TRANSCANADA PIPELINES LTD
Form SUPPL
January 07, 2009

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Filed pursuant to
General Instruction II.K of Form F-9,
File No. 333-154961

PROSPECTUS SUPPLEMENT
(To Prospectus dated January 2, 2009)

TransCanada PipeLines Limited

US$750,000,000 7.125% Senior Notes Due 2019

US$1,250,000,000 7.625% Senior Notes Due 2039

Interest payable January 15 and July 15

Issue price for notes due 2019: 99.977%

Issue price for notes due 2039: 99.148%

The notes due 2019 will mature on January 15, 2019, and the notes due 2039 will mature on January 15, 2039. Interest will accrue on all notes from January 9, 2009. We may redeem some or all of the notes at any time at the redemption price described under "Description of the Notes Optional Redemption" in this prospectus supplement.

Investing in the notes involves risk. See "Risk Factors" on page S-7 of this prospectus supplement and page 19 of the accompanying prospectus.

Under applicable Canadian securities legislation, we may be considered to be a connected issuer of Citigroup Global Markets Inc., HSBC Securities (USA) Inc., Deutsche Bank Securities Inc., J.P. Morgan Securities Inc., Mitsubishi UFJ Securities International plc, Mizuho Securities USA Inc. and SG Americas Securities, LLC, each of which is a subsidiary or affiliate of one of our lenders to which we are currently indebted. See "Underwriting" in this prospectus supplement.

We are permitted, as a Canadian issuer under a multijurisdictional disclosure system adopted by the United States, to prepare this prospectus supplement and the accompanying prospectus in accordance with Canadian disclosure requirements. You should be aware that such requirements are different from those of the United States. The financial statements included or incorporated by reference herein have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and are subject to Canadian auditing and auditor independence standards, and as a result may not be comparable to financial statements of United States companies. Information regarding the impact upon the Corporation's financial statements of significant differences between Canadian GAAP and United States generally accepted accounting principles ("United States GAAP") is contained in the Corporation's audited related supplemental note entitled "Reconciliation to United States GAAP" as at December 31, 2007 and 2006 and for each of the years in the three year period ended December 31, 2007 and the unaudited related supplemental note entitled "Reconciliation to United States GAAP" as at September 30, 2008 and for the three and nine month periods ended September 30, 2008 and 2007.

Owning the notes may have tax consequences for you both in the United States and Canada. This prospectus supplement and the accompanying prospectus may not describe these tax consequences fully. You should read the tax discussion under "Certain Income Tax Considerations" in this prospectus supplement.

Your ability to enforce civil liabilities under the United States federal securities laws may be affected adversely because we are incorporated or organized under the laws of Canada, some or all of our officers and directors may be residents of Canada, some or all of the experts named in this prospectus supplement or the accompanying prospectus may be residents of Canada and a substantial portion of our assets and all or a substantial portion of the assets of those officers, directors and experts may be located outside of the United States.

Neither the Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Price To Public		Underwriting Commission		Proceeds	
Per Note due 2019		99.977%		0.650%		99.327%
Total	US$	749,827,500	US$	4,875,000	US$	744,952,500
Per Note due 2039		99.148%		0.875%		98.273%
Total	US$	1,239,350,000	US$	10,937,500	US$	1,228,412,500

The public offering prices set forth above do not include accrued interest, if any.

There is no market through which these notes may be sold and purchasers may not be able to resell notes purchased under the prospectus supplement and the accompanying prospectus. This may affect the pricing of the notes in the secondary market, the transparency and availability of trading prices, the liquidity of the notes, and the extent of issuer regulation. See "Risk Factors" in this prospectus supplement.

The underwriters, as principals, conditionally offer these notes, subject to prior sale, if, as and when issued by us and accepted by the underwriters in accordance with the conditions contained in the underwriting agreement referred to under "Underwriting" in this prospectus supplement.

We expect to deliver the notes to investors through the book-entry delivery system of The Depository Trust Company and its direct and indirect participants, including Euroclear Bank N.V./S.A. and Clearstream Banking, société anonyme, Luxembourg, on or about January 9, 2009.

Joint Book-Running Managers

Citi **HSBC**

Co-Managers

Deutsche Bank Securities **J.P. Morgan**

Mitsubishi UFJ Securities

Mizuho Securities USA Inc. **SOCIETE GENERALE**

The date of this prospectus supplement is January 6, 2009.

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Prospectus Supplement

Prospectus

IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the notes we are offering. The second part, the base shelf prospectus, gives more general information, some of which may not apply to the notes we are offering. The accompanying base shelf prospectus, dated January 2, 2009, is referred to as the "prospectus" in this prospectus supplement. References in this prospectus supplement to "we", "us", "our", or the "Corporation" refer to TransCanada PipeLines Limited and not to any of its parent or subsidiary companies.

If the description of the notes varies between this prospectus supplement and the prospectus, you should rely on the information in this prospectus supplement.

EXCHANGE RATE DATA

We publish our consolidated financial statements in Canadian dollars. In this prospectus supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars and references to "Cdn.$" or "$" are to Canadian dollars and references to "US$" are to United States dollars.

The following table sets forth certain exchange rates based on the noon buying rate in Toronto, Ontario as reported by the Bank of Canada. Such rates are set forth as United States dollars per Cdn.$1.00 and are the inverse of rates quoted by the Bank of Canada for Canadian dollars per US$1.00. On January 6, 2009, the inverse of the noon buying rate was US$0.8458 per Cdn.$1.00.

	Nine Months Ended September 30,		Year Ended December 31,	
	2008	**2007**	**2007**	**2006**
High	1.0289	1.0069	1.0905	0.9099
Low	0.9263	0.8437	0.8437	0.8528
Average(1)	0.9810	0.9153	0.9418	0.8846
Period end	0.9435	1.0037	1.0120	0.8581

(1) The average of the daily exchange rates on the last day of each month during the applicable period.

SPECIAL NOTE
REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the prospectus and the documents incorporated by reference herein and therein include "forward-looking information" and "forward-looking statements" within the meaning of securities laws, including the "safe harbor" provisions of the *Securities Act* (Alberta), the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the United States Securities Act of 1933, as amended (the "Securities Act"). The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or other similar words are used to identify such forward-looking information. All forward-looking information and forward-looking statements are based on our beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things, our ability to successfully implement our strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of our pipelines and energy assets, the availability and price of energy commodities, regulatory processes and decisions, changes in environmental and other laws and regulations, competitive factors in the pipelines and energy industry sectors, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments and the current economic conditions in North America.

By its nature, forward-looking information is subject to various risks and uncertainties, including those discussed and incorporated by reference herein and in the prospectus and as described under "Risk Factors" in the Annual Information Form (as defined herein), which could cause our actual results and experience to differ materially from the anticipated results or expectations expressed. The material assumptions in making these forward-looking statements are disclosed in the 2007 MD&A (as defined herein), as may be modified or superseded by documents incorporated or deemed to be incorporated by reference herein, under the headings "TCPL's Strategy", "Pipelines Opportunities and Developments", "Pipelines Business Risks", "Energy Opportunities and Developments", "Energy Business Risks" and "Risk Management and Financial Instruments" and comparable sections in the Interim MD&A (as defined herein). In addition, we base forward-looking information and forward-looking statements on assumptions about future events, which may not prove to be accurate. In light of these risks, uncertainties and assumptions, prospective investors should not place undue reliance on forward-looking information and forward-looking statements and should be aware that the events described in the forward-looking statements set out in this prospectus supplement and the documents incorporated by reference in this prospectus supplement and the prospectus may not occur.

Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this document or otherwise, and to not use future-oriented information or financial outlooks for anything other than their intended purpose. We undertake no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC, under the Securities Act, a registration statement on Form F-9 relating to the notes. This prospectus supplement and the prospectus, which constitute a part of the registration statement, do not contain all of the information contained in the registration statement, certain items of which are contained in the exhibits to the registration statement as permitted by the rules and regulations of the SEC. Statements included or incorporated by reference in this prospectus supplement and the prospectus about the contents of any contract, agreement or other documents referred to are not necessarily complete, and in each instance, prospective investors should refer to the exhibits for a complete description of the matter involved. Each such statement is qualified in its entirety by such reference.

We file annual and quarterly financial information, material change reports, business acquisition reports and other material with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada and with the SEC. Under the multijurisdictional disclosure system adopted by the United States, documents and other information that we file with the SEC may be prepared in accordance with the disclosure requirements of Canada, which are different from those of the United States. Prospective investors may read and download any public document that we have filed with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Prospective investors may read and copy any document we have filed with the SEC at the SEC's public reference room in Washington D.C., and may also obtain copies of those documents from the public reference room of the SEC at 100 F Street, N.E., Washington, D.C. 20549 by paying a fee. Additionally, prospective investors may read and download some of the documents we have filed with the SEC at www.sec.gov.

DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed, as of the date hereof, to be incorporated by reference into the prospectus only for the purposes of the offering of the notes offered hereunder. Other documents are also incorporated or deemed to be incorporated by reference into the prospectus and reference should be made to the prospectus for full details.

The following documents, which were filed by us with the securities commission or similar authority in each of the provinces and territories of Canada and with the SEC, are specifically incorporated by reference into and form an integral part of this prospectus supplement and the prospectus:

(a) Audited comparative consolidated financial statements as at December 31, 2007 and 2006 and for each of the years in the three year period ended December 31, 2007, the notes thereto, and the auditors' report thereon;

(b) Management's discussion and analysis of financial condition and results of operations as at and for the year ended December 31, 2007 (the "2007 MD&A");

(c) Audited related supplemental note entitled "Reconciliation to United States GAAP" as at December 31, 2007 and 2006 and for each of the years in the three year period ended December 31, 2007, the notes thereto, and the auditors' report thereon;

(d) Annual Information Form for the year ended December 31, 2007 dated February 25, 2008 (the "Annual Information Form");

(e) Comments by Auditors for United States Readers on Canada-United States Reporting Differences, dated February 25, 2008;

(f) Management's Report on Internal Control over Financial Reporting, dated February 25, 2008 and the auditors' report thereon;

(g) Unaudited interim comparative consolidated financial statements as at September 30, 2008 and December 31, 2007 and for the three and nine month periods ended September 30, 2008 and 2007 and the notes thereto;

(h) Management's discussion and analysis of financial condition and results of operations as at and for the three and nine month periods ended September 30, 2008 (the "Interim MD&A", and together with the 2007 MD&A, the "MD&A"); and

(i) Unaudited related supplemental note entitled "Reconciliation to United States GAAP" as at September 30, 2008 and for the three and nine month periods ended September 30, 2008 and 2007.

Any documents of the type referred to above, including all annual information forms, all information circulars, all annual and interim financial statements (including all updated earnings coverage ratio information) and management's discussion and analysis relating thereto, all material change reports (excluding confidential material change reports), press releases containing financial information for financial periods more recent than the most recent annual or interim financial statements, any business acquisition reports, as well as all prospectus supplements disclosing additional or updated information subsequently filed by us with the Alberta Securities Commission after the date of this prospectus supplement and prior to the termination of any offering hereunder shall be deemed to be incorporated by reference into the prospectus. These documents are available through the internet on SEDAR, which can be accessed at www.sedar.com. In addition, any similar documents filed by us with the SEC in our periodic reports on Form 6-K or annual report on Form 40-F, and any other documents filed with or furnished to the SEC pursuant to Section 13(a), 13(c) or 15(d) of the Exchange Act, in each case after the date of this prospectus supplement, shall be deemed to be incorporated by reference into this prospectus supplement and the registration statement of which this prospectus supplement forms a part, if and to the extent expressly provided in such reports. Our periodic reports on Form 6-K and our annual reports on Form 40-F are available on the SEC's web site at www.sec.gov.

Any statement contained in the prospectus, this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in the prospectus or this prospectus supplement shall be deemed to be modified or superseded, for the purposes of the prospectus and this prospectus supplement, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of the prospectus or this prospectus supplement, except as so modified or superseded.

RISK FACTORS

Before making an investment decision, investors should carefully consider the risks and uncertainties described below and under the heading "Risk Factors" in the accompanying prospectus and in our Annual Information Form for the year ended December 31, 2007, dated February 25, 2008 and incorporated by reference herein. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any such risks actually occur, our business, financial condition and operating results could be materially harmed.

Risks related to the notes

There is no market through which the notes may be sold.

There is no market through which the notes may be sold and purchasers may not be able to resell notes purchased under this prospectus supplement and the prospectus. This may adversely affect the pricing of the notes in the secondary market, the transparency and availability of trading prices, the liquidity of the notes, and the extent of issuer regulation.

TRANSCANADA PIPELINES LIMITED

We operate primarily in two business segments: Pipelines and Energy. The Pipelines segment is principally comprised of our pipelines in Canada, the United States and Mexico and our regulated natural gas storage business in the United States. The Energy segment includes our power operations in Canada and the United States, non-regulated natural gas storage business in Canada and liquefied natural gas projects in Canada and the United States.

Our significant subsidiaries as of December 31, 2007 are listed under the heading "TransCanada PipeLines Limited Corporate Structure" in the Annual Information Form. The Corporation's registered office and head office are located at 450 - 1st Street S.W., Calgary, Alberta, Canada, T2P 5H1.

Recent Developments

On November 25, 2008, TransCanada Corporation, the parent company of TransCanada PipeLines Limited, completed a public offering of 30,500,000 common shares. On December 5, 2008, an additional 4,575,000 common shares were issued upon exercise of the underwriters' over-allotment option. Gross proceeds from the common share offering and the over-allotment option totaled approximately $1.157 billion. In the fourth quarter of 2008, TransCanada Corporation acquired for cash approximately $985 million of TransCanada PipeLines Limited common shares issued from treasury.

In addition, during the fourth quarter of 2008, a subsidiary of the Corporation closed a new US$1.0 billion committed bank facility with certain of its existing relationship banks. The revolving, extendable, expandable facility has an initial term of 364 days with a one-year term out at the option of the borrower and will support a new commercial paper program dedicated to funding expenditures for the Keystone Pipeline System.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data and other data as at the dates or for the periods indicated. Our consolidated financial statements have been prepared in accordance with Canadian GAAP. The financial data should be read in conjunction with our consolidated financial statements and the related notes and MD&A included in the documents described under "Documents Incorporated by Reference" in this prospectus supplement. Historical results are not necessarily indicative of the results that may be expected for any future period.

