

AMBASE CORP

Form DEF 14A

April 11, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

AMBASE CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 011 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NOTICE OF  
ANNUAL MEETING  
OF STOCKHOLDERS  
AND PROXY STATEMENT

2016

AMBASE CORPORATION  
100 Putnam Green, 3<sup>rd</sup> Floor  
Greenwich, CT 06830-6027

AMBASE CORPORATION  
100 PUTNAM GREEN, 3<sup>RD</sup> FLOOR  
GREENWICH, CT 06830-6027  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD JUNE 2, 2016

The 2015 Annual Meeting of Stockholders (the "Annual Meeting") of AmBase Corporation (the "Company") will be held at the Hyatt Regency Hotel, 1800 East Putnam Avenue, Greenwich, Connecticut, on Thursday, June 2, 2016 at 9:00 a.m., Eastern Daylight Time, to consider and act upon the following matters:

The ratification of the appointment of Marcum LLP as the independent registered public accounting firm of the

1. Company for the year ending December 31, 2016;

2. To authorize an Amendment to the Company's Restated Certificate of Incorporation to decrease the number of shares of capital stock the Company is authorized to issue from 250,000,000 to 105,000,000, including a reduction of the number of authorized shares of common stock from 200,000,000 to 85,000,000 and a reduction of the number of authorized shares of cumulative preferred stock from 50,000,000 to 20,000,000 (a copy of which is attached as Exhibit B to the Proxy Statement);

3. To authorize an Amendment to the Company's Restated Certificate of Incorporation to fix the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions of the cumulative preferred stock (a copy of which is attached as Exhibit C to the Proxy Statement);

4. To authorize an Amendment to the Company's Restated Certificate of Incorporation to fix the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions of the common stock (a copy of which is attached as Exhibit D to the Proxy Statement);

and such other matters as may properly come before the Annual Meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on Wednesday, April 13, 2016 as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 2, 2016.** This Proxy Statement, the Notice of Annual Meeting of Stockholders and our Annual Report to Stockholders are available at <http://www.proxyvote.com>. The Company intends to mail the Notice of Annual Meeting and accompanying Proxy Statement to stockholders on or about April 13, 2016.

Whether or not you plan to attend the Annual Meeting, please sign, date and return the enclosed proxy card in the prepaid envelope provided, as soon as possible, so your shares can be voted at the meeting in accordance with your instructions. If you prefer, you may instead vote electronically through the internet or by telephone. The instructions on your proxy card describe how to use these convenient services. Your vote is important no matter how many shares you own. If you plan to attend the Annual Meeting and wish to vote your shares personally, you may do so at any time before your proxy is voted. Your prompt cooperation is greatly appreciated.

All stockholders are cordially invited to attend the Annual Meeting.

### Admission to Annual Meeting

Attendance at the Annual Meeting is limited to shareholders of the Company as of the April 13, 2016, record date. For safety and security reasons, video and audio recording devices and other electronic devices will not be allowed in the meeting. If your shares are held in the name of your bank, brokerage firm or other nominee, you must bring to the Annual Meeting, a copy of your proxy card, an account statement, or a letter from the nominee indicating that you beneficially owned the shares as of the April 13, 2016 record date for voting. If you do not have proof of share ownership, you will not be admitted to the Annual Meeting.

For registered shareholders, a copy of your proxy card can serve as verification of stock ownership. Shareholders who do not present a copy of their proxy card at the Annual Meeting will be admitted only upon verification of stock ownership, as indicated herein. If you do not have proof of share ownership, you will not be admitted to the Annual Meeting. In addition, all Annual Meeting attendees will be asked to present valid government-issued photo identification, such as a driver's license or passport, as proof of identification before entering the Annual Meeting, and attendees may be subject to security inspections.

By Order of the  
Board of Directors

/s/ John Ferrara  
John Ferrara  
Secretary  
Greenwich, Connecticut

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AMBASE CORPORATION  
100 PUTNAM GREEN, 3RD FLOOR  
GREENWICH, CT 06830-6027

ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD JUNE 2, 2016

## PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of AmBase Corporation (the "Company") of proxies to be voted at the Annual Meeting of Stockholders of the Company (the "Annual Meeting") to be held at the Hyatt Regency Hotel, 1800 East Putnam Avenue, Greenwich, Connecticut, at 9:00 a.m., Eastern Daylight Time, on Thursday, June 2, 2016, and at any adjournments thereof. This Proxy Statement and the accompanying proxy are being mailed to stockholders commencing on or about April 13, 2016.

Shares represented by a duly executed proxy in the accompanying form received by the Company prior to the Annual Meeting will be voted at the Annual Meeting in accordance with instructions given by the stockholder in the proxy. Any stockholder granting a proxy may revoke it at any time before it is exercised by granting a proxy bearing a later date, by giving notice in writing to the Secretary of the Company or by voting in person at the Annual Meeting.

At the Annual Meeting, the stockholders will be asked: (i) to ratify the appointment of Marcum LLP as the Company's independent registered public accounting firm for the year ending December 31, 2016; (ii) to authorize an Amendment to the Company's Restated Certificate of Incorporation to decrease the number of shares of capital stock the Company is authorized to issue from 250,000,000 to 105,000,000, including a reduction of the number of authorized shares of common stock from 200,000,000 to 85,000,000 and a reduction of the number of authorized shares of cumulative preferred stock from 50,000,000 to 20,000,000 (the "Authorized Capital Reduction Charter Amendment," a copy of which is attached as Exhibit B to the Proxy Statement); (iii) to authorize an Amendment to the Company's Restated Certificate of Incorporation to fix the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions of the cumulative preferred stock (the "Preferred Stock Authorization Charter Amendment," a copy of which is attached as Exhibit C to the Proxy Statement), and (iv) an Amendment to the Company's Restated Certificate of Incorporation to fix the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions of the common stock (the "Common Stock Authorization Charter Amendment," a copy of which is attached as Exhibit D to the Proxy Statement). The Authorized Capital Reduction Charter Amendment, Preferred Stock Authorization Charter Amendment and the Common Stock Authorization Charter Amendment are hereafter collectively referred to as the "Charter Amendments."

