the Company and other parties. The Company's counterclaim was dismissed without prejudice as unripe. This officer also obtained an order granting him Pendente Lite salary and benefits payment pursuant to his severance agreement. These payments by the Company, commencing as of December 1991, total over $275,000 (gross) to date. The Company's motion for a set-off and/or discontinuance of the Pendente Lite payments was denied. This officer's motion for a declaration that the Company was obligated to indemnify him was granted on reconsideration, and he was awarded approximately $20,000 in fees incurred in defending against the Company's counterclaim, which the Company has not paid. On February 19, 1993, the Company appealed the set-off and indemnification rulings to the Appellate Division of the New Jersey Appellate Court, and sought to have this appeal consolidated with the pending appeal discussed below. This officer also moved for the payment of attorneys' fees, and was granted a partial award of $150,000, which AmBase paid on February 24, 1993. The Court advised this officer that he could make a further application for fees and the officer has indicated his intention to seek approximately $200,000 more in fees. Based on the prospect of further litigation over attorneys' fees at some future date, this officer has moved to dismiss the Company's attempt to appeal the trial court's rulings on indemnification and set-off. The Appellate Division has not yet determined whether to accept the Company's appeal, and if so, whether to consolidate it with the pending appeal discussed below.

The first former officer also initiated an arbitration in New York City before the American Arbitration Association. Arbitration hearings were held in February 1992. On April 8, 1992, the arbitrator awarded this officer over $1.1 million under his severance agreement and over $190,000 in attorneys' fees, costs, and litigation expenses. On May 5, 1992, the court in New Jersey confirmed the arbitrator's award. The
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Company has filed an appeal from the court's determination, which is fully briefed. As a condition to its appeal, the Company had to place $1,371,600 in cash into a court-supervised escrow account. On February 23, 1993, this officer sought to dismiss AmBase's appeal as unmeritorious, given the RTC's seizure of Carteret. The Company has not yet responded. The litigation brought by the second former Carteret officer in Monmouth County Superior Court is in the discovery stage, and the Company has answered the complaint denying its allegations. The second former officer has twice moved for judgment on all of his claims based on the arbitration award obtained by the first officer, and the motion has been denied twice. Pursuant to court order, the Company has paid the second former officer Pendente Lite salary and benefits to date, retroactive to his date of termination. These payments total lover $415,000 to date. A trial is set for July 20, 1993. The Company has answered the third former officer's complaint, which also seeks a payment of three times his annual salary and benefits and Pendente Lite salary and benefits payments and attorneys' fees. The Company has denied the allegations of the complaint, and its motion to transfer the case from the chancery division to the law division was granted on March 19, 1993. Counsel for the Company has been engaged in preliminary talks with counsel for all three plaintiffs.

The Company has received letters from four other officers of Carteret demanding immediate payment pursuant to their severance agreements. Two other officers of Carteret have written to advise that they view the seizure of Carteret as a change in control under their agreements, and one of these two officers has demanded that the Company take the appropriate steps necessary to fulfill its obligations under his agreement. The Company has orally and by letters dated March 12, 1993, advised all six of these individuals that as of the seizure of Carteret by the government, the Company's obligations to them under their severance agreements were terminated.

SOVEREIGN METAL

On February 1, 1991, plaintiffs filed the following action: Sovereign Metal Corporation and American Alloy Steel Pension Plan v. Richard M. Circao, Home Capital Services, Inc., AmBase Corporation, and John Does 1-20 (U.S. District Court, Southern District of New York). Plaintiffs, two related corporate clients of Home Capital, alleged that on December 19, 1989, Mr. Ciraco, a Senior Vice President of Home Capital, purchased for plaintiffs' account two Drexel six-month notes, without plaintiffs' authorization. Plaintiffs alleged that they were not aware of these investments at the time they were made or at any time prior to Drexel's filing for bankruptcy on February 13, 1990, and that defendants purchased the notes in violation of plaintiffs' long-standing investments guidelines and with knowledge of plaintiffs' aversion to dealing with Drexel. A third investment in Drexel commercial paper on behalf of Spanish American Steel Corporation which, like the plaintiffs, was solely owned by Stuart Weiss, was also made on December 19, 1989, and matured prior to the bankruptcy. As a result of the bankruptcy, it was alleged that plaintiffs might incur losses of up to $1.53 million on these investments. The complaint alleged that defendants committee securities fraud, violated RICO violated the New York State General Business Law, committed fraud, and breached their fiduciary duties to plaintiffs. The complaint made no allegations of wrongdoing by the Company. Plaintiffs sought compensatory and punitive damages. In response to the court's direction, plaintiffs filed an amended complaint which did not include any RICO claim in September 1991. However, the complaint added a second securities fraud claim based on defendants' alleged concealment of their sale of Drexel overnight paper brought by The Home. The amended complaint added as defendants Hiram Moody and The House. On January 2, 1992, pursuant to defendants' motion to dismiss, the Court dismissed with prejudice the second securities fraud claim asserted in plaintiffs' amended complaint. On February 10, 1992, after a week-long trial on defendants' statute of limitation defense to plaintiffs' original securities fraud claim, a jury returned a verdict in defendant's favor, finding that plaintiffs knew before February 1, 1990, of defendants' purchase, on plaintiffs' behalf, of Drexel commercial paper. As a result, the Court dismissed that securities fraud claim with prejudice. The Court declined to exercise its pendent jurisdiction and dismissed plaintiffs' state law claims without prejudice. In April 1992, the Court awarded defendants $20,000 in costs associated with the trial. No appeal was taken and plaintiffs' Federal claims have been definitively resolved against them.

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

On March 13, 1992, defendants Ciraco, Home Capital, and the Company were served with a new complaint filed in New York State Supreme Court, containing allegations similar to those in the Federal action. The complaint contains four causes of action for fraudulent inducement and fraud, breach of fiduciary duty, and breach of contract. Plaintiffs seek $1,586,000 in compensatory damages in addition to interest, punitive damages, and attorneys' fees. On June 1, 1992, defendants moved to dismiss that complaint on the basis of the jury verdict in the Federal action. Plaintiffs cross-moved for summary judgment on one of their claims. The motions are fully submitted.

VALENTINE

In November 1990, the following action was commenced in the Superior Court of the District of Columbia: Valentine v. Home Group Capital Markets, Gruntal Corporation ("Gruntal"), and AmBase Corporation. The action was removed to United States District Court for the District of Columbia. Plaintiff Valentine alleged that he entered into an agreement to be employed as a corporate finance specialist at Home Group Capital

Markets ("HGCM"), but that HGCM, Gruntal, and the Company refused to honor the terms of this alleged employment contract. Plaintiff claimed damages of $300,000 in lost wages, $240,000 in lost rental office space, and $5,000,000 in lost business.