	Nine Months Ended September 30,		Year Ended December 31,	
	2008	2007	2007	2006
	(unaudited)		(audited)	
	(millions of dollars)			
Consolidated Statement of Earnings Data:				
Revenues	$ 6,287	$ 6,639	$ 8,828	$ 7,520
Operating expenses				
Plant operating costs and other	2,181	2,232	3,030	2,411
Commodity purchases resold	1,096	1,547	1,959	1,707
Depreciation	900	888	1,179	1,059
	4,117	4,667	6,168	5,177
	2,110	1,972	2,660	2,343
Other expenses/(income)				
Financial charges(1)	598	695	886	764
Calpine bankruptcy settlements	(279)			
Writedown of Broadwater LNG project costs	41			
Gains on sale of assets			(16)	(23)
Income from continuing operations before income taxes and non-controlling interests	1,750	1,277	1,790	1,602
Income taxes	498	372	483	475
Non-controlling interests	89	51	75	56
Net income from continuing operations	1,163	854	1,232	1,071
Net income from discontinued operations				28
Net income	1,163	854	1,232	1,099
Preferred share dividends	17	17	22	22
Net income applicable to common shares	$ 1,146	$ 837	$ 1,210	$ 1,077

(1) Includes financial charges of joint ventures, interest and other income and income from equity investments.

	Nine Months Ended September 30,		Year Ended December 31,	
	2008	2007	2007	2006
	(unaudited)		(audited)	
	(millions of dollars)			
Cash Flow Data:(1)				
Funds generated from operations	$ 2,287	$ 1,867	$ 2,603	$ 2,374
Decrease/(increase) in operating working capital	24	272	215	(300)
Net cash provided by operations	$ 2,311	$ 2,139	$ 2,818	$ 2,074
Capital expenditures and acquisitions(2)	$ (4,957)	$ (5,278)	$ (5,874)	$ (2,042)
Dividends on common and preferred shares	(604)	(538)	(725)	(639)

(1)
We use the measure "funds generated from operations". This measure does not have any standardized meaning in Canadian GAAP and is therefore not considered to be a Canadian GAAP measure. This measure may not be comparable to similar measures presented by other entities. This measure has been used to provide potential investors with additional information on our liquidity and our ability to generate funds to finance our operations.

Funds generated from operations is comprised of net cash provided by operations before changes in operating working capital. A reconciliation of funds generated from operations to net cash provided by operations is presented in the MD&A incorporated herein by reference.

(2)
Does not include proceeds from disposition of assets.

	As at September 30,	As at December 31,	
	2008	2007	2006
	(unaudited)	(audited)	
	(millions of dollars)		
Balance Sheet Data:			
Cash and short-term investments	$ 743	$ 504	$ 401
Total assets			
Pipelines	22,846	22,024	18,320
Energy	10,816	7,037	6,500
Corporate	3,035	2,104	1,566
Total assets	$ 36,697	$ 31,165	$ 26,386
Notes payable	$ 874	$ 55	$ 467
Current portion of long-term debt	545	556	616
Current portion of long-term debt of joint ventures	80	30	142
Long-term debt	14,287	12,377	10,887
Long-term debt of joint ventures	922	873	1,136
Junior subordinated notes	1,048	975	
Preferred securities			536
Preferred shares	389	389	389

	As at September 30,	As at December 31,	
Common shareholder's equity	11,694	9,664	7,618

USE OF PROCEEDS

We estimate that the net proceeds of the offering of the notes, after deducting estimated expenses of the offering and the underwriting commissions, will be approximately US$1,972.4 million. We intend to use the net proceeds of this offering to partially fund capital projects of the Corporation, retire maturing debt obligations and for general corporate purposes. Pending such application, the net proceeds may be used to repay short-term indebtedness of the Corporation or invested in short-term investments.

EARNINGS COVERAGE

The following financial ratios have been calculated on a consolidated basis for the respective 12 month periods ended December 31, 2007 and September 30, 2008 and are based on audited financial information in the case of the 12 month period ended December 31, 2007 and unaudited financial information in the case of the 12 month period ended September 30, 2008. The following ratios give pro forma effect to the issuance of the notes pursuant to this prospectus supplement and to the effect of changes in foreign currency exchange rates on US dollar denominated loans. Adjustments for other normal course issuances and repayments of long-term debt subsequent to September 30, 2008 would not materially affect the ratios and, as a result, have not been made. The financial ratios have been calculated based on financial information prepared in accordance with Canadian GAAP.

	September 30, 2008	**December 31, 2007**
Earnings coverage on long-term debt	2.6 times	2.4 times
Earnings coverage on long-term debt and First Preferred Shares	2.5 times	2.4 times

DESCRIPTION OF THE NOTES

The notes will be issued under an amended and restated debt indenture, dated as of November 30, 2000, as supplemented or amended from time to time (the "Indenture"), between us and The Bank of New York Mellon, as Trustee. The following summary of certain provisions of the Indenture and the notes does not purport to be complete and is qualified in its entirety by reference to the actual provisions of the Indenture.

The following description of the terms of the notes offered hereby supplements, and to the extent inconsistent therewith supersedes, the description of the general terms and provisions of debt securities set forth under the heading "Description of Debt Securities" in the accompanying prospectus, and should be read in conjunction with that description.

General

The trustee under the Indenture shall be referred to herein as the "Trustee", which term shall include, unless the context otherwise requires, its successors and assigns. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture. The term "debt securities", as used in this prospectus supplement, refers to all debt securities issued and issuable from time to time under the Indenture and includes the notes.

The notes will be issued under the Indenture in two series in an aggregate principal amount of US$750,000,000 for the notes due 2019 and an aggregate principal amount of US$1,250,000,000 for the notes due 2039. The notes due 2019 will mature on January 15, 2019, and the notes due 2039 will mature on January 15, 2039. The notes due 2019 will bear interest at a rate of 7.125% per year, and the notes due 2039 will bear interest at a rate of 7.625% per year. Interest will be payable semi-annually on January 15 and July 15 of each year, commencing July 15, 2009, to the persons in whose names the notes are registered at the close of business on the preceding January 1 or July 1, respectively. The principal and interest on the notes will be paid in lawful money of the United States in the manner and on terms set out in the Indenture.

We may from time to time without notice to, or the consent of, the holders of the notes, create and issue additional notes under the Indenture, equal in rank to the notes in all respects so that the new notes may be consolidated and form a single series with either the notes due 2019 or the notes due 2039 and have the same terms as to status, redemption and otherwise as either series of the notes issued under this prospectus supplement.

The notes will be our direct unsecured obligations issued under the Indenture and will rank equally with all of our other unsecured and unsubordinated indebtedness other than preferred claims imposed by statute. In addition, our business operations are conducted in part through our subsidiaries and through joint ventures. As a result, the notes will be effectively subordinated to all existing and future liabilities of our subsidiaries and joint ventures. As at September 30, 2008, the long-term debt (excluding guarantees and intercompany obligations between us and our subsidiaries) of our wholly owned subsidiaries totaled approximately $3.6 billion. At September 30, 2008, as determined under Canadian GAAP, our total consolidated long-term debt, junior subordinated notes and long-term debt due within one year was, in aggregate principal amount, approximately $15.9 billion (excluding our proportionate share of long-term debt of joint ventures). There are no terms of the Indenture that limit our or our subsidiaries' or joint ventures' ability to incur additional indebtedness, including in the case of us and our subsidiaries and joint ventures, indebtedness that ranks, either effectively or by contract, senior to the notes. See "Description of Debt Securities Unsubordinated Debt" and "Description of Debt Securities Certain Covenants of the Corporation" in the accompanying prospectus.