The persons acting under the accompanying proxy have been designated by the Board of Directors and, unless contrary instructions are given, will vote the shares represented by a properly executed proxy (i) for the ratification of the appointment of Marcum LLP as the Company's independent registered public accounting firm, (ii) for the authorization of the Authorized Capital Reduction Charter Amendment, (iii) for the authorization of the Preferred Stock Authorization Amendment, and (iv) for the authorization of the Common Stock Authorization Amendment.

If a stockholder is not the record holder, such as where the shares are held through a broker, bank or other financial institution, the stockholder must provide voting instructions to the record holder of the shares in accordance with the record holder's requirements in order to ensure the shares are properly voted. For your vote to be counted, you will need to communicate your voting decisions to your broker, bank or other financial institution before the date of the stockholders meeting.

The close of business on Wednesday, April 13, 2016, has been fixed by the Board of Directors as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting or any adjournments thereof. Only the holders of record of common stock of the Company, par value \$0.01 per share (the "Common Stock") at the

close of business on the record date, are entitled to vote on the matters presented at the Annual Meeting. Each share of Common Stock entitles the holder to one vote on each matter presented at the Annual Meeting. As of Friday, March 25, 2016, there were approximately 40,738,000 shares of Common Stock issued and outstanding. The holders of a majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting shall constitute a quorum. If there is less than a quorum, a majority of those present in person or by proxy may adjourn the Annual Meeting. The affirmative vote of the holders of a majority of the shares of Common Stock represented in person or by proxy and voting at the Annual Meeting, a quorum being present, is necessary for the ratification of the appointment of Marcum LLP as the Company's independent registered public accounting firm. The affirmative vote of the holders of a majority of the Company's outstanding shares of Common Stock is required for the approval of each of the Charter Amendments.

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Abstentions, votes withheld and broker non-votes, are counted for purposes of determining whether a quorum is present at the Annual Meeting. For the ratification of the appointment of Marcum LLP as the Company's independent registered public accounting firm, abstentions and broker non-votes are treated as shares present or represented and voting and have the same effect as a negative vote. Abstentions and shares not voted, including broker non-votes, will have the same effect as a vote against the approval of each of the Charter Amendments.

In June 2016, after over three years of exemplary service, Mr. Theodore T. Horton's term with the Company's Board of Directors will expire and he will not stand for re-election. The Board of Directors and the Company thank him for his valuable service.

#### Information Concerning Directors Continuing in Office

Certain information concerning the directors of the Company whose terms do not expire in 2015 is set forth below.

Richard A. Bianco, 68. Mr. Bianco was elected a director of the Company in January 1991, and has served as President and Chief Executive Officer of the Company since May 1991. On January 26, 1993, Mr. Bianco was elected Chairman of the Board of Directors of the Company. He served as Chairman, President and Chief Executive Officer of Carteret Savings Bank, FA ("Carteret Savings" or "Carteret"), then a subsidiary of the Company, from May 1991 to December 1992. Mr. Bianco has a unique background as the former President and Chief Executive Officer of Carteret Savings who was responsible for the Carteret Savings recapitalization efforts. Mr. Bianco is the father of Alessandra F. Bianco, a member of the Board of Directors of the Company. Mr. Bianco has detailed knowledge of the Company's history including detailed knowledge of its current and prior legal and governmental proceedings. Mr. Bianco additionally has knowledge in real estate, real estate investing and a background in lending and capital raising. These attributes combined with his prior investment banking, managerial and leadership experience, the Board of Directors has determined that Mr. Bianco is uniquely qualified to serve as a Director and the Chairman of the Company's Board of Directors and that he has the requisite experience, qualifications attributes and skills necessary to serve as a member of the Board of Directors. His term will expire in 2017.

Kenneth M. Schmidt, 71. Mr. Schmidt was elected a director of the Company in March 2013. Mr. Schmidt was formerly a Managing Director of Dillon Read & Co. from 1975 to 1996, and UBS from 1996 to 1998. Prior thereto, he held various institutional sales positions and was also a Captain in the United States Air Force for several years. Mr. Schmidt has been actively involved with the Rutgers University Board, most recently serving as the Vice Chair of the Rutgers University Board of Governors. Mr. Schmidt has extensive management, underwriting and trading experience in a variety of positions. His business experience provides him with a perspective into the financial markets past trends, current developments and potential future prospects. The Board of Directors has determined that Mr. Schmidt's current background and expertise provides the Board with experience which is important to the Company's future business prospects and that he has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors. His term will expire in 2017.

Alessandra F. Bianco, 36. Ms. Bianco was elected a director of the Company in November 2012. Ms. Bianco received a Bachelor of Arts at Boston College in 2003. Ms. Bianco has been working in the Office of the President at American Bible Society since 2009. Prior to her current work, Ms. Bianco worked as an assistant to the Head of the Investment Banking department at Broadpoint Capital. Ms. Bianco is the daughter of Richard A. Bianco, the Chairman of the Board, President and Chief Executive Officer of the Company. Since March 2009, Ms. Bianco has been a senior officer of BARC Investments LLC. Ms. Bianco, as one of the largest stockholders of the Company, has a direct interest in the Company optimizing stockholder value. The Board of Directors has; therefore, determined that Ms. Bianco is well qualified to serve as a member of the Company's Board of Directors and that she has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors. Her term will expire in 2018.