Defendants answered the complaint jointly in January 1991, and in January 1992 asserted as a defense that Mr. Valentine failed to mitigate his damages. In January 1992, the Company, now represented by separate counsel, moved for leave to file its own amended answer (1) denying all allegations, and (2) adding a contingent cross-claim for contribution and indemnity against Gruntal. The motion was based on the sale of The Home (including Gruntal) subsequent to the filing of the joint answer in January 1991, and, more importantly, on Gruntal's contractual assumption off all liability for each and every liability and obligation of HGCM as of December 1989. Magistrate Kay granted leave to AmBase to file a separate answer, but barred the Company from filing the contingent cross-claim against Gruntal. A 90-day mediation period during which a court-appointed mediator attempted to settle the case proved unsuccessful and Judge Jackson set the case for trial on September 3, 1992. At the opening of the trial, the Company was dismissed as a party from the case. Judge Jackson found liability on the part off Gruntal. The judge deferred consideration of damages, and the case was dismissed in December 1992 when the remaining parties to the litigation settled. Gruntal may yet attempt to seek contribution or indemnity from the Company.

MODERNFOLD

Maiden Lane Associates, Ltd. ("MLA"), a wholly owned subsidiary of the Company, owns approximately 1.9% of the common stock of Modernfold Holding, Inc. (together with its subsidiaries "Modernfold"), and holds voting control over Modernfold's significant business decisions. The Home owns approximately 60% of the common stock of Modernfold, and nearly 90% of the preferred stock. Modernfold pays MLA over $600,000 per year pursuant to two management consulting contracts. On December 30, 1992, The Home-purportedly acting individually and on behalf of Modernfold-filed an amended complaint against MLA and two MLA-elected directors of Modernfold in state court in Indiana, seeking a judicial declaration that the contracts were unenforceable, alleging breach of the management contracts, alleging that MLA was no longer able to provide management services to Modernfold, and seeking damages, including punitive damages, against defendants for alleged breaches off their fiduciary duties owned to Modernfold: Home Insurance Company v. Maiden Lane Associates, et al. Plaintiffs assert that defendants' insistence on enforcement of the management consulting contracts constitutes mismanagement of Modernfold, a waste of Modernfold's assets, and action contrary to the interests of Modernfold and its shareholders. A preliminary agreement has been reached. Counsel for the Company hopes to resolve outstanding issues and reach a definitive settlement agreement in the future.

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NAGDEMAN

On August 24, 1990, Nagdeman, an investment manager of mutual funds, sued Home Capital Services, Inc. ("Home Capital") in New York State Supreme Court, County off New York: Nagdeman & Company, Inc. v Home Capital Services, Inc. Nagdeman alleged a breach of contract, to wit, that they had been hired as consultants by Home Capital to help market Home Capital's funds and increase the amounts of the funds, that commencing in April 1989, they performed these services, and that they are owed over $222,000 in unpaid fees. Home Capital counterclaimed on the basis of Nagdeman's failure to document and substantiate its services. Plaintiff moved for summary judgment, and Judge Lebedeff granted partial summary judgment to Nagdeman, awarding over $11,000, and denying the balance of the motion without prejudice. On December 3, 1992, plaintiff moved to renew its motion for summary judgment, seeking the remaining $211,000. In March 1993, the parties settled this matter and filed a stipulation of discontinuance with prejudice with the Court. In February 1993, the parties reached agreement in principle to settle the action for $53,000 and dismiss the action with prejudice. Settlement was consummated in March 1993.

BOWNE

On January 3, 1992, Bowne of New York, Inc., the Company's financial printers, filed suit against the Company--Bowne of New York, Inc. v. AmBase Corporation-in the United States District Court for the Southern District of New York. Bowne seeks approximately $1.6 million in damages, representing unpaid printing bills for printing services rendered in 1990 and 1991, including the Company's special 1991 proxy statement. On March 3, 1992, the Company answered the complaint, denying the allegations, and counterclaimed for $23 million. In the counterclaim, the Company asserts that Bowne was responsible for the late mailing of the special 1991 proxy statement, which caused the Company to forfeit a substantial tax opportunity. In June 1992, the Company brought Chemical Bank into the case as an additional defendant on the counterclaim. Chemical Bank is now the parent of the transfer agent retained to arrange for the mailing of the special 1991 proxy statement-Manufacturers Hanover Trust. With a few exceptions, all fact discovery was completed by March 24, 1993. Bowne has moved for partial summary judgment as to certain of the printing bills. The motion is fully submitted before Judge Leval. Three discovery-related motions have been filed before Megistrate Judge Dolinger.

OTS

In a series of letters and communications to Carteret and the Company beginning on or about May 24, 1991, the United States Treasury Department's Office of Thrift Supervision ("OTS") advised that, in its view, certain compensation paid by Carteret to its present or former offices, directors, and employees was unlawful. This compensation includes, inter alia, bonuses paid in October 1990 to six Carteret officers for 1990 performance; bonuses paid in early 1990 to two Carteret officers for 1989 performance; termination agreements entered into with two Carteret officers in December 1990 and January 1991; severance agreements entered into with thirteen Carteret officers; advances paid in April and December 1990 to a Carteret officer against his alleged entitlements under his Carteret employment agreement and the amendment thereto; and retention bonus commitments made to a substantial number of loan workout officers. The OTS also advised that it viewed the Company as responsible, in whole or in part, for some or all of these allegedly unlawful payments. Documents were produced to the OTS under subpoena, and the OTS took depositions of former officers of Carteret and the Company and directors pursuant to Resolution No. WA 91-03 (Sept. 4, 1991).