The notes will be denominated in United States dollars and payments of principal (and premium, if any) and interest on the notes will be made in United States dollars.

Neither series of notes will be entitled to any benefits of a sinking fund.

Optional Redemption

Each series of notes will be redeemable, in whole or in part, at our option at any time or from time to time at a redemption price equal to the greater of:

- 100% of the principal amount of the notes to be redeemed, and

- as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (not including any portion of the payments of interest accrued as of the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined below) plus 50 basis points, in the case of the notes due 2019, and 50 basis points, in the case of the notes due 2039,

plus, in either case, accrued interest thereon to the date of redemption.

Notice of any redemption will be delivered by first-class mail at least 30 days, but not more than 60 days, before the redemption date to each holder of the notes to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions of the notes called for redemption.

"Adjusted Treasury Rate" means, w="BORDER-BOTTOM: black 2px solid">

119

-

Loss before income taxes

(448

)

(407

)

(1,268

)

(1,476

)

Income tax expense

9

11

39

33

Net loss

$

(457

)

$
(418
)
$
(1,307
)
$
(1,509
)

Net loss per share attributable to common stockholders - basic

$
(0.01
)
$
(0.01
)
$
(0.03
)
$
(0.04
)
Net loss per share attributable to common stockholders - assuming dilution

$
(0.01
)
$
(0.01
)
$
(0.03
)
$
(0.04
)

Weighted average common shares outstanding - Basic

43,075

43,075

43,075

43,075

Weighted average common shares outstanding - Assuming dilution

43,075

43,075

43,075

43,075

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

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

(in thousands)	2011	2010
Cash flows from operating activities:		
Net loss	$ (1,307)	$ (1,509)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	36	37
Realized gains on sales of investment securities	(18)	(30)
Unrealized losses on trading securities	30	-
Changes in other assets and liabilities:		
Accrued interest receivable on investment securities	-	8
Other assets	(522)	35
Accounts payable and accrued liabilities	(27)	(129)
Other liabilities	(2)	(8)
Net cash used by operating activities	(1,810)	(1,596)
Cash flows from investing activities:		
Maturities of investment securities - held to maturity	23,795	28,380
Purchases of investment securities - held to maturity	(22,695)	(26,990)
Sales of investment securities	555	976
Purchases of investment securities	(761)	(946)
Proceeds from (investment in) real estate limited partnership	21	(300)
Net cash provided by investing activities	915	1,120
Net change in cash and cash equivalents	(895)	(476)
Cash and cash equivalents at beginning of year	1,334	1,715
Cash and cash equivalents at end of period	$ 439	$ 1,239
Supplemental cash flow disclosure:		
Income taxes paid	$ 41	$ 102

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

AMBASE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 1 - Organization

The accompanying consolidated financial statements of AmBase Corporation and its wholly-owned subsidiaries (the "Company") are unaudited and subject to year-end adjustments. All material intercompany transactions and balances have been eliminated. In the opinion of management, the interim financial statements reflect all adjustments, consisting only of normal recurring adjustments unless otherwise disclosed, necessary for a fair presentation of the Company's financial position, results of operations and cash flows. Results for interim periods are not necessarily indicative of results for the full year. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions, that it deems reasonable, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates and assumptions. The unaudited interim financial statements presented herein are condensed and should be read in conjunction with the Company's consolidated financial statements filed in its Annual Report on Form 10-K for the year ended December 31, 2010.

The Company's assets currently consist primarily of cash and cash equivalents, investment securities, and real estate. The Company currently earns non-operating revenue principally consisting of earnings on investment securities and cash equivalents. The Company continues to evaluate a number of possible acquisitions, and is engaged in the management of its assets and liabilities, including the contingent assets, as described in Part II - Item 1. From time to time, the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company intends to aggressively contest all litigation and contingencies, as well as pursue all sources for contributions to settlements.

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

Note 2 – Recent Accounting Pronouncements

There are no new accounting pronouncements that would materially affect the Company's financial statements.

AMBASE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 3 - Legal Proceedings

The information contained in Item 8 - Note 10 in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010, is incorporated by reference herein and the defined terms set forth below have the same meaning ascribed to them in that report. There have been no material developments in such legal proceedings, except as set forth below.

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

Supervisory Goodwill Litigation - On August 31, 2011, Judge Smith of the Court of Claims issued a damages opinion in the Company’s Supervisory Goodwill legal proceedings. Pursuant to Judge Smith’s opinion, the Company is awarded directly $205,013,000 in lost value expectancy damages, plus tax gross-up if applicable. The Company is continuing to review the Court’s damages opinion with its advisors. A copy of the Court’s damages opinion is available on the Court of Claims website at www.uscfc.uscourts.gov. The Company has no contingent fee agreements in place with its attorneys or any outside advisor in connection with the Supervisory Goodwill legal proceedings or award. On September 28, 2011, the DOJ filed a Motion for Reconsideration of Opinion and Order Dated August 31, 2011. The Company filed its opposition to the DOJ’s motion on October 17, 2011. The DOJ filed their reply brief on October 26, 2011. On October 31, 2011, Judge Smith issued an order denying the DOJ’s Motion to Reconsider and the Court clarified its opinion with regard to mitigation. Judge Smith’s opinions and rulings in the Supervisory Goodwill case may be subject to further appeal by the government.

The Court of Federal Claims decisions and certain filings in the Company’s case, as well as other decisions in Winstar related cases, are publicly available on the Court of Federal Claims web site at www.uscfc.uscourts.gov. In addition, decisions in Winstar-related cases that have been issued by the U.S. Court of Appeals for the Federal Circuit, the court that hears appeals from decisions by the Court of Federal Claims, may be found on that court’s website at www.cafc.uscourts.gov. Decisions in other Winstar related cases may be relevant to the Company’s Supervisory Goodwill claims, but are not necessarily indicative of the ultimate outcome of the Company’s actions. The Company can give no assurances regarding the ultimate outcome of the Supervisory Goodwill legal proceedings, the final amount of any award or when it might be received.

Federal income tax refund suit on Carryback Claims. In March 2000, the Company filed with the IRS several claims and amendments to previously filed claims with respect to the Carryback Claims, seeking refunds from the IRS of alternative minimum tax and other federal income taxes paid by the Company in prior years, plus applicable IRS interest, based on the filing of the 1992 Amended Return. In February 2005, the IRS formally disallowed the Carryback Claims. On April 29, 2008, the Company filed suit with respect to the Carryback Claims in the United States District Court for the District of Connecticut, seeking federal tax refunds for tax year 1989, plus interest. On September 29, 2009, the U.S. Department of Justice (“DOJ”), representing defendant United States in the suit, filed a Motion to Dismiss. In response, on October 19, 2009, the Company filed its opposition to the Government’s Motion to Dismiss, as well as the Company’s own Motion for Partial Summary Judgment. In June 2010, the Court issued a Memorandum Decision conditionally granting the United States’ Motion to Dismiss the case but allowing the Company to conduct limited discovery to establish whether the Court has jurisdiction. On August 30, 2010, the Company filed a Motion to Set Aside the Court’s Conditional Order of Dismissal. On February 28, 2011, the Court granted the Company’s motion and issued a Memorandum of Decision concluding that the Company had timely filed a refund claim for tax year 1992 seeking to adjust the amount of bad debt deduction and that the case should not be dismissed. In March 2011, the Company filed a Motion for Partial Summary Judgment based on the Court’s ruling that the Company’s refund claims were timely filed. In May 2011, the DOJ filed a Cross Motion for Summary Judgment and an opposition to the Company’s Summary Judgment Motion. In June 2011, the Company filed a Memorandum in Opposition to the Government’s Cross Motion for Summary Judgment and a Reply to the Governments Opposition to the Company’s Summary Judgment Motion, and the Government in June 2011, subsequently filed a response brief. The Court’s rulings to date are not dispositive of the case. The Company can give no assurances as to the final amount of refunds, if any, or when they might be received. See Note 8 – Income Taxes for further information.