## Information Concerning Executive Officers

For biographical information concerning Richard A. Bianco, see "Information Concerning Directors Continuing in Office" above.

John Ferrara, 54, Vice President, Chief Financial Officer and Controller. Mr. Ferrara was elected to the position of Vice President, Chief Financial Officer and Controller of the Company in December 1995, having previously served as Acting Chief Financial Officer, Treasurer and Assistant Vice President and Controller since January 1995; as Assistant Vice President and Controller from January 1992 to January 1995; and as Manager of Financial Reporting from December 1988 to January 1992.

Joseph R. Bianco, 71, Treasurer. Mr. J. Bianco was elected to the position of Treasurer of the Company in January 1998. He has dedicated his career to the financial services and investment industry. Prior to his employment with the Company in 1996, he worked for Merrill Lynch & Co. ("Merrill") as Vice President, responsible for Sales and Marketing in the Merrill Global Securities Clearing from 1983 to 1996. Mr. Joseph R. Bianco and Mr. Richard A. Bianco are related.

## Director Independence

The Company, although not required to do so, generally follows rules of the NASDAQ as they relate to the Board of Directors and its committees. The Company periodically reviews the independence of each director. Pursuant to this review, the directors and officers of the Company, on an annual basis, are required to complete and forward to the Corporate Secretary a detailed questionnaire to determine if there are any transactions or relationships between any of the directors and/or officers of the Company (including immediate family and affiliates). If any such transactions or relationships exist, the Company then considers whether such transaction(s) or relationship(s) are inconsistent with a determination that the director is independent. Pursuant to this process, in January 2015, the Company conducted its annual review of director independence and determined that no transactions or relationships existed that would disqualify any of our directors, under NASDAQ independence rules, except that Mr. Richard A. Bianco, who serves as the Chairman of the Board of Directors, also serves as the Company's President and Chief Executive Officer. Mr. Bianco does not serve as a member of the Company's Accounting and Audit Committee or the Company's Personnel Committee. Based on a review of the information provided by the directors and other information reviewed, the Company has concluded that none of the Company's non-employee directors have any relationship with the Company other than as a director or shareholder of the Company. Based upon that finding, our Board of Directors determined that Messrs. Horton, Schmidt and Ms. Bianco are "independent," and they qualify as outside directors within the meaning of Code Section 162(m) and as non-employee directors within the meaning of Rule 16b-3. Although the Board of Directors has determined that Ms. Bianco is "independent," she is related to Mr. Richard A. Bianco, and thus Ms. Bianco does not serve as a member of the Personnel Committee nor does she vote on matters relating to Mr. Richard A. Bianco.

## INFORMATION CONCERNING THE BOARD AND ITS COMMITTEES

### Meetings and Attendance

During 2015, the Company's Board of Directors held three (3) meetings. Matters were also addressed by unanimous written consent in accordance with Delaware law five (5) times. All directors attended at least 75% of the meetings of the Board of Directors and the committees of the Board on which they served during 2015.

### Committees of the Board

The Board of Directors currently has (i) an Accounting and Audit Committee and (ii) a Personnel Committee.

The Accounting and Audit Committee met one (1) time during 2015. Matters were also addressed by unanimous written consent in accordance with Delaware law three (3) times. The Accounting and Audit Committee currently consists of Ms. Bianco, Mr. Horton and Mr. Schmidt. The Accounting and Audit Committee members are all independent directors of the Company. The Company, although not required to do so, generally follows rules of the NASDAQ as they relate to the Board of Directors and its committees. Mr. Carnegie served as the Chairman of the Accounting and Audit Committee until the end of his term in June 2015. The Board of Directors determined Mr. Carnegie is an "audit committee financial expert" as that term is defined in Item 401(h) of Regulation S-K promulgated by the Securities and Exchange Commission (the "SEC").

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The Accounting and Audit Committee is directly responsible for the appointment, compensation and oversight of the audit and related work of the Company's independent auditors. The Accounting and Audit Committee reviews the degree of their independence; approves the scope of the audit engagement, including the cost of the audit; approves any non-audit services rendered by the auditors and the fees for these services; reviews with the auditors and management the Company's policies and procedures with respect to internal accounting and financial controls and, upon completion of an audit, the results of the audit engagement; and reviews internal accounting and auditing procedures with the Company's financial staff and the extent to which recommendations made by the independent auditors have been implemented. The Accounting and Audit Committee has adopted a charter, which has been approved by the Company's Board of Directors. A copy of the Audit Committee Charter is included as Exhibit A to this Proxy Statement.

The Personnel Committee held one (1) meeting in 2015. Matters were also addressed by unanimous written consent in accordance with Delaware law five (5) times. The Personnel Committee currently consists of Mr. Schmidt, Chairman and Mr. Horton. The Personnel Committee members are all independent directors of the Company. Mr. Carnegie was a member of the Personnel Committee until the end of his term in June 2015.

The principal functions of the Personnel Committee, which is equivalent to compensation and nominating committees, are to consider and recommend nominees for the Board, to oversee the performance and approve the remuneration of officers and senior employees of the Company and its subsidiaries and to oversee and approve the employee benefit and retirement plans of the Company and its subsidiaries. The Personnel Committee is also responsible for reviewing and approving the goals and objectives relevant to compensation of officers and senior employees, evaluating their performance in light of those goals and objectives and determining and approving their compensation levels based on this evaluation. The Personnel Committee is responsible for setting and approving salary, bonus and other employment terms for the Company's Chief Executive Officer. The Chief Executive Officer recommends salary and bonus awards for other officers of the Company, which are subject to the modification and/or approval by the Personnel Committee. In connection therewith, the Personnel Committee approves and makes recommendations with respect to bonus and incentive-based compensation plans and equity based plans. The Personnel Committee will consider stockholder recommendations for director, submitted in accordance with the Company's By-Laws. The Personnel Committee does not currently have a written charter.