The OTS's discovery efforts proceeded for nearly two years. On March 9, 1993, the OTS advised the Company that the Company and certain former officers of Carteret and the Company were, in the OTS's view, jointly and severally liable for $281,000 in allegedly unlawful advances made in 1990 to a Cateret officer, $875,000 in allegedly unlawful bonuses paid in October 1990 to six Carteret officers, and $500,000 in allegedly unlawful bonuses paid in early 1990 to two Carteret officers. The OTS advised the Company that it was possible that the OTS would deem continuing salary payments made to one Carteret officer after he ceased, in the OTS's view, to perform useful service, to be unlawful. In this event, the Company would be among those deemed jointly and severally liable for approximately

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$600,000 in such salary payments. Counsel for the Company has engaged in discussions with counsel for the OTS, in the hopes of achieving a resolution of (1) the OTS (and perhaps now, given the seizure of Carteret, the Resolution Trust Corporation's ("RTC")) claims against the Company, (2) the validity and value of the claims of the three former Carteret offices who are now suing under their severance agreements and a fourth former Carteret officer, (3) the Company, Carteret, and the OTS (and perhaps the RTC's) claims against the three former Carteret officers who are suing and the fourth former Carteret officer in connection with their alleged misfeasance at Carteret, and (4) the four former officers' demands for releases and/or indemnification from the

Company, Carteret, and the OTS (and perhaps the RTC). These settlement talks are continuing.

The actions identified above are in various stages. Nevertheless, the allegations are serious and, if proven, could result in substantial judgments against the Company. To the extent the aggregate of any such judgments were to exceed the resources available therefor, these matters could have a material effect on the Company's financial condition. The Company's counsel in these proceedings, by reason of the nature off these proceedings, have been unable to express any opinion as to their probable outcome.

DISPUTE WITH INTERNAL REVENUE SERVICE

As a result of examinations of City's tax returns, the IRS has proposed assessments for withholding taxes on interest payments for the years 1979 through 1985 for which the Company is responsible. The IRS's contention is based on the theory that City's wholly owned Netherlands Antilles finance subsidiary was not adequately capitalized and thus should be disregarded for tax purposes. If the IRS's theory were correct, the Company would be liable for substantial taxes and interest. The Company has vigorously contested the position in accordance with the IRS's internal appeals procedures. Nevertheless, in March 1992, the National Office off the IRS issued technical advice supporting the auditing agent's position. The Company is currently appealing this technical advice with the National Office. Unless satisfactory settlement can be reached, the Company will be required to litigate this issue in the United States Tax Court. The proposed assessment currently exceeds the Company's available financial resources. Based on counsel's evaluation of the IRS's contentions, counsel has advised the Company that it has a very strong case and should prevail.

(b) The Company is not itself a defendant in, but may be affected by the outcome of, the following proceedings:

GOVERNMENT ACTION

On December 4, 1992, Carteret was seized by the United States government. On that same date, the RTC caused Carteret to send letters to present and former directors and officers of the Company and Carteret which stated that the OTS was investigating losses at Carteret, and which purported to put the addressees on notice of potential claims against them for the recovery of losses suffered by Carteret. As noted in the letter, it may be alleged in the future that certain officers and directors of Carteret, in violation of their duties of care, caused, authorized,or permitted Carteret to engage in allegedly unsafe, unsound, or irregular practices. For example, the letter stated, such allegations may be made arising from Carteret's purchase of a group of loans from Western Federal Savings & Loan Association ("Western Federal"). The letter also stated that claims might be asserted based

on allegations that certain Carteret officers and directors exceeded lending authority, failed to perform proper underwriting of the Western Federal transaction, and failed to exercise due diligence in discovering or correcting unsafe, unsound or irregular practices.
[*53] [HARDCOPY PAGE 51]

AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other alleged violations and practices which could be asserted in any possible future proceedings and which were listed in the letter include:

(a) alleged failure to properly supervise the lending function;
(b) alleged failure to utilize acceptable accounting practices;
(c) alleged failure to heed warnings of thrift supervisory authorities;
(d) alleged failure on the part of directors to exercise adequate supervision over officers and employees, including the alleged failure to provide and enforce adequate lending policies, procedures and controls;
(e) allegedly permitting extensions of credit in violation of Carteret's own loan policy, particularly with regard to construction lending;
(f) alleged failure to establish or follow adequate collection procedures;
(g) alleged failure to obtain adequate and current loan documentation;
(h) allegedly permitting extensions off credit based on inadequate or inaccurate information concerning the financial condition of prospective borrowers;
(i) alleged failure to properly monitor collateral;
(j) alleged failure to employ sound internal loan review and problem identification systems; and
(k) alleged failure to supervise, manage, conduct, and direct the business and affairs of Carteret to insure compliance with the law and prudent principles of banking, and applicable guidelines.

The RTC has also sent letters in the past months to certain addresses of the December 4, 1992 letter (and perhaps others), seeking personal financial records from these individuals. The RTC is presently reviewing all of Carteret's files, and has asked to review a number of the Company's files, possibly in preparation for investigative, regulatory, or enforcement procedures against Carteret and/or the Company and/or their present and former officers and directors. The Company may be called on to indemnify certain former officers and directors, including payment of their legal expenses.

EMPLOYMENT MATTERS

In an affidavit filed in an employment action brought by a former Home Capital officer in December 1992, another former Home Capital officer threatened to sue for cash and benefits allegedly due him. Should the former Home Capital officer now in litigation prevail or even survive the motion to dismiss now pending in her litigation, other former officers of Home Capital, not limited to the officer who filed the affidavit, may also commence litigation.

On October 9, 1992, counsel for two former employees of the Company wrote to the Company, asserting that the Company had failed to make certain severance payments to his clients, had failed to make certain supplemental pension payments to one of the former employees, and had failed to respond to his clients' inquiries regarding the Company's retirement plan. Counsel for the former employees alleged that the former employees had entered into severance payment arrangements with the Company, which remained partially unsatisfied. Counsel for the former employees threatened legal action, including ERISA claims, should his clients' demands not be satisfied. Should the former employees prove at all successful on their claims, other former employees of the Company may be expected to come forward with severance demands.

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Should the former Home Capital officer who filed the affidavit or other former Home Capital officers sue, the Company intends to respond in a manner similar to its response to the pending claim by the former Home Capital officer, i.e., by motion to dismiss. Should any of the six Carteret officers who have sent letters to the Company as detailed above sue, the Company intends to respond (as it has already advised these individuals) by asserting that their severance agreements were terminated as to the Company by the seizure of Carteret. The Company will vigorously contest any severance claims brought by present or former officers, directors, or employees of the Company or Carteret, including the two former employees of the Company whose lawyer has threatened the Company.

OTHER

The Company is presently preparing to file a claim against the United States based upon the impact of FIRREA on its investment in Carteret Savings. This is the type of litigation generally referred to as "goodwill litigation". It is expected that the claim will be filed in the United States Court of Federal Claims during 1993. The ultimate outcome of such claim cannot be predicted.