Note 4 - Cash and Cash Equivalents

Highly liquid investments, consisting principally of funds held in short-term money market accounts with original maturities of less than three months, are classified as cash equivalents.

AMBASE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 5 - Investment Securities

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

Investment securities – trading, consist of investments in equity securities held for trading purposes and are carried at fair value with net unrealized gains and losses recorded directly in a statement of operations.

Investment securities consist of the following:

	September 30, 2011			December 31, 2010		
(in thousands)	Carrying Value	Cost or Amortized Cost	Fair Value	Carrying Value	Cost or Amortized Cost	Fair Value
Held to Maturity:						
U.S. Treasury Bills	$ 7,100	$ 7,100	$ 7,100	$ 8,200	$ 8,200	$ 8,199
Trading:						
Equity Securities	194	224	194	-	-	-
	$ 7,294	$ 7,324	$ 7,294	$ 8,200	$ 8,200	$ 8,199

The gross unrealized gains (losses) on investment securities consist of the following:

(in thousands)

Held to Maturity:	September 30, 2011	December 31, 2010
Gross unrealized gains (losses)	$ -	$ (1)

Realized gains on the sales of investment securities held is as follows:

($ in thousands)	Third Quarter Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Net sale proceeds	$ 3	$ 327	$ 555	$ 976
Cost basis	-	(316)	(537)	(946)
Realized gains	$ 3	$ 11	$ 18	$ 30

Unrealized losses on investment securities held for trading is as follows:

(in thousands)	Third Quarter Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Cost basis	$ 224	$ -	$ 224	$ -
Current value	194	-	194	-
Unrealized losses	$ (30)	$ -	$ (30)	$ -

AMBASE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 6 – Property Owned

The Company owns one commercial office building in Greenwich, Connecticut that contains approximately 14,500 square feet. The Company utilizes approximately 3,500 square feet for its executive offices; the remaining space is currently unoccupied and available for lease. Depreciation expense for the building is calculated on a straight-line basis over 39 years. Tenant improvements, if any, would be depreciated over the lesser of the remaining life of the tenants' lease or the estimated useful lives of the improvements.

Although the portion of the building not being utilized by the Company is currently unoccupied and available for lease, based on the Company's analysis, the Company believes the property's fair value exceeds the property's current carrying value. The Company's impairment analysis includes a comprehensive range of factors including but not limited to: the location of the property; property condition; current market conditions; comparable sales; current market rents in the area; new building zoning restrictions; raw land values; new building construction costs; building operating costs; leasing values; and cap rates for comparable buildings in the area. Varying degrees of weight are given each factor. Based on the Company's analysis these factors taken together and/or considered individually form the basis for the Company's analysis that no impairment condition exists.

The Company performs impairment tests if events or circumstances indicate that the property's carrying value would not be recoverable. As noted above, based on the Company's analysis the Company believes the carrying value of the property as of September 30, 2011, has not been impaired and; therefore, the carrying value of the asset is fully recoverable by the Company.

Note 7 - Income Taxes

The Company and its domestic subsidiaries file a consolidated federal income tax return. The Company recognizes both the current and deferred tax consequences of all transactions that have been recognized in the financial statements, calculated based on the provisions of enacted tax laws, including the tax rates in effect for current and future years. Net deferred tax assets are recognized immediately when a more likely than not criterion is met; that is, greater than 50% probability exists that the tax benefits will actually be realized sometime in the future.

The Company has calculated a net deferred tax asset of $38 million as of September 30, 2011 and $40 million as of December 31, 2010, arising primarily from net operating loss ("NOL") carryforwards and alternative minimum tax ("AMT") credits. This amount does not include the anticipated tax effects of NOL's which could be generated from the Company's investment in Carteret Savings Bank, F.A. and subsidiaries ("Carteret"), resulting from the election decision, as more fully described below. A valuation allowance has been established for the entire net deferred tax asset as management, at the current time, has no basis to conclude that realization is more likely than not.

There were no unrecognized tax benefits at September 30, 2011 or December 31, 2010. Further, no significant changes in unrecognized income tax benefits are currently expected to occur over the next year. Interest and/or penalties related to underpayments of income taxes, if applicable, would be included in interest expense and operating expenses, respectively. The accompanying financial statements do not include any amounts for any such interest and/or penalties. The Company's federal income tax returns for the years subsequent to 1992 have not been reviewed by the Internal Revenue Service ("IRS") or state authorities except for tax year 2007. In October 2009, the Company received notification from the IRS that they would be reviewing the Company's 2007 federal income tax return. In connection with the IRS audit, in April 2010, the IRS issued the Company a Notice of Proposed Adjustment for tax year 2007, proposing to disallow approximately $16.6 million of deductions previously recognized by the Company on its 2007 Federal income tax return (the "IRS Proposed Adjustment"). The IRS Proposed Adjustment sought to disallow the Company's tax deduction for the payment made by the Company in 2007 in satisfaction of its Supplemental Retirement Plan obligation. In October 2011, the IRS and the Company agreed to a settlement of this matter, pursuant to which the IRS agreed to allow a $9.5 million deduction in 2007 relating to this item. This matter is therefore concluded. The Company has not been notified of any other potential tax audits by any state or local tax authorities. As such, the Company believes the statutes of limitations for the assessment of additional federal and state tax liabilities are generally closed for tax years prior to 2008.

AMBASE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Based upon the Company's federal income tax returns as filed through 2010 (subject to IRS audit adjustments), excluding all effects of the inclusion of Carteret/Carteret FSB from December 4, 1992 forward, as further discussed herein, the Company has NOL carryforwards available to reduce future federal taxable income which expire if unused in the tax years as indicated below. The amounts as of September 30, 2011, are as follows:

Tax Year Expiring		Amount
2012	$	1,100,000
2018		5,400,000
2019		4,000,000
2020		2,600,000
2021		4,000,000
2022		3,200,000
2023		1,800,000
2024		700,000
2026		2,800,000
2027		12,700,000
2028		4,600,000
2029		2,400,000
2030		1,900,000
Total	$	47,200,000

In addition to the NOL's noted above, the Company had additional NOL carryforwards which have expired to the extent that they remained unused as follows:

Tax Year Originating	Tax Year Expired	Amount
1994	2009	$ 2,200,000
1995	2010	5,300,000
		$ 7,500,000

The unused carryforwards will have expired unless they are utilized in prior tax years or absorbed in an earlier year based on inclusion of certain items in the consolidated group. The utilization of certain carryforwards and carrybacks is subject to limitations under U.S. federal income tax laws. In addition, the Company has approximately $21 million of AMT credit carryforwards ("AMT Credits"), which are not subject to expiration. Based on the filing of the Carryback Claims, as defined further above, the Company would seek to utilize approximately $8 million of the $21 million of AMT Credits.

