

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

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IN THE MATTER OF THE)	Case No. 10-cv-778
REHABILITATION OF SEGREGATED)	
ACCOUNT OF AMBAC ASSURANCE)	(Dane County Circuit Court Civil Case
CORPORATION)	No.: 10 CV 1576)
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SEAN DILWEG, COMMISSIONER OF)	
INSURANCE OF THE STATE OF)	
WISCONSIN)	
)	
Petitioner)	
)	
v.)	
)	
UNITED STATES OF AMERICA,)	
)	
Respondent.)	
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**NOTICE OF REMOVAL TO THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN**

The United States of America, pursuant to 28 U.S.C. § 1446(a), gives notice that it is removing this action to this Court on the following grounds:

1. Petitioner, Sean Dilweg, is the