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 11 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Additional information regarding cash flow for the years ended December 31 is as follows:

(in thousands)	1992	1991	1990
Cash paid (received) during the period:			
Interest expense	$ -	$ 24,925	$ 91,500
Income tax (refunds), net of payments	(17,865)	(30,198)	(13,162)
Noncash financing activities:			
Indebtedness assumed by Home Holdings	$ -	$ 218,408	$ -
Extraordinary gain on extinguishment of debt, net of income taxes	-	57,584	-

Due to the OTS's seizure of Carteret on December 4, 1992, the Company recorded a non-cash gain resulting from the elimination of the Company's negative investment in Carteret. See Note 3 herein for a further discussion.

NOTE 12 - ADDITIONAL FINANCIAL INFORMATION

Other assets at December 31 consist of the following:

(In thousands)	1992	1991
Premises and equipment	$ -	$ 34,363
Receivables from FHA/VA	-	27,368
Core deposit value	-	17,475
Other assets	336	32,289
	$ 336	$ 111,495

Other liabilities at December 31 consist of the following:

(in thousands)	1992	1991
Accrued interest payable	$ -	$ 27,764
Undisbursed premiums	-	21,558
Other liabilities	$ 5,274	$ 134,318

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AMBASE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 13 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly financial information follows:

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter
1992:			
Operating revenue	$ 180	$ 262	$ 161
Operating expenses	(1,478)	(1,702)	(1,492)
Interest income, net	291	284	291
Loss before income taxes	(1,007)	(1,156)	(1,040)
Income tax expense	(1,483)	(1,100)	(1,100)
Loss from continuing operations	(2,490)	(2,256)	(2,140)
Income from discontinued banking operations, net of income taxes (2)	5,591	4,707	4,414
Net income	$ 3,101	$ 2,451	$ 2,274
Per share data: (1)			
Loss from continuing operations	$ (0.06)	$ (0.06)	$ (0.05)
Income from discontinued banking operations, net of income taxes (2)	0.14	0.12	0.10
Net income	$ 0.08	$ 0.06	$ 0.05
1991:			

Operating revenue	$ -	$ 793	$ -
Operating expenses	(2,795)	(2,093)	(3,660)
Interest income (expense), net	(10,507)	574	(9)
Loss before income taxes	(13,302)	(726)	(3,669)
Income tax expense	(2,950)	(3,085)	(1,982)
Loss from continuing operations	(16,252)	(3,811)	(5,651)
Income (loss) from discontinued banking operations, net of income taxes (2)	(3,565)	(149,264)	(6,010)
Loss before extraordinary item	(19,817)	(153,075)	(11,661)
Extraordinary gain or extinguishment of debt, net of income taxes (3)	56,184	-	-
Net income (loss)	$ 36,367	$ (153,075)	$ (11,661)
Per share data: (1)			
Loss from continuing operations	$ (0.43)	$ (0.10)	$ (0.14)
Income (loss) from discontinued banking operations, net of income taxes (2)	(0.10)	(3.91)	(0.16)
Extraordinary gain on extinguishment of debt, net of taxes (3)	1.50	-	-
Net income (loss)	$ 0.97	$ (4.01)	$ (0.30)

(TABLE CONTINUE)

(in thousands, except per share data	Fourth Quarter	Full Year
1992:		
Operating revenue	$ 161	$ 1,070
Operating expenses	(1,298)	(5,970)
Interest income, net	258	1,124
Loss before income taxes	(573)	(3,776)
Income tax expense	(1,100)	(4,783)
Loss from continuing operations	(1,673)	(8,559)
Income from discontinued banking operations, net of income taxes (2)	17,305	32,017
Net income	$ 15,632	$ 23,458

Per share data: (1)		
Loss from continuing operations	$ (0.04)	$ (0.21)
Income from discontinued banking operations, net of income taxes (2)	0.43	0.79
Net income	$ 0.39	$ 0.58
1991:		
Operating revenue	$ 317	$ 1,110
Operating expenses	(18,863)	(27,411)
Interest income (expense), net	552	(9,390)
Loss before income taxes	(17,994)	(35,691)
Income tax expense	(3,572)	(11,589)
Loss from continuing operations	(21,566)	(47,280)
Income (loss) from discontinued banking operations, net of income taxes (2)	3,534	(155,305)
Loss before extraordinary item	(18,032)	(202,585)
Extraordinary gain or extinguishment of debt, net of income taxes (3)	1,400	57,584
Net income (loss)	$ (16,632)	$ (145,001)
Per share data: (1)		
Loss from continuing operations	$ (0.54)	$ (1.22)
Income (loss) from discontinued banking operations, net of income taxes (2)	0.08	(4.02)
Extraordinary gain on extinguishment of debt, net of taxes (3)	0.04	1.49
Net income (loss)	$ (0.42)	$ (3.75)

(1) Net Income (loss) per share for 1992 and 1991 does not agree with the total of the individual quarters due to changes in average shares outstanding.
(2) On December 4, 1992, the OTS placed Carteret in receivership eliminating the Company's ownership interest in Carteret. Accordingly, the statements of operations presented have been retroactively reclassified to present the consolidated operations of Carteret as discontinued banking operations. Income (loss) from discontinued banking operations reflects the unaudited results of operations of

Carteret through September 30, 1992 and a non-cash gain of $17,305,000 resulting from the elimination of the Company's negative investment in Carteret, (see Note 3).
(3) In 1991, in connection with the sale of The Home, Home Holdings assumed approximately $219 million of corporate and subsidiary indebtedness. In 1991, the Company recognized an extraordinary gain on the extinguishment of debt, net of income taxes, $57,584,000 in connection with its tender offers on certain corporate and subsidiary indebtedness in connection with the sale of The Home, (see Note 4.)

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AMBASE CORPORATION AND SUBSIDIARIES

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

On June 26, 1991, the Company announced that KPMG Peat Marwick ("Peat Marwick") had resigned as independent auditors of the Company and its subsidiaries. Peat Marwick's report on the consolidated financial statements of the Company and its subsidiaries included in the Company's Form 10-K for 1990 was qualified with respect to the outcome of discussions between Carteret Savings, and the OTS regarding purchased and excess servicing assets and Carteret's allowance for losses on loans and real estate. That report also indicated that questions concerning Carteret's ability to achieve and maintain minimum regulatory capital requirements and the substantial losses incurred by the Company and Carteret in 1990 raised substantial doubt about their ability to continues as ongoing concerns. Peat Marwick's resignation was unrelated to its report on the Company's 1990 financial statements. During 1989, 1990 and the first quarter ended March 31, 1991, there were no disagreements between the Company and Peat Marwick on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures.