As a result of the Office of Thrift Supervision's December 4, 1992 placement of Carteret in receivership, under the management of the Resolution Trust Corporation ("RTC")/Federal Deposit Insurance Corporation ("FDIC"), and then proposed Treasury Reg. §1.597-4(g), the Company had previously filed its 1992 and subsequent federal income tax returns with Carteret disaffiliated from the Company's consolidated federal income tax return. Based upon the impact of Treasury Reg. §1.597-4(g), which was issued in final form on December 20, 1995, a continuing review of the Company's tax basis in Carteret, and the impact of prior year tax return adjustments on the Company's 1992 federal income tax return as filed, the Company decided not to make an election pursuant to final Treasury Reg. §1.597-4(g) to disaffiliate Carteret from the Company's consolidated federal income tax return effective as of December 4, 1992 (the "Election Decision").

The Company has made numerous requests to the RTC/FDIC for tax information pertaining to Carteret and the resulting successor institution, Carteret Federal Savings Bank ("Carteret FSB"); however all of the information still has not been received. The Company believes, as a result of remaining consolidated with Carteret FSB for federal income tax return purposes, that the Company's tax basis in its investment in Carteret/Carteret FSB can be converted into NOL's, as tax losses are incurred, which could be available to carryforward/carryback into various federal income tax return years. However; since all of the Carteret FSB tax information has not been received, the Company is unable to determine with certainty, the amount of or the years in which any NOL's may ultimately be generated; if the NOL carryforwards/carrybacks will be utilized in prior federal income tax return years; or the final expiration dates of any of the NOL carryforwards/carrybacks ultimately generated.

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Based on information received to date, and prior to the recognition of the 1992 tax losses reflected on the Company's 1992 amended federal income tax return, as further described below, the Company estimated that as of December 1992 it had a remaining tax basis related to its investment in Carteret/Carteret FSB of approximately $158 million. Based on the Company's Election Decision, described above, and the receipt of some of the requested information from the RTC/FDIC, the Company amended its 1992 consolidated federal income tax return to include the federal income tax effects of Carteret and Carteret FSB, (the "1992 Amended Return"). The Company is still in the process of reviewing its consolidated federal income tax returns for 1993 and subsequent years.

The Company expects that the 1992 Amended Return will generate approximately $56 million of NOL's for tax year 1992, which the Company is seeking to carryback to prior tax years to produce refunds of tax previously paid. The 1992 Amended Return has not yet been accepted by the IRS. See "Carryback Claims," below for further information. As part of the 1992 Amended Return, approximately $56 million, (of the $158 million), of Carteret/Carteret FSB tax basis is expected to be converted into NOL's, (as tax losses are incurred) in tax year 1992, and will have expired in the 2007 tax year, unless they are utilized as part of the "Carryback Claims," or absorbed in earlier years based on inclusion of certain items in the consolidated group.

The Carteret/Carteret FSB tax basis, of approximately $102 million, remaining after recognition of the 1992 Amended Return, may be converted into NOL carryforwards/carrybacks as additional tax losses are incurred by Carteret/Carteret FSB and may be carried back or carried forward to other tax years; may be utilized in other tax years; or could begin to expire no earlier than the 2008 tax year based upon the year any NOL's are ultimately generated. The Company can give no assurances with regard to the 1992 Amended Return, subsequent year returns, or the final amount or expiration of NOL carryforwards/carrybacks ultimately generated, if any, from the Company's tax basis in Carteret/Carteret FSB. Any NOL's ultimately generated from the Company's tax basis in Carteret/Carteret FSB, would be in addition to the NOL carryforwards/carrybacks generated based on the Company's federal income tax returns as previously filed, as further detailed above.

In March 2000, the Company filed with the IRS several claims and amendments to previously filed claims with respect to the Carryback Claims, seeking refunds from the IRS of alternative minimum tax and other federal income taxes paid by the Company in prior years, plus applicable IRS interest, based on the filing of the 1992 Amended Return. In February 2005, the IRS formally disallowed the Carryback Claims. On April 29, 2008, the Company filed suit with respect to the Carryback Claims in the United States District Court for the District of Connecticut, seeking federal tax refunds for tax year 1989, plus interest. On September 29, 2009, the U.S. Department of Justice ("DOJ"), representing defendant United States in the suit, filed a Motion to Dismiss. In response, on October 19, 2009, the Company filed its opposition to the Government's Motion to Dismiss, as well as the Company's own Motion for Partial Summary Judgment. In June 2010, the Court issued a Memorandum Decision conditionally granting the United States' Motion to Dismiss the case but allowing the Company to conduct limited discovery to establish whether the Court has jurisdiction. On August 30, 2010, the Company filed a Motion to Set Aside the Court's Conditional Order of Dismissal. On February 28, 2011, the Court granted the Company's motion and issued a Memorandum of Decision concluding that the Company had timely filed a refund claim for tax year 1992 seeking to adjust the amount of bad debt deduction and that the case should not be dismissed. In March 2011, the Company filed a Motion for Partial Summary Judgment based on the Court's ruling that the Company's refund claims were timely filed. In May 2011, the DOJ filed a Cross Motion for Summary Judgment and an opposition to the Company's Summary Judgment Motion. In June 2011, the Company filed a Memorandum in Opposition to the Government's Cross Motion for Summary Judgment and a Reply to the Governments Opposition to the Company's Summary Judgment Motion, and the Government in June 2011, subsequently filed a response brief. The Court's rulings to date are not dispositive of the case. The Company can give no assurances as to the final amount of refunds, if any, or when they might be received. See Note 3 – Legal Proceedings for further information.

The FDIC has previously filed a federal income tax return for Carteret FSB for 1995 (as well as other years), which indicates that Carteret FSB allegedly could owe a 1995 federal income tax liability of $32 million, which including interest and penalty thereon, is alleged to be in excess of $120 million. The FDIC has stated to the United States Court of Federal Claims ("Court of Claims") that the tax amounts are only estimates and are highly contingent. However, it is possible that the IRS may try to collect the alleged Carteret FSB federal income taxes from the Carteret FSB receivership.

The Company believes the Carteret FSB federal income tax returns filed by the FDIC were improperly filed and are neither accurate nor valid. The FDIC, as indicated above, continues to report the 1995 federal income tax liability, including interest and penalty, as a component of the alleged Carteret FSB receivership deficit. As part of the Supervisory Goodwill legal proceedings, the Company presented to the Court of Claims various arguments to support the position that no federal income tax would be owed as a result of the Carteret FSB receivership operations for tax year 1995; however, the Department of Justice and the FDIC have stated to the Court of Claims that they do not believe the Court of Claims has jurisdiction over that issue. The Supervisory Goodwill proceedings remain pending in the Court of Claims. Based on the information received to date, if the correct Carteret FSB federal income tax results were included with the Company's originally filed federal income tax returns, the Company based upon consultation with its legal and tax advisors believes that no additional material federal income tax would be owed by the Company, although this cannot be assured because a contrary result is possible, given the uncertainty with various legal and factual assumptions underlying the Company's beliefs. This assessment included among other items, a review of the Carteret FSB federal income tax returns as prepared by the FDIC and the correction of errors originally reported therein, the proper application of federal NOL carryforwards and carrybacks, and the adherence to statute of limitation provisions contained in the Internal Revenue Code, as amended.

