

**UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT**

THEODORE NICKEL,)	
)	
Plaintiff-Appellee)	
)	
v.)	No. 11-1158
)	
UNITED STATES OF AMERICA,)	
)	
Defendant-Appellant)	

UNITED STATES OF AMERICA,)	
)	
Plaintiff-Appellant)	
)	
v.)	
)	
WISCONSIN STATE CIRCUIT COURT FOR DANE COUNTY;)	No. 11-1419
THEODORE NICKEL, Commissioner of Insurance of the State of Wisconsin, as Rehabilitator of the Segregated Account of Ambac Assurance Corporation;)	
AMBAC ASSURANCE CORPORATION,)	
)	
Defendants-Appellees)	

SECOND JOINT STATUS REPORT

On March 5, 2012, in compliance with an Order of this Court, the parties filed their first Joint Status Report. Upon consideration of that Report, the Court issued an Order on March 6, 2012, directing the

parties to file this Second Joint Status Report by June 4, 2012. The above-captioned appeals have been fully briefed, but they have not been argued. As detailed in the parties' first Joint Status Report to this Court, proceedings have been suspended to allow consideration of a settlement offer (the "Offer") submitted to counsel for the United States, on February 24, 2012, by counsel for Ambac Financial Group, Inc. ("AFGI") and Ambac Assurance Company ("Ambac"); counsel for Ambac's Segregated Account, its Rehabilitator, and the Wisconsin Insurance Commissioner; and counsel for the official creditors committee in the United States Bankruptcy Court for the Southern District of New York. Since the March 5, 2012 Joint Status Report, the following developments have taken place.

1. The Bankruptcy Court entered an order confirming AFGI's Fifth Amended and Restated Plan of Reorganization. On the rehabilitation front, the Rehabilitator of Ambac's Segregated Account filed three motions on May 16, 2012, with the Wisconsin Circuit Court for Dane County, which is overseeing the rehabilitation, including one that seeks approval of the Offer. A hearing on that motion has been scheduled for June 13, 2012. The proposed order submitted with the

Rehabilitator's motion seeks approval for the Rehabilitator and Segregated Account "to proceed in accordance with the terms and conditions of the Offer Letter [to the United States], which was attached to the Motion, and, if the Offer is accepted by the United States, to then carry out all transactions necessary to effectuate the settlement pursuant to the terms and conditions set forth in the Offer Letter." On May 24, 2012, the Rehabilitator filed his second Annual Report on the Rehabilitation. These filings, and other court filings pertaining to the rehabilitation proceeding, are all posted on a court-approved website should this Court wish to more closely monitor that proceeding.

See www.ambacpolicyholders.com.

2. The United States Attorney's Office for the Southern District of New York, the Civil Trial Section—Central Region of the Tax Division of the United States Department of Justice, the Appellate Section of the Tax Division, and the Office of Chief Counsel, Internal Revenue Service, have each prepared a memorandum stating its views on the Offer. The memoranda have been submitted to the Tax Division's Office of Review for further consideration. Moreover, on May 3, 2012, the Office of Chief

Counsel received from AFGI its formal request for the private letter ruling called for in the Offer.

3. The March 5, 2012 Joint Status Report mentioned the appeal by the United States from the Rehabilitation Proceeding that was then pending in the Wisconsin Supreme Court (No. 2011AP987). On March 8, 2012, the Wisconsin Supreme Court issued an opinion affirming the dismissal of the United States' appeal. The Solicitor General has decided that the United States will not petition the United States Supreme Court for a writ of certiorari.

4. The parties respectfully submit that the Court should continue to hold these Appeals in abeyance through not rescheduling oral argument, with the parties filing further status reports at intervals directed by the Court. The parties suggest that the intervals for future reports be set at approximately 90 days. Separate and apart from any court-specified status report, the parties will promptly advise the Court if there is a material change—positive or negative—in their settlement efforts pursuant to the Offer.

5. Counsel for the other active parties to these Appeals have reviewed this report and have authorized us to file this report on their

behalf and to represent that they support the request for further adjournment of oral argument as stated herein.

/s/ Anthony T. Sheehan
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Dated this 1st day of June, 2012

CERTIFICATE OF SERVICE

I hereby certify that on June 1, 2012, I electronically filed the foregoing Second Joint Status Report with the Clerk of the Court for the United States Court of Appeals for the Seventh Circuit using the CM/ECF system. I further certify that all counsel in these appeals are registered CM/ECF users who will be served by the CM/ECF system.

/s/ Anthony T. Sheehan

ANTHONY T. SHEEHAN

Attorney