On June 25, 1991, the Accounting and Auditing Committee of the Board of Directors of the Company accepted the registration of Peat Marwick and engaged Price Waterhouse as new independent accountants for the Company and its subsidiaries. That appointment was approved by the OTS.

PART III

The information required by Item 10. Directors and Executive Officers of the Registrant, Item 11. Executive Compensation, Item 12. Security Ownership of Certain Beneficial Owners and Management and Item 13. Certain Relationships and Related Transactions is incorporated by reference to the definitive Proxy Statement containing such information which the Company intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year, except the information with respect to executive officers of the Company, including certain of Carteret Bancorp and Carteret Savings who may be deemed to have been executive officers of the Company during 1992, which is set forth below with respect to those persons who are "officers" within the definition of that term that was adopted in January 1991 by the Securities and Exchange Commission.

Name	Age	Office
Geo. T. Scharffenberger	73	Chairman of AmBase Corporation, (resigned January 26, 1993)
John P. Ferrara	31	Assistant Vice President and Controller of AmBase Corporation
Donald Kramer	55	Director of the Company and President and Chief Financial Officer of Carteret Savings (resigned March 2, 1993)
Leo McCabe	38	Executive Vice President of Carteret Savings
J. Wayne Moor	41	Executive Vice President of Carteret Savings

Mr. Scharffenberger resigned from the position of Chairman of the Board of the Company on January 26, 1993, having served in the position since 1984. He currently serves as a Trustee of the City Investing Company Liquidating Trust and as a director of Northrop Corporation. Mr. Scharffenberger had been a director of the Company since 1975.

[*58] [HARDCOPY PAGE 56]

AMBASE CORPORATION AND SUBSIDIARIES

Mr. Ferrara was elected Assistant Vice President and Controller of the Company in February 1992, having previously served as Manager of Financial Reporting since December 1988. Prior thereto, he served as an Audit Supervisor with the accounting firm KPMG Peat Marwick. Mr. Ferrara is elected to serve in these capacities until the next annual stockholders meeting of the Company.

Mr. Kramer resigned from the Company's Board of Directors in March 1993 concurrently with his resignation from Carteret Federal Savings Bank. Mr. Kramer had been a Director of the Company since April 1991 and had been Vice Chairman, Chief Financial Officer and subsequently President of Carteret since August 1991. Mr Kramer also is the Chairman of the

Board of NAC Re Corp. since 1985 and was Chairman and Chief Executive Officer of KCP Holding Company and National American Insurance Company of California from 1986 to 1991. In addition he is a director of Danielson Holding Corp. and The National Benefit Life Insurance Company, and President of the Brooklyn College Foundation.

Mr. McCabe had been Executive Vice President of Carteret Savings since January 1990. He served previously as Senior Vice President from 1987 through January 1990 and as Vice President from 1985 through 1987. Mr. McCabe was a director of Carteret Savings since June 1991.

Mr. Moor had been Executive Vice President and Chief Workout Officer of Carteret Savings since June 1991. Prior to joining Carteret, Mr. Moor held a similar position with AmeriFirst Bank, Miami, Florida from 1989 through 1991. From 1987 through 1989 Mr. Moor was Chief Financial Officer for Wolper, Ross and Co.

The Company is not aware of any family relationships among any of the foregoing officers.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES AND REPORTS ON FORM 8-K

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

1. INDEX TO FINANCIAL STATEMENTS: PAGE

2. INDEX TO FINANCIAL STATEMENTS SCHEDULES:

All other schedules have been omitted because they are not applicable.

[*59] [HARDCOPY PAGE 57]

AMBASE CORPORATION AND SUBSIDIARIES

3. Exhibits

3A. Restated Certificate of Incorporation of AmBase Corporation (as amended through February 12, 1991) (incorporated by reference to Exhibit 3A to the Company's Annual Report on Form 10-K for the year ended December 31, 1990).

3B. By-Laws of AmBase Corporation (as amended through May 13, 1991).

4. Rights Agreement dated as of February 10, 1986 between the Company and Manufacturers Hanover Trust Company (as amended March 24, 1989, November 20, 1990 and February 12, 1991) (incorporated by reference to Exhibit 4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990).

10A. AmBase Share Unit Plan (incorporated by reference to Exhibit 10A to the Company's Annual Report on Form 10-K for the year ended December 31, 1989).

10B. 1985 Stock Option Plan for Key Employees of AmBase and its Subsidiaries (incorporated by reference to Exhibit 10B to the Company's Annual Report on Form 10-K for the year ended December 31, 1989).

10C. AmBase Long-Term Incentive Compensation Plan (incorporated by reference to Exhibit 10I to the Company's Annual Report on Form 10-K for the year ended December 31, 1989).

10D. AmBase Officers and Key Employees Stock Purchase and Loan Plan (incorporated by reference to Exhibit 10E to the Company's Annual Report on Form 10-K for the year ended December 31, 1989).

10E. AmBase Supplemental Retirement Plan (incorporated by reference to Exhibit to Exhibit 10C to the Company's Annual Report on Form 10-K for the year ended December 31, 1989).

10F. Assignment and Assumption Agreement dated as of August 30, 1985, between the Company and City (incorporated by reference to Exhibit 28 to the Company's Current Report on Form 8-K dated September 12, 1985).

10G. Employment Agreement dated as of June 1, 1991 between Richard A. Bianco and the Company (incorporated by reference to

Exhibit 10G to the Company's Annual Report on Form 10-K for year ended December 31,1991) and Amendment made as of December 30, 1992.

10H. Stock Purchase Agreement among AmBase Corporation, The Home Insurance Company and TVH Acquisition Corporation, dated as of September 28, 1990 and amended as of December 12, 1990, as of December 21, 1990 and as of February 4, 1991 (incorporated by reference to Exhibit 10HH to the Company's Annual Report on Form 10-K for the year ended December 31, 1990).

[*60] [HARDCOPY PAGE 58]

AMBASE CORPORATION AND SUBSIDIARIES

10I. Indemnity Agreement dated as of February 13, 1991 among the Company, The Home Insurance Company and TVH Acquisition Corporation (incorporated by reference to Exhibit 10JJ to the Company's Annual Report on Form 10-K for the year ended December 31, 1990).