As explained above, although the Company does not believe that Carteret FSB or the Company will have a material federal income tax liability related to Carteret FSB for tax year 1995 (or any other tax year), the Company can give no assurances of the final amounts, if any, of federal income taxes owed by the Carteret FSB receivership or by the Company as a result of the Carteret FSB receivership operations. The Company is continuing to try to resolve these matters as part of the Supervisory Goodwill legal process and is also continuing to review the Carteret FSB federal income tax returns and the results of their inclusion with the Company's federal income tax returns as previously filed. The Company is pursuing the Carryback Claims, as further described above, which could have an impact on the analysis of the prior year tax information. For further information on the Supervisory Goodwill legal proceedings, see Note 3 herein. The discussion of the Carteret FSB federal income tax results is intended to provide details as to the potential inter-relationship of the Carteret FSB federal income tax returns with the Company's federal income tax positions. It is not a reflection of any federal income tax liability of the Company arising from the Carteret receivership operations.

Note 8 – Stock-Based Compensation

Under the Company's 1993 Stock Incentive Plan (the "1993 Plan"), the Company may grant to officers and employees of the Company and its subsidiaries, stock options ("Options"), stock appreciation rights ("SARs"), restricted stock awards ("Restricted Stock"), merit awards ("Merit Awards") and performance share awards ("Performance Shares"), through May 28, 2018. An aggregate of 5,000,000 shares of the Company's Common Stock are reserved for issuance under the 1993 Plan (upon the exercise of Options and Stock Appreciation Rights, upon awards of Restricted Stock and Performance Shares); however, of such shares, only 2,500,000 shares in the aggregate shall be available for issuance for Restricted Stock Awards and Merit Awards. Such shares shall be authorized but unissued shares of Common Stock. Options may be granted as incentive stock options ("ISOs") intended to qualify for favorable tax treatment under Federal tax law or as nonqualified stock options ("NQSOs"). SARs may be granted with respect to any Options granted under the 1993 Plan and may be exercised only when the underlying Option is exercisable. The 1993 Plan requires that the exercise price of all Options and SARs be equal to or greater than the fair market value of the Company's Common Stock on the date of grant of that Option. The term of any ISO or related SAR cannot exceed ten years from the date of grant, and the term of any NQSO cannot exceed ten years and one month from the date of grant. Subject to the terms of the 1993 Plan and any additional restrictions imposed at the time of grant, Options and any related SARs ordinarily will become exercisable commencing one year after the date of grant. Options granted generally have a ten year contractual life and generally have vesting terms of two years from the date of grant. In the case of a "Change of Control" of the Company (as defined in the 1993 Plan), Options granted pursuant to the 1993 Plan may become fully exercisable as to all optioned shares from and after the date of such Change of Control in the discretion of the Committee or as may otherwise be provided in the grantee's Option agreement. Death, retirement, or absence for disability will not result in the cancellation of any Options.

The fair values of option awards were estimated on the date of grant using the Black-Scholes-Merton option valuation model ("Black-Scholes") that uses certain assumptions at the time of valuation. Expected volatilities are based on historical volatility of the Company's stock. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The expected term of options granted is estimated based on the contractual lives of option grants, option vesting period and historical data and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury bond yield in effect at the time of grant.

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The Black-Scholes option valuation model requires the input of highly subjective assumptions, including the expected life of the stock-based award and stock price volatility. The assumptions utilized were management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if other assumptions had been used, our recorded stock-based compensation expense could have been materially different from the amounts previously recorded. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the share-based compensation expense could be materially different. The Company believes that the use of the Black-Scholes model meets the fair value measurement objectives of accounting principles generally accepted in the United States of America and reflects all substantive characteristics of the instruments being valued.

Incentive plan activity during the year-to-date period is summarized as follows:

	Number of Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Intrinsic Value
Outstanding at January 1, 2011	836,000	$ 0.87		
Expired	(20,000)	0.60		
Outstanding at September 30, 2011	816,000	$ 0.87	1.73	$ 224,000
Exercisable at September 30, 2011	816,000	$ 0.87	1.73	$ 224,000

Information relating to the 1993 Plan as of the dates indicated below is as follows:

	September 30, 2011	September 30, 2010
Unamortized compensation cost relating to non-vested stock options	$ -	$ -
Stock based compensation expense recorded for the year-to-date period	$ -	$ -
Options to purchase shares of common stock which were excluded from computation of diluted earnings per share due to the effect of being anti-dilutive in the computation of earnings per share.	816,000	836,000
Shares available for future stock option grants	4,184,000	

Note 9 - Pension and Savings Plans

The Company sponsors the AmBase 401(k) Savings Plan (the "Savings Plan"), which is a "Section 401(k) Plan" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"). The Savings Plan permits eligible employees to make contributions of up to 30% of compensation, which are matched by the Company at a percentage determined annually. Effective July 1, 2010, the employer match was reduced to 33% of the amount the employee elects to defer. Employee contributions to the Savings Plan are invested at the employee's discretion, in various investment funds. The Company's matching contributions are invested in the same manner as the compensation reduction contributions. All contributions are subject to maximum limitations contained in the Code. The Company's matching contributions to the Savings Plan, charged to expense, were as follows:

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Company matching contributions	$ 4,000	$ 6,000	$ 16,000	$ 41,000

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Notes to Consolidated Financial Statements

Note 10 - Common Stock Repurchase Plan

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

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

	Total Number of Shares Purchased	Average Price Paid per Share (including Broker Commissions)	Total Number Shares Purchased as Part of Publicly Announced Plans	Maximum Number Shares that may yet be Purchased under the Plan
Beginning balance January 1, 2011	-	-	3,208,109	6,791,891
January 1, 2011 - January 31, 2011	-	-	3,208,109	6,791,891
February 1, 2011 - February 28, 2011	-	-	3,208,109	6,791,891
March 1, 2011 - March 31, 2011	-	-	3,208,109	6,791,891
April 1, 2011 – April 30, 2011	-	-	3,208,109	6,791,891
May 1, 2011 – May 31, 2011	-	-	3,208,1096	6,791,891
June 1, 2011 – June 30, 2011	-	-	3,208,109	6,791,891
July 1, 2011 – July 31, 2011	-		3,208,109	6,791,891
August 1, 2011 – August 31, 2011	-		3,208,109	6,791,891
September 1, 2011 – September 30, 2011	-		3,208,109	6,791,891
Total	-			

Note 11 – Other Assets

Other assets at September 30, 2011, include a $500,000 deposit by the Company in connection with a potential real estate transaction.

Note 12 - Subsequent Events

The Company has performed a review of events subsequent to the balance sheet dated September 30, 2011, through the report issuance date.

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FORWARD LOOKING STATEMENTS

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations, which follows, should be read in conjunction with the consolidated financial statements and related notes, which are contained in Part I - Item 1, herein and the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

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

BUSINESS OVERVIEW

AmBase Corporation (the "Company") is a holding company which, through a wholly-owned subsidiary, owns a commercial office building in Greenwich, Connecticut. The Company previously owned an insurance company and a savings bank.

In February 1991, the Company sold its ownership interest in The Home Insurance Company and its subsidiaries. On December 4, 1992, Carteret Savings Bank, FA ("Carteret") was placed in receivership by the Office of Thrift Supervision ("OTS").