The Company's By-Laws require that in the event a stockholder wishes to nominate a person for election as a director, advance notice must be given to the Secretary of the Company not less than 120 days in advance of the date on which the Company's proxy statement is released to stockholders in connection with the previous year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or if the date of the annual meeting has been changed by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, such a proposal must be received by the Company a reasonable time before the solicitation is made, together with the name and address of the stockholder and of the person to be nominated; a representation that the stockholder is entitled to vote at the meeting and intends to appear in person or by proxy to make the nomination; a description of arrangements or understandings between the stockholder and others pursuant to which the nomination is to be made; such other information regarding the nominee as would be required in a proxy statement filed under the proxy rules as set forth in the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"); and the consent of the nominee to serve as a director if elected. See "Nomination of Directors" below.

## Communications with Directors

In order to provide the Company's security holders and other interested parties with a direct and open line of communication to the Board of Directors, the Board of Directors has adopted the following procedures for communications to directors. The Company's security holders and other interested persons may communicate with the Chairman of the Company's Accounting and Audit Committee, the Chairman of the Personnel Committee, or with the non-management directors of the Company as a group, by mailing a letter addressed in care of the Corporate Secretary, AmBase Corporation, 100 Putnam Green, 3rd Floor, Greenwich, Connecticut 06830.

All communications received in accordance with these procedures will be reviewed initially by the Company's Secretary and/or other executive officers. The Company will relay all such communications to the appropriate director or directors unless the Secretary determines that the communication:

does not relate to the business or affairs of the Company or the functioning or constitution of the Board of Directors or any of its committees;

relates to routine or insignificant matters that do not warrant the attention of the Board of Directors;

is an advertisement or other commercial solicitation or communication;

is frivolous or offensive; or

is otherwise not appropriate for delivery to directors.

The director or directors who receive any such communication will have discretion to determine whether the subject matter of the communication should be brought to the attention of the full Board of Directors or one or more of its committees, and whether any response to the person sending the communication is appropriate. Any such response will be made only in accordance with applicable law and regulations relating to the disclosure of information.

The Secretary will retain copies of all communications received pursuant to these procedures for a period of at least one year. The Personnel Committee of the Board of Directors will review the effectiveness of these procedures from time to time and, if appropriate, recommend changes.

## Board Attendance at Annual Meetings

We have not established a formal policy regarding director attendance at our annual meetings of shareholders, but our directors generally do attend the annual meeting. The Chairman of the Board presides at the Annual Meeting of shareholders, and the Board of Directors holds one of its regular meetings in conjunction with the Annual Meeting of shareholders. Accordingly, unless one or more members of the Board are unable to attend, all members of the Board are expected to be present for the Annual Meeting. Three of the four members of the Board at the time of the Company's 2015 Annual Meeting of Stockholders attended that meeting either in person or telephonically.

## Nomination of Directors

The Personnel Committee has adopted specifications applicable to members of the Board of Directors and for identifying and evaluating nominees for the Board of Directors recommended by the Personnel Committee or by shareholders. The specifications provide that a candidate for director should:

have a reputation in the business community for integrity, honesty, candor, fairness and discretion;

be knowledgeable in his or her chosen industry or field of endeavor, which field should have relevance to our businesses as would contribute to the Company's success;

be knowledgeable, or willing and able to become so quickly, in the critical aspects of our businesses, as well as overall operations; and

be experienced and skillful in communicating with and serving as a competent overseer, and trusted advisor and confidant to senior management, of a publicly held corporation or other corporation.

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In addition, nominees for the Board of Directors should contribute to the mix of skills, core competencies and qualifications of the Board through expertise in one or more of the following areas: accounting and finance; the financial industry; international business; mergers and acquisitions; leadership; business and management; strategic planning; government relations; investor relations; executive leadership development; and executive compensation. The Personnel Committee does not have a formal diversity policy, although it considers diversity when it evaluates nominees for the Board of Directors in light of the qualifications summarized above, and endeavors to nominate directors with a broad mix of professional and personal backgrounds. The Personnel Committee will consider nominees recommended by stockholders for election at the 2016 Annual Meeting of Stockholders that are submitted prior to December 14, 2016, to our Secretary at the Company's offices, 100 Putnam Green, 3rd Floor, Greenwich, Connecticut 06830. There are no differences in the manner in which the Personnel Committee evaluates nominee(s) for directors based on whether the nominee is recommended by a shareholder or otherwise. Any recommendation must be in writing and must include a detailed description of the business experience and other qualifications of the recommended nominee as well as the signed consent of the nominee to serve if nominated and elected, so that the candidate may be properly considered. All stockholder recommendations will be reviewed in the same manner as other potential candidates for Board membership.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of the forms filed with the SEC and written representations received by the Company, pursuant to the requirements of Section 16(a) of the Securities Exchange Act, the Company believes that, during 2015, there were no transactions with respect to the Company's equity securities which were not reported on a timely basis to the SEC, no late reports nor other failure to file a required form by any director or officer of the Company. The Company believes that, during 2015, the following transactions, with respect to the Company's equity securities which were not reported on a timely basis to the SEC by 10% stockholders of the Company were as follows:

| Form Type | Reporting Person           | Date of Event | Date of Filing |
|-----------|----------------------------|---------------|----------------|
| Form 4    | Iszo Capital Management LP | July 16, 2015 | July 21, 2015  |

#### Certain Relationships and Related Party Transactions

Pursuant to the Company's Code of Business Conduct and Ethics ("Code of Conduct"), all employees (including our Named Executive Officers, as defined below) who have, or whose immediate family members have, any direct or indirect financial or other participation in any business that competes with, supplies goods or services to, or is a customer of the Company or its subsidiaries, are required to disclose to us and receive written approval prior to transacting such business. No such relationships have been reported. Our employees are expected to make reasoned and impartial decisions in the workplace. As a result, approval of a business relationship would be denied if it is believed that the employee's interest in such a relationship could influence decisions relative to the Company's business, or have the potential to adversely affect the Company's business or the objective performance of the employee's work. In addition, the Company's Code of Conduct requires adherence to a number of other underlying principles which are important to the Company. These items include, but are not limited to, restrictions on disclosure of Company information, insider trading, and the protection and use of Company assets.