10J. Consulting Agreement dated as off February 13, 1991 between the Company and TVH Acquisition Corporation (incorporated by reference to Exhibit 10KK to the Company's Annual Report on Form 10-K for the year ended December 31, 1990).

22. Subsidiaries.

24. Consent of Independent Accountants.

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

Copies of Exhibits will be provided upon written request to the Company.

(B) FORM 8-K

The Company filed two Current Report on Form 8-K during the quarter ended December31, 1992 as follows:

DATE	EVENTS REPORTED
November 12, 1992	Announcement of termination of letter of intent pursuant to which The Carlyle Group and Colony Capital, Inc. had the right to recapitalize Carteret Savings Bank, FA and announcement of discussions with another investor group which were subsequently terminated.
December 4, 1992	Announcement that Carteret Savings Bank, FA had been

placed in receivership by the Office of Thrift
Supervision and the suspension of trading and
delisting of AmBase Corporation Common Stock from
the New York Stock Exchange.

[*61] [HARDCOPY PAGE 59]

AMBASE CORPORATION AND SUBSIDIARIES
SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 30th day of March 1993.

AMBASE CORPORATION

RICHARD A. BIANCO
Chairman, President and Chief Executive
Officer (Principal Executive Officer)
March 30, 1993

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 30th day of March 1993.

RICHARD A. BIANCO
Director, Chairman, President and
Chief Executive Officer
March 30, 1993

JOHN P. FERRARA
Assistant Vice President and Controller
(Principal Accounting Officer)
March 30, 1993

WILLIAM H. PURCELL
Director
March 30, 1993

NEIL L. COHEN
Director, Executive Vice President,
Chief Financial Officer,
Treasurer and Secretary
(Principal Financial Officer)
March 30, 1993

RONALD J. BURNS
Director
March 30, 1993

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SEC ONLINE INC.
SCHEDULE INDEX

[*63] [HARDCOPY PAGE 60]

AMBASE CORPORATION AND SUBSIDIARIES
SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES.

THREE YEARS ENDED DECEMBER 31, 1992

(in thousands) Name of debtor	Balance beginning of year	Addition
Year ended December 31, 1990:		
Geo T. Scharffenberger	$1,041 (1)	$ -
Marshall Manley	1,056 (1)	-
Marshall Manley	2,987 (1)	-
James J. Meenaghan	841 (1)	-
James J. Meenaghan	800 (3)	-
Bruce W. Bean	350 (4)	-
Bruce W. Bean	69 (1)	-
Robert L. Woodrum	100 (5)	-
Howard Silverman	599 (1)	-
Edward E. Bao	374 (1)	-
Barry Richter	274 (1)	-
Robert Sablowsky	227 (1)	-

Milton Fane	122 (6)	-
Robert B. O'Brien, Jr.	1,500 (7)	-
David A. Harris	133 (1)	-
John Doukas	15 (8)	-
John Doukas	200 (9)	-
Marshall Geller	568 (1)	-
Jed M. Cohen	475 (1)	-
Fredda McCollough	320 (10)	-
Robert Buono	284 (11)	-
James Killelea	240 (11)	-
Richard Coskren	-	210 (11)
Felix Sater	-	100 (13)
Jeffrey Vincent	-	150 (14)
Sonja Urkovich	-	170 (14)
Alex Cuesta	-	114 (14)
Year ended December 31, 1991:		
Marshall Manley	$1,056	$ -
Marshall Manley	2,987	-
James J. Meenaghan	841	-
James J. Meenaghan	800	-
Bruce W. Bean	69	-
Howard Silverman	142	-
Edward E. Bao	274	-
Barry Ritcher	149	-
Robert Sablowsky	227	-
David A. Harris	133	-
John Doukas	52	-
Jed M. Cohen	475	-
Freda McCollough	253	-
Robert Buono	284	-
James Killelea	240	-
Richard Coskren	210	-
Felix Sater	97	-
Year ended December 31, 1992:		
Bruce W. Bean	$ 59	$ -

(TABLE CONTINUED)

(in thousands) Name of debtor	Collection and Reductions	Balance at end of Year
Year ended December 31, 1990:		
Geo T. Scharffenberger	$1,041	$ -
Marshall Manley	-	1,056
Marshall Manley	-	2,987
James J. Meenaghan	-	841

James J. Meenaghan	-	800
Bruce W. Bean	350 (4)	-
Bruce W. Bean	-	69
Robert L. Woodrum	100 (5)	-
Howard Silverman	457	142
Edward E. Bao	100	274
Barry Richter	125	149
Robert Sablowsky	-	227
Milton Fane	122	-
Robert B. O'Brien, Jr.	1,500 (7)	-
David A. Harris	-	133
John Doukas	15	-
John Doukas	148	52
Marshall Geller	568 (12)	-
Jed M. Cohen	-	475
Fredda McCollough	67	253
Robert Buono	-	284
James Killelea	-	240
Richard Coskren	-	210
Felix Sater	3	97
Jeffrey Vincent	150	-
Sonja Urkovich	170	-
Alex Cuesta	114	-
Year ended December 31, 1991:		
Marshall Manley	$1,056 (15)	$ -
Marshall Manley	2,987 (15)	-
James J. Meenaghan	841 (16)	-
James J. Meenaghan	800 (16)	-
Bruce W. Bean	10 (17)	59
Howard Silverman	142 (16)	-
Edward E. Bao	274 (16)	-
Barry Ritcher	149 (16)	-
Robert Sablowsky	227 (16)	-
David A. Harris	133 (16)	-
John Doukas	52 (16)	-
Jed M. Cohen	475 (16)	-
Freda McCollough	253 (16)	-
Robert Buono	284 (16)	-
James Killelea	240 (16)	-
Richard Coskren	210 (16)	-
Felix Sater	97 (16)	-
Year ended December 31, 1992:		
Bruce W. Bean	$ 59 (18)	$ -

[*64] [HARDCOPY PAGE 61]

AMBASE CORPORATION AND SUBSIDIARIES

SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES (continued)

(1) Promissory notes pursuant to Officers and Key Employees Stock Purchase and Loan Plan due at the earlier of (a) five years from the date of the note or (b) one month after debtor shall cease to be an employee if the stock is then subject to an effective registration statement under the Securities Act of 1933; otherwise, one month from the effective date of any s uch registration statement; interest is calculated at a rate equal to either 2% or 2.5% below the prime commercial lending r ate charged by Manufacturers Hanover Trust Company.

(2) Demand promissory notes without interest.

(3) Promissory note without interest, due June 22, 2002, secured by second mortgage.