The Company's assets currently consist primarily of cash and cash equivalents, investment securities, and real estate owned. The Company earns non-operating revenue consisting principally of investment earnings on investment securities and cash equivalents. The Company continues to evaluate a number of possible acquisitions and is engaged in the management of its assets and liabilities, including the contingent assets associated with its legal claims, as described in Part I – Item 1. Discussions and negotiations are ongoing with respect to certain of these matters. From time to time, the Company and its subsidiaries may be named as a defendant in various lawsuits or proceedings. The Company intends to aggressively contest all litigation and contingencies, as well as pursue all sources for contributions to settlements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's assets at September 30, 2011, aggregated $10,426,000, consisting principally of cash and cash equivalents of $439,000, investment securities of $7,294,000, and real estate owned of $1,933,000. At September 30, 2011, the Company's liabilities aggregated $193,000. Total stockholders' equity was $10,233,000.

For the nine months ended September 30, 2011, cash of $1,810,000 was used by operations, due to the payment of operating expenses and prior year accruals. The cash needs of the Company for the nine months ended September 30, 2011, were satisfied by the Company's financial resources and to a lesser extent the receipt of investment earnings received on investment securities and cash equivalents. Management believes that the Company's liquid assets are sufficient to continue operations for the next twelve months.

For the nine months ended September 30, 2010, cash of $1,596,000 was used by operations, primarily due to the payment of legal expenses relating to the Supervisory Goodwill proceedings and to a lesser extent the payment of prior year accruals and operating expenses, partially offset by the receipt of interest income and investment earnings. The cash needs of the Company for the nine months ended September 30, 2010 were satisfied by the Company's financial resources and to a lesser extent receipt of investment earnings received on investment securities and cash equivalents.

Real estate owned consists of one commercial office building in Greenwich, Connecticut which the Company owns and manages. The building is approximately 14,500 square feet; approximately 3,500 square feet is utilized by the Company for its executive offices; the remaining space is currently unoccupied and available for lease. Although the portion of the building not being utilized by the Company is currently unoccupied and available for lease, based on the Company's analysis, including but not limited to current market rents in the area, leasing values, and comparable property sales, the Company believes the property's fair value exceeds the property's current carrying value. Therefore, the Company believes the carrying value of the property as of September 30, 2011, has not been impaired.

Other assets at September 30, 2011, include a $500,000 deposit by the Company in connection with a potential real estate transaction. It is currently anticipated that the Company's investment in the transaction would be from the Company's current financial resources.

Accounts payable and accrued liabilities as of September 30, 2011, decreased from December 31, 2010, principally as a result of the payment of prior year accruals.

There are no material commitments for capital expenditures as of September 30, 2011. Inflation has had no material impact on the business and operations of the Company.

The Company continues to evaluate a number of possible acquisitions and is engaged in the management of its assets and liabilities, including the contingent assets associated with its legal claims. Discussions and negotiations are ongoing with respect to certain of these matters. The Company intends to aggressively contest all litigation and contingencies, as well as pursue all sources for contributions to settlements. For a discussion of lawsuits and proceedings, including the Supervisory Goodwill litigation see Part I - Item 1 - Note 3.

Results of Operations for the Third Quarter and Nine Months Ended September 30, 2011 vs. the Third Quarter and Nine Months Ended September 30, 2010

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

Compensation and benefits decreased to $982,000 in nine months ended September 30, 2011, compared to $1,080,000 in the nine months ended September 30, 2010. The decrease in the 2011 nine month period is due to lower compensation expenses due to reduced staffing levels as well as a lower level of benefit costs in the 2011 period versus the same 2010 period.

No stock based compensation expense was recorded in the nine months ended September 30, 2011 or September 30, 2010, as all previously granted outstanding options vested as of January 2, 2007. No stock option awards have been granted since January 2005.

Professional and outside services decreased to $58,000 and $195,000 in the third quarter and nine months ended September 30, 2011, respectively, compared to $64,000 and $215,000 in the respective 2010 periods. The decrease in the 2011 periods as compared to the 2010 periods is principally the result of a lower level of legal and professional fees principally relating to the Supervisory Goodwill litigation. The Company has no contingent fee agreements in place with its attorneys or any outside advisor in connection with the Supervisory Goodwill legal proceedings or award.

Property operating and maintenance expenses were $17,000 and $67,000 for the third quarter and nine months ended September 30, 2011, respectively, compared to $23,000 and $92,000 in the respective 2010 periods. The decreased expenses in 2011 compared to the 2010 periods are due to a decrease in the overall level of repairs and maintenance expenses.

Insurance expenses decreased to $6,000 and $25,000 in the third quarter and nine months ended September 30, 2011, respectively compared with $7,000 and $31,000 in the respective 2010 periods. The decrease is generally due to a decline in insurance premium costs due to cost containment efforts.

Other operating expenses increased slightly to $29,000 and $76,000 in the third quarter and nine months ended September 30, 2011, respectively, compared with $18,000 and $70,000 in the respective 2010 periods due to overall increased costs.

Interest income in the third quarter and nine months ended September 30, 2011, decreased to $1,000 and $6,000, respectively from $10,000 and $19,000 in the respective 2010 periods. The decreased interest income is principally due to a decreased investment yield in 2011, compared with 2010, and a lower level of cash equivalents and investment securities. See Item 3 - Quantitative and Qualitative Disclosure about Market Risk for information concerning the Company's weighted average interest rate yield on investment securities as of September 30, 2011.

Other income of $14,000 and $119,000 for the third quarter and nine months ended September 30, 2011, respectively, is attributable to recovery of funds by the Company from items previously written off.

The Company recognized income tax provisions of $9,000 and $39,000 for the third quarter and nine months ended September 30, 2011, respectively, as compared with income tax provisions of $11,000 and $33,000 for the third quarter and nine months ended September 30, 2010, respectively. The income tax provisions for the 2011 and 2010 periods are primarily attributable to a provision for a minimum tax on capital imposed by the state of Connecticut. Income taxes applicable to operating income (loss) are generally determined by applying the estimated effective annual income tax rates to pretax income (loss) for the year-to-date interim period. Income taxes applicable to unusual or infrequently occurring items are provided in the period in which such items occur.

Item 4T. CONTROLS AND PROCEDURES

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

Our Chief Executive Officer and Chief Financial Officer have conducted an evaluation of our disclosure controls and procedures as of September 30, 2011. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) are effective to ensure that the information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized and reported with adequate timeliness.

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

STOCKHOLDER INQUIRIES

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

American Stock Transfer and Trust Company
59 Maiden Lane
New York, NY 10038
Attention: Shareholder Services
(800) 937-5449 or (718) 921-8200 Ext. 6820

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

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

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

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

Item 1A. RISK FACTORS

There have been no material changes from risk factors previously disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010 in response to Item 1A to Part I of Form 10-K.

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

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibit 31.1 Rule 13a-14(a) Certification of Chief Executive Officer
Exhibit 31.2 Rule 13a-14(a) Certification of Chief Financial Officer
Exhibit 32.1 Section 1350 Certification of Chief Executive Officer
Exhibit 32.2 Section 1350 Certification of Chief Financial Officer

SIGNATURES

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

AMBASE CORPORATION

/s/ John P. Ferrara
By JOHN P. FERRARA
Vice President, Chief Financial Officer and Controller
(Duly Authorized Officer and Principal Financial and
Accounting Officer)

Date: November 9, 2011