In connection with the Company's annual review of Directors independence, as described under "Director Independence" above, the Company reviews whether or not there have been any transactions with "related persons" as such term is defined in Item 404(a) of Regulation S-K. If a transaction was deemed to be a related party transaction, that transaction would be reviewed by the Company's Board of Directors. See "Compensation Narrative – Participation Interest" and "Operating Agreement of 111 West 57<sup>th</sup> Investment LLC" below.



## Corporate Governance

In addition to the various procedures followed by the Company's Board of Directors as described herein, the Company maintains a separate Audit Committee and Personnel Committee. The Company believes the functions of its Board of Directors and existing committees essentially perform the responsibilities of a nominating and a corporate governance committee and therefore, the Company does not maintain these additional separate committees.

Mr. Bianco, the Company's President and Chief Executive Officer, additionally serves as the Chairman of the Company's Board of Directors. Given the Company's history, operations and its' past success in Supervisory Goodwill, tax and other proceedings, the Company and the Board of Directors believe it is appropriate and most effective for Mr. Bianco to continue to serve in these dual capacities. These considerations are based on Mr. Bianco's combined business experience prior to joining the Company and his responsibilities with the Company for over twenty years, including his position as President and Chief Executive Officer of Carteret during 1991 and 1992. The Board of Directors also considered the size of the Company's operations, cost considerations and the effectiveness of communication between the Company's management and the Board of Directors.

## Risk Oversight

The Board of Directors monitors overall risk and performs risk assessment on a proactive basis by maintaining frequent, informal communications with the Company's senior management, in addition to formal updates given by management to the Board of Directors during Board of Directors and committee meetings.

The Board of Directors additionally monitors risk through direct interaction with the Company's senior management and also to a lesser extent direct communication with the Company's outside professionals for a specific expertise. The Company hires highly qualified professionals to work on the Company's outside proceedings and real estate investment transactions. The Company's management works closely with these professionals, assisting in the management of the proceedings and interacting with the professionals on a regular basis.

In setting compensation, the Personnel Committee considers the risks to our stockholders and to the achievement of the Company's goals that may be inherent in our compensation programs. The Personnel Committee concluded that the Company's compensation programs are designed with the appropriate balance of risk and reward to align employees interests with those of the Company and our overall business, and do not incent employees to take unnecessary or excessive risks. Although a portion of executive compensation is performance based and "at-risk" we believe our executive compensation plans are appropriately structured and are not reasonably likely to result in a material adverse effect on the Company.

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## INDEPENDENT REGISTERED PUBLIC ACCOUNTANT MATTERS

### Report of the Accounting and Audit Committee

As set forth in more detail in the Accounting and Audit Committee (the "Audit Committee") charter (which is attached as Exhibit A), the primary purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibility to oversee management's conduct of the Company's financial reporting process, including the oversight of the following:

financial reports and other financial information provided by the Company to any governmental or regulatory body, the public or other users thereof;

the Company's internal accounting and financial controls over financial reporting; and

the annual independent audit of the Company's financial statements.

The Audit Committee reviewed the Company's audited financial statements and met with both Company management and Marcum LLP, the Company's independent registered public accounting firm, to discuss those financial statements. Management has represented to us that the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

The Audit Committee has received from and discussed with Marcum LLP the written disclosure and the letter required by applicable requirements of the PCAOB regarding that firm's independence from the Company. The Audit Committee also discussed with Marcum LLP any matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees, as may be modified or supplemented.

Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and filed with the SEC.

#### Audit Committee:

Alessandra F. Bianco

Theodore T. Horton, Jr.

Kenneth M. Schmidt

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee appointed Marcum LLP ("Marcum") as the Company's principal accountants and independent registered public accounting firm, to audit the consolidated financial statements of the Company for the year ended December 31, 2016. A representative of Marcum will be present at the meeting and will have the opportunity to make a statement if such representative desires to do so and will be available to respond to appropriate questions.

### Audit Fees

Aggregate fees billed by Marcum for professional services rendered for the audit of our annual consolidated financial statements included in the Annual Report on Form 10-K, the review of interim consolidated financial statements included in Quarterly Reports on Form 10-Q and the review and audit of the application of new accounting pronouncements and SEC releases were \$50,000 for the year ended December 31, 2015 and \$46,000 for the year ended December 31, 2014.

### Audit Related Fees

No audit related fees were paid to either Marcum for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and that are not disclosed under "Audit Fees" for the years ended December 31, 2015 and 2014.

Tax Fees and All Other Fees

No other fees relating to tax advisory or other services were paid to Marcum for professional services rendered to the Company for the years ended December 31, 2015 and 2014.