(4) Promissory note, as amended, due on dates on which the debtor receives any payments under certain employee benefit plans or the March 1, 1990 special incentive severance contract between the Company and the debtor. Interest calculated at a rate equal to 2.5% below the prime commercial lending rate charged by Manufacturers Hanover Trust Company. Paid on December 28, 1990, on a discounted basis as provided in the note. The discount of $67,000 relating to such principal amount of the loan has been included in the debtor's taxable income for 1990.

(5) Promissory note, as amended, due on dates on which the debtor receives any payments under certain employee benefit plans or the March 1, 1990 special incentive severance contract between the Company and the debtor. Interest calculated at a rate equal to the prime commercial lending rate charged by The Chase Manhattan Bank, N.A. Paid on December 28, 1990, on a discounted basis as provided in the note. The discount of $24,000 relating to such principal amount of the l oan has been included in the debtor's taxable income for 1990.

(6) Promissory note, due March 1, 1990. Interest was calculated at a rate equal to 0.25% above the broker's call rate.

(7) Promissory note, due November 9, 1993, secured by first and second mortgages. Interest was calculated at a rate equ al to 1% below the prime commercial lending rate charged by chase Manhattan Bank, N.A. and was payable annually or at any time any cash amount was awarded pursuant to incentive compensation plans. Advances under an employment contract were utilized to repay the loan in 1990.

(8) Promissory note was paid in 1990. Principal was due monthly. Interest was calculated at 8%.

(9) Promissory note, due November 15, 1992. Interest was calculated at

a rate equal to the prime rate of The Bank of New York Company, Inc.

(10) Promissory notes, due 1992. Interest was calculated at 8%.

(11) Promissory note without interest, due upon sale of residence, secured by second mortgage.

(12) Debtor's obligations to the Company under his promissory notes were extinguished in December 1990 in connection with the settlement of certain legal proceedings.

(13) Promissory note, due 1995. Interest was calculated at 7.4%.

(14) Promissory note without interest repaid during the year.

(15) In fiscal 1991, the Company ceased reporting approximately $4,043,000 in loans due from Mr. Manley which were cancelled as part of a settlement of Mr. Manley's claims against the Company for compensation allegedly due. Mr. Manley has commenced a lawsuit challenging certain aspects of that settlement. The Company has counterclaimed and if it prevails, it is possible that the notes due from Mr. Manley may be reinstated, and reported by the Company at a future date.

(16) All promissory notes held by the Company, from employees of subsidiaries purchased by Home Holdings, were purchased by Home Holdings in accordance with the Stock Purchase Agreement.

(17) In January 1991, the Company's Personnel Committee approved the forgiveness of up to $10,000 of indebtedness due fr om employees pursuant to the Officers and Key Employees Stock Purchase Plan.

(18) Mr. Bean's employment was terminated as of December 31, 1991. The outstanding indebtedness, at December 31, 1991, is subject to continuing discussion with the Company.

[*65] [HARDCOPY PAGE 62]

AMBASE CORPORATION AND SUBSIDIARIES
AMBASE CORPORATION (PARENT ONLY)
SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEETS
December 31

(In millions)	1992	1991

ASSETS		
Cash and cash equivalents (including $1.3 of restricted cash in 1992)	$ 36	$ 22
Receivable from Home Holdings	34	42
INVESTMENTS IN SUBSIDIARIES:		
Maiden Lane Associates, Ltd.	(4)	(5)
Home Capital Services, Inc.	(1)	(2)
Carteret Bancorp Inc.	-	(33)
ADVANCES TO SUBSIDIARIES:		
Maiden Lane Associates, Ltd.	4	4
Home Capital Services, Ltd.	1	1
Carteret Bancorp Inc.	-	1
Other subsidiaries	-	1
Other assets	-	3
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 1	$ 1
Deferred income taxes	77	54
Litigation and contingency reserves	32	38
Restructuring reserves	2	7
Other liabilities	5	7
Supplemental retirement plan	5	4
	122	111
STOCKHOLDERS' EQUITY:		
Common stock	-	-
Paid-in capital	548	547
Accumulated deficit	(599)	(623)
Treasury stock	(1)	(1)
Total stockholders' equity	(52)	(77)
Total liabilities and stockholders' equity	$ 70	$ 34

[*66] [HARDCOPY PAGE 63]

AMBASE CORPORATION AND SUBSIDIARIES
AMBASE CORPORATION (PARENT ONLY)
SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (CONTINUED)
STATEMENTS OF OPERATIONS
Year Ended December 31

(In millions)	1992	1991	1990

Equity in earnings (loss) of continuing operations	$ 1	$ (6)	$ (8)
Interest income (expense), net	1	(5)	(78)
Administrative expenses	(6)	(25)	(44)
Loss from continuing operations before income taxes	(4)	(36)	(130)
Income tax expense	(5)	(11)	(10)
Loss from continuing operations	(9)	(47)	(140)
Income (loss) from discontinued banking operations, net of income taxes	32	(155)	(229)
Loss from discontinued insurance operations, net of income taxes	-	-	(651)
Income (loss) before extraordinary item	23	(202)	(1,020)
Extraordinary gain on extinguishment of debt, net of income taxes	-	57	-
Net income (loss)	$23	$ (145)	$ (1,020)

NOTE: ON DECEMBER 4, 1992, THE OTS PLACED CARTERET IN RECEIVERSHIP ELIMINATING THE COMPANY'S OWNERSHIP INTEREST IN CARTERET. ACCORDINGLY, THE STATEMENTS OF OPERATIONS PRESENTED HAVE BEEN RETROACTIVELY RECLASSIFIED TO PRESENT CARTERET AS DISCONTINUED BANKING OPERATIONS. INCOME (LOSS) FROM DISCONTINUED BANKING OPERATIONS IN 1992 REFLECTS THE EQUITY IN EARNINGS OF CARTERET THROUGH SEPTEMBER 30, 1992 AND A NON-CASH GAIN OF $17 MILLION RESULTING FROM THE ELIMINATION OF THE COMPANY'S NEGATIVE INVESTMENT IN CARTERET. SEE ITEM 8 - NOTE 3 TO THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS INCLUDED HEREIN.

EQUITY IN EARNINGS OF SUBSIDIARIES INCLUDES COMMON DIVIDENDS OF $30 MILLION IN 1991 AND $23 MILLION IN 1990 FROM THE HOME AND DIVIDENDS IN KIND OF $4 MILLION FROM AMBASE CORPORATION OF NEW YORK IN 1990.

