

**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)	

THIRD JOINT STATUS REPORT

In compliance with Orders of this Court, on March 5, 2012, the parties filed a Joint Status Report, and on June 1, 2012, they filed a Second Joint Status Report. Upon consideration of the Second Joint

Status Report, the Court issued an Order on June 1, 2012, directing the parties to file this Third Joint Status Report by September 4, 2012. The above-captioned appeals have been fully briefed, but they have not been argued. As stated in the previous Joint Status Reports 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 June 1, 2012 Second Joint Status Report, the following developments have taken place.

1. As reported in the parties’ Second Joint Status Report to this Court, the Commissioner of Insurance for the State of Wisconsin, as the court-appointed Rehabilitator of Ambac’s Segregated Account, filed a motion in the Wisconsin Circuit Court for Dane County, on May 16, 2012, seeking the Dane County Court’s approval for the Rehabilitator and the Segregated Account to proceed with the Offer. Following the

hearing on the Rehabilitator's motion on June 13, 2012, the Dane County Court issued an order which authorized 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."

There have not been any appeals from that Order. The Rehabilitator has continued to move forward with the efforts to rehabilitate Ambac's Segregated Account through various motions in the Dane County Court, all of which are posted on the court-approved website for the rehabilitation should this Court wish to monitor that proceeding more closely. See www.ambacpolicyholders.com.

2. The Offer remains under consideration in the Tax Division's Office of Review, and AFGI's request for a private letter ruling remains under consideration in the Office of Chief Counsel.

3. 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.

4. 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
ANTHONY T. SHEEHAN
Attorney – Tax Division
U.S. Department of Justice
Post Office Box 502
Washington, D.C. 20044
Telephone: (202) 514-4339
Anthony.T.Sheehan@usdoj.gov
Counsel for the United States

Dated this 4th day of September, 2012

CERTIFICATE OF SERVICE

I hereby certify that on September 4, 2012, I electronically filed the foregoing Third 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