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### Audit Committee Pre-Approval Policy

Pursuant to its charter, the Audit Committee is responsible for selecting, approving compensation and overseeing the independence, qualifications and performance of the Company's independent accountants. The Audit Committee has adopted a pre-approval policy pursuant to which certain permissible audit and non-audit services may be provided by the independent accountants. Pre-approval is generally provided for up to one year, is detailed as to the particular service or category of services and may be subject to a specific budget. The Audit Committee may also pre-approve particular services on a case-by-case basis. In assessing requests for services by the Company's independent accountants, the Audit Committee considers whether such services are consistent with the auditor's independence; whether the Company's independent accountants are likely to provide the most effective and efficient service based upon their familiarity with the Company; and whether the service could enhance our ability to manage or control risk or improve audit quality.

There were no non audit-related tax or other services provided by Marcum in fiscal years 2015 and 2014.

### COMPENSATION NARRATIVE

The following compensation narrative describes the material elements of compensation for the Company's officers identified in the Summary Compensation Table ("Named Executive Officers"). As more fully described above herein, the Personnel Committee consists of three independent directors of the Company.

The Personnel Committee is responsible for establishing the Company's compensation programs, including benefit plans, retirement plans and the Company's stock option program, including approving the granting of stock option awards to the Company's officers and employees. The Personnel Committee annually reviews and approves all compensation decisions relating to the Company's officers, including Named Executive Officers.

The day-to-day design and administration of health, welfare and paid time-off plans and policies applicable to salaried employees in general are handled by the Company's management. The Personnel Committee is responsible for certain plan design changes outside the day-to-day requirements necessary to maintain these plans and policies.

The Personnel Committee has the ability to, and may from time to time, utilize the services of independent compensation consultants or other outside advisors in reviewing the Company's compensation programs, as it deems necessary.

### Objectives of the Compensation Program

The Personnel Committee's overall objective in administering the Company's compensation programs is to attract, motivate and retain qualified personnel, reward corporate performance and recognize individual contributions on both a short-term and long-term basis. The Personnel Committee seeks to align the interests of these executives with those of the Company's stockholders by encouraging stock ownership by executive officers to promote a proprietary interest in the Company's success and to provide incentives to achieve the Company's goals. In furtherance of these objectives, the Company's executive compensation policies are designed to focus the executive officers on the Company's goals. The Personnel Committee determines salary, bonuses and equity incentives based upon the performance of the individual executive officer and the Company. Management compensation is intended to be set at levels that the Personnel Committee believes fully reflect the challenges confronted by management.

The Company strives to provide a combined, overall competitive salary and benefits package, including annual cash bonus incentives, to retain qualified personnel who are familiar with the Company's operations and critical to the long-term success of the Company. The Company rewards personnel for contributions to a variety of matters, including the pursuit of claims, recovery of claims, compromising of actual and contingent liabilities, and attention to the maintenance of a controlled level of expenditures. Cash bonus incentives are utilized to reward above average

corporate performance and recognize individual initiative and achievements which provide immediate and/or long-term value to the Company. Due to the nature of the Company's operations, which had been focused on the recovery of assets, with the past emphasis on the recovery of the Company's investment in Carteret through the Supervisory Goodwill litigation (which was settled in October 2012, pursuant to which the Company received a settlement award of \$180,650,000), the minimization of the income tax impact of such settlement award, and other proceedings, the Personnel Committee has continued its strategy of compensation through programs that provide an incentive for performance and for contributions to the Company's operations and efforts to realize recoveries, achieve asset appreciation, eliminate liabilities and control costs.

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## Elements of Compensation

The Company's total compensation program for its officers consists of competitive market salaries, annual cash bonus awards, other benefits such as health and other insurance programs, a retirement plan in the form of a 401(k) Savings Plan, which is a qualified plan within the meaning of the Internal Revenue Code of 1986, as amended (the "Code") and may include stock option awards. In March 2014, the Personnel Committee approved a grant to Mr. Bianco of a subordinated participation interest in the Company's equity investment relating to the development of the real property located at 105 through 111 West 57<sup>th</sup> Street in New York, New York. See "Compensation Narrative - Participation Interest" below.

Due to cost considerations, administrative requirements and as part of an overall compensation philosophy, the Company seeks to maintain a minimal level of benefit programs and other perquisites. Section 162(m) of the Code, as amended, imposes a limitation on the deduction for certain executive officers' compensation unless certain requirements are met. In that regard, the Company maintains a Senior Management Incentive Compensation Plan (the "1994 Plan"), which provides for an annual bonus pool based on a percentage of an increase in the Company's total stockholders' equity and/or an increase in the Company's market value. Payments pursuant to the 1994 Plan are intended to qualify as performance based compensation, which is deductible under Section 162(m). The 1994 Plan is not the exclusive plan under which the Executive Officers may receive cash or other incentive compensation or bonuses.

The Company has paid in the past, and reserves the right to pay in the future, compensation that is not deductible if it believes it is in the best interests of the Company. The Personnel Committee considered the provisions of Section 162(m) with regard to compensation paid in 2015. No bonuses attributable to the 1994 Plan were paid for 2015.

## Base Annual Salary

Base annual salaries for Named Executive Officers (as defined below) are determined initially by evaluating the responsibilities of the position, the experience of the individual and the competition in the marketplace for management talent, and also may include comparison with companies confronting problems of the magnitude and complexity faced by the Company.

Base annual salaries are intended to be competitive with the overall market place, commensurate with the qualifications and experience of the Named Executive Officer. The Company's compensation structure is intended to provide the necessary incentive to retain and motivate qualified personnel. Individuals are encouraged to add value and provide benefit in all aspects of the Company's operations currently and in the future.

Base annual salaries and salary adjustments are evaluated on a number of factors. The most important factor is the executive's performance and contribution to the Company, followed by the performance of the Company, any increased responsibilities assumed by the executive and the competition in the marketplace for similarly experienced executives.