[*67] [HARDCOPY PAGE 64]

AMBASE CORPORATION AND SUBSIDIARIES
AMBASE CORPORATION (PARENT ONLY)
SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGSITRANT (CONTINUED)
STATEMENTS OF CASH FLOWS
Year Ended December 31

(In million)	1992	1991	1990

Cash flows from operating activities:			
Loss from continuing operations	$ (9)	$ (47)	$ (140)
Adjustments to reconcile loss from continuing operations to net cash used for continuing operations:			
Equity in (earnings) loss of subsidiaries	(1)	6	8
Income taxes	23	37	(10)
Other,net	(6)	14	(4)
Net cash provided by (used for) continuing operations	7	10	(146)
Income (loss) from discontinued banking operations	32	(155)	(229)
Adjustment to reconcile (loss) from discontinued banking operations to cash provided by discontinued banking operations:			
Equity in (earnings) loss discontinued banking operations	(15)	155	229
Discontinued banking operations	(17)	-	-
Net cash provided by discontinued banking operations	-	-	-
Loss from discontinue insurance operations	-	-	-
Adjustments to reconcile loss from discontinued insurance operations to net cash provided by discontinued insurances operations:			
Equity in loss of discontinued insurance operations	-	-	230
Discontinued insurance operations	-	-	421
Net cash provided by discontinued insurance operations	-	-	-

Net cash provided by (used for) operating activities	7	10	(146)
Cash flows from investing activities:			
Common and preferred dividends received from subsidiaries	-	30	34
Proceeds from sale of discontinued insurance operations	-	541	-
Investments in and advances to subsidiaries, net	(1)	(61)	(27)
Capital contribution to banking subsidiary	-	(13)	-
Accrued capital contribution to banking subsidiary	-	(30)	-
Other, net	8	6	(30)
Net cash provided by (used for) investing activities	7	473	(23)
Cash flows from financing activities:			
Increase indebtedness	-	-	509
Reductions in indebtedness	-	(410)	(334)
Payments to repurchase corporate and subsidiary indebtedness	-	(52)	-
Dividends	-	-	(2)
Treasury stock, net	-	1	(10)
Other, net	-	-	6
Net cash provided by (used for) provided by financing activities	-	(461)	169
Net increase in cash and cash equivalents	14	22	-
Cash and cash equivalents at beginning of year	22	-	-
Cash and cash equivalents at end of year	$ 36	$ 22	$ -

NOTE: THE COMPANY PAID INTEREST OF $27 MILLION IN 1991 AND $89 MILLION IN 1990. INCOME TAXES, REFUNDED TO THE COMPANY, NET OF AMOUNTS PAID, WERE $18 MILLION, $30 MILLION AND $13 MILLION IN 1992, 1991, AND 1990, RESPECTIVELY.

IN 1991, IN CONNECTION WITH THE SALE OF THE HOME, HOME HOLDINGS ASSUMED APPROXIMATELY $219 MILLION OF CORPORATE AND SUBSIDIARY INDEBTEDNESS. ADDITIONALLY, IN 1991, THE COMPANY RECOGNIZED AND EXTRAORDINARY GAIN ON THE EXTINGUISHMENT OF DEBT, NET OF INCOME TAXES, OF $57 MILLION IN CONNECTION WITH ITS TENDER OFFERS ON CERTAIN CORPORATE AND SUBSIDIARY INDEBTEDNESS. SEE ITEM 8 - NOTE 4 TO THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS INCLUDED HEREIN.

[*68] [HARDCOPY PAGE 65]

AMBASE CORPORATION AND SUBSIDIARIES

AMBASE CORPORATION AND SUBSIDIARIES
SCHEDULE IX - SHORT-TERM BORROWINGS
Year Ended December 31, 1990

(dollars in millions) Category of Aggregate Short-term Borrowings(3)	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding during the Period
Year ended December 31, 1990:			
Corporate notes payable to banks	$ -	-%	$ 40
Corporate notes payable under master note agreement	-	-	25
Investment services notes payable to banks	-	-	144
Investment services note payable under master note agreement	-	-	57

(TABLE CONTINUED)

(dollars in millions) Category of Aggregate Short-Term Borrowings(3)	Average Amount Outstanding during the Period(1)	Weighted Average Interest Rate during the Period(2)
Year ended December 31, 1990:		
Corporate notes payable to banks	$ 9	8.88%
Corporate notes payable under master note agreement	4	8.65
Investment services notes payable to		

banks	103	8.93
Investment services note payable under master note agreement	10	8.68

(1) Computed by dividing the sum of the daily balances outstanding by the number of days in the year.
(2) Computed by dividing the actual interest expense by the average debt outstanding.
(3) For additional information regarding indebtedness of the Company's discontinued banking operations, see Item 8 - Note 3 to the Company's consolidated financial statements included herein.

[*69]

SEC ONLINE INC.
EXHIBIT INDEX

[*70] [HARDCOPY PAGE EXH1]

EXHIBIT 22

AMBASE CORPORATION
SUBSIDIARY LISTING
AS OF DECEMBER 31, 1992

NAME	JURISDICTION IN WHICH ORGANIZED	PERCENTAGE VOTING SECURITIES OWNED BY IMMEDIATE PARENT
AmBase Corporation	Delaware	100%
Maiden Lane Associates Ltd.	Delaware	100%
Home Capital Services, Inc.	Delaware	100%
- HCS Brokerage Services, Inc.	Delaware	100%
Carteret Thrift and Loan Company	California	100%

s: Interrelationships shown by indention with 100% ownership unless otherwise indicated.

Certain subsidiaries have been omitted in accordance with the provisions of Regulation S-K, Item 601.

Excludes Carteret Savings Bank, FA ("Carteret") and its subsidiaries, which was seized by the Office of Thrift Supervision on December 4, 1992 eliminating AmBase Corporation's interest in Carteret and its subsidiaries.

[*71] **[*71]** [HARDCOPY PAGE EXH2]

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in Registration Statements 33-9741, 33-26914, 33-27417, 33-32224, 33-17829, 33-29959 and 33-38497 on Forms S-8 of our report dated March 24, 1993 appearing on pages 12 and 13 of the Annual Report of AmBase Corporation on Form 10-K for the year ended December 31, 1992.

PRICE WATERHOUSE
New York, New York
March 29, 1993

LENGTH: 41521 words

LOAD-DATE: May 13, 1993

LANGUAGE: ENGLISH