The salaries of the Named Executive Officers are reviewed on an annual basis, typically at the end of each year and may also be adjusted from time to time based on changes in responsibilities, changes in benefit programs or as a result of other external and economic factors. No salary increases were made to the executive officers in 2015. Mr. Ferrara and Mr. J. Bianco each received a salary increase of \$10,000 in January 2014 in recognition of their valuable work for the Company and as a general salary increase due for economic conditions.

## Annual Bonus Awards

The Personnel Committee approved cash bonuses for officers and employees for 2015. Factors considered included the performance of the individual, performance of the Company, the Company's real estate equity investment, total compensation level, the Company's financial position and other pertinent factors. This analysis was necessarily a

subjective process which utilized no specific weighting or formula with respect to the described factors in determining cash bonuses.

Mr. Bianco was paid a bonus of \$120,000 for 2015 and \$200,000 for 2014. Mr. Ferrara was paid a bonus of \$125,000 for 2015 and \$250,000 for 2014. Mr. J. Bianco was paid a bonus of \$60,000 for 2015 and \$100,000 for 2014. Based on various considerations, including work related to the 111 West 57<sup>th</sup> Property. Other considerations included longevity of employees with the Company and the performance throughout the year. Based on these considerations, the Personnel Committee determined that the 2015 bonus awards were appropriate. Additional amount(s) to be determined, could be payable to Mr. Bianco pursuant to the 2007 Employment Agreement, based on value realized by the Company with respect a gross-up for federal taxes imposed on the settlement amount, if any.

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## Participation Interest

On June 28, 2013, the Company, through a newly formed subsidiary, purchased an equity interest in a real estate development property through a joint venture agreement to purchase and develop real property located at 105 through 111 West 57<sup>th</sup> Street in New York, New York (the "111 West 57<sup>th</sup> Property"), as further described under the heading "Operating Agreement of 111 West 57<sup>th</sup> Investment LLC." The Company's interests in the joint venture are held through 111 West 57<sup>th</sup> Investment LLC (the "Investment LLC").

In March 2014, the Company entered into an amended and restated operating agreement for the Investment LLC (the "Amended and Restated Investment Operating Agreement") to grant a 10% subordinated participation interest in the Investment LLC to Mr. Bianco as incentive compensation for Mr. Bianco's past, current and anticipated ongoing role to develop and commercialize the Company's equity investment in the 111 West 57<sup>th</sup> Property. Pursuant to the terms of the Amended and Restated Investment Operating Agreement, Mr. Bianco has no voting rights with respect to his interest in the Investment LLC, and his entitlement to receive 10% of the distributions from the Investment LLC is subject to the Company first receiving distributions equal to 150% of the Company's initial aggregate \$57,250,000 investment in the Investment LLC, plus any additional investments by the Company if any, and only with respect to any distributions thereafter.

For 2014, the Personnel Committee considered the Named Executive Officers' integral roles in the Company's successful resolution of the Company's 2012 federal tax examination which was significant to the Company. Emphasis was placed upon the Company's tax matters and the Company's equity investment in the 111 West 57<sup>th</sup> real estate development project. Consideration was given to management's role in the Company's tax proceedings. The Personnel Committee also recognized management's continuing years of service with the Company and management's role in the maintenance of a controlled level of expenditures and cost reductions.

### 2007 Employment Agreement with the Company's President and Chief Executive Officer

An employment agreement, as amended, is in effect between Mr. Bianco and the Company (the "2007 Employment Agreement"), which provides for him to serve as Chairman, President and Chief Executive Officer of the Company through May 31, 2018. The employment agreement also provides for additional benefits, including his participation in various employment benefit plans and annual bonus eligibility for work performed on non-Supervisory Goodwill activities. In connection with the Company's equity investment in the 111 West 57<sup>th</sup> Property, the Company extended Mr. Bianco's Employment Agreement through May 31, 2018.

During 2006, the Company entered into an employment agreement with Mr. Bianco (the "2007 Employment Agreement"). As part of the 2007 Employment Agreement terms: (i) Mr. Bianco's annual rate of base salary was \$625,000 per year during the first three years of the 2007 Employment Agreement with the amount of Mr. Bianco's base salary for subsequent years to be determined by the Personnel Committee, in its sole discretion; and (ii) Mr. Bianco's annual bonus opportunity each year was no longer linked to recovery efforts in connection with the Company's Supervisory Goodwill litigation. Instead, the Company and Mr. Bianco agreed to a long term incentive bonus formula, at varying percentages ranging from 5% to 10%, or more, based upon recoveries received by the Company for its investment in Carteret, through litigation or otherwise (including the Company's Supervisory Goodwill litigation).

## Retirement/Pension Benefits

### 401(k) Savings Plan

The only retirement type plan maintained by the Company is the Company's 401(k) Savings Plan (the "Savings Plan"). Pursuant to the terms of the Savings Plan, employees can make contributions which are 33% matched by the Company. The employee and the employer matching contribution are subject to the maximum limitations as set forth in the Internal Revenue Code of 1986, as amended.

The Company's matching contributions to the Named Executive Officers aggregated approximately \$24,000 in 2015 and \$22,000 in 2014.

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## Stock Options

The Company maintains the 1993 Stock Incentive Plan, which authorizes the grant of stock options. The Personnel Committee did not grant any stock options in 2015. In 2008, the Board of Directors of the Company and the Company's stockholders approved an amendment, the 1993 Stock Incentive Plan, to extend the termination date thereof for an additional ten (10) years to May 2018, with other appropriate amendments to keep the 1993 Stock Incentive Plan up to date with current regulations.

If awarded, stock option grants are generally awarded as incentive stock options intended to qualify for favorable tax treatment under Federal tax law. The exercise price of stock option grants is set at the fair market value of the Company's common stock on the date of grant. Accordingly, stock option grants would only have value if the market price of the common stock increases after the date of grant. Stock option grants generally have a 10 year term and vest in equal installments over a 2 year period. In determining the size of stock option grants to officers, the Personnel Committee considers the individual's contributions to the Company, Company performance and previously issued stock options grants.

Stock option awards are granted to encourage stock ownership by the Named Executive Officers, to provide further incentive to the achievement of the Company's goals and to align the interests of the Named Executive Officers with those of the Company's stockholders.

## Practices Regarding the Grant of Stock Options Awards

If granted, the Personnel Committee makes grants of stock options or other equity based awards to the Named Executive Officers or employees of the Company generally at the beginning of each year. The Company does not have any program, plan or practice to time grants of stock options or other equity based awards in coordination with the release of material non-public information or otherwise.

All stock option awards made to the Company's Named Executive Officers, or any of our other employees, are made pursuant to the Company's 1993 Stock Incentive Plan with an exercise price equal to the fair market value of the Company's common stock on the date of grant. Fair market value is determined based upon the closing market price of a share of the Company's common stock on the date of grant. The Company does not have any program, plan or practice of awarding options and setting the exercise price based upon a stock price other than on the fair market value on the date of grant. The Company does not have a practice of determining the exercise price of options grants by using the lowest prices of the Company's common stock in a period preceding, surrounding or following the date of grant.

## Other Benefits

The Company provides only a limited number of additional benefits and perquisites. Such additional items, to the extent provided, are included as Other Compensation in the Summary Compensation table presented herein. The benefits and other perquisites are reasonably consistent with general competitive market practices.

Items provided by the Company include, depending on the Named Executive Officer, Company paid term life insurance at up to two times the individual's base annual salary, Company paid long-term disability insurance with a monthly benefit up to 60% of the individual's base monthly salary, supplemental medical and dental coverage for costs not covered under the base health insurance plans, and depending on the Named Executive Officer, reimbursement for income tax services and Company provided transportation. Health and welfare plans are provided through outside insurance carriers. Benefits generally available to all full-time employees of the Company are not included herein.

The Company does not provide any other type of deferred compensation programs nor does it provide or have outstanding loans with the Named Executive Officers or any other employee of the Company.

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## 1994 Senior Management Incentive Compensation Plan

Under the Company's 1994 Senior Management Incentive Compensation Plan (the "1994 Plan"), any executive officer of the Company whose compensation is required to be reported to stockholders under the Securities Exchange Act of 1934 (the "Participants") and who is serving as such at any time during the fiscal year as to which an award is granted, may receive an award of a cash bonus ("Bonus"), in an amount determined by the Personnel Committee of the Company's Board of Directors (the "Committee") and payable from an annual bonus fund (the "Annual Bonus Pool"). The Committee may award Bonuses under the 1994 Plan to Participants not later than 120 days after the end of each fiscal year (the "Reference Year").

If the Committee grants a Bonus under the 1994 Plan, the amount of the Annual Bonus Pool will be an amount equal to the sum of (i) plus (ii), where:

(i) is ten percent (10%) of the amount by which the Company's Total Stockholders' Equity, as defined, on the last day of a Reference Year increased over the Company's Total Stockholders' Equity, as defined, on the last day of the immediately preceding Reference Year; and

(ii) is five percent (5%) of the amount by which the Company's market value, as defined, on the last day of a Reference Year increased over the Company's market value on the last day of the immediately preceding Reference Year.

Notwithstanding the foregoing, the 1994 Plan provides that in the event of a decrease in either or both of items (i) and/or (ii) above, the Annual Bonus Pool is determined by reference to the last Reference Year in which there was an increase in such item. If the Committee determines within the 120-day time period to award a Bonus, the share of the Annual Bonus Pool to be allocated to each Participant shall be as follows: 45% of the Annual Bonus Pool shall be allocated to the Company's Chief Executive Officer, and 55% of the Annual Bonus Pool shall be allocated pro rata to each of the Company's Participants as determined by the Committee. The Committee in its discretion may reduce the percentage of the Annual Bonus Pool to any Participant for any Reference Year, and such reduction shall not increase the share of any other Participant. The 1994 Plan is not the exclusive plan under which the Executive Officers may receive cash or other incentive compensation or bonuses.

The Company has paid in the past, and reserves the right to pay in the future, compensation that is not deductible if it believes it is in the best interests of the Company. The Personnel Committee considered the provisions of Section 162(m) with regard to compensation paid in 2015. No bonuses attributable to the 1994 Plan were paid for 2015 or 2014.

## Personnel Committee Summary

The Personnel Committee believes that its compensation programs, mixing equity and cash incentives, will continue to focus the efforts of the Company's executive officers on long-term growth for the benefit of the Company and its stockholders. The Personnel Committee has found all the components of Company's officers' compensation to be fair, reasonable and appropriate.

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EXECUTIVE COMPENSATION

The following table sets forth the information regarding compensation earned by the Chief Executive Officer and each other executive officer of the Company and its subsidiaries (the "Named Executive Officers") with respect to services rendered to the Company in the fiscal years ended December 31, 2015 and December 31, 2014:

Summary Compensation Table (a)

| Name and Principal Position                                  | Year | (\$)      | (\$) <sup>(c)</sup> | (\$) <sup>(d)</sup>    | (\$)      |
|--|------|-----------|---------------------|------------------------|-----------|
|  |      | Salary    | Bonus               | All Other Compensation | Total     |
| Richard A. Bianco, Chairman<br>President and Chief Executive | 2015 | \$500,000 | \$120,000           | \$ 98,958              | \$718,958 |
|  | 2014 | \$        |                     |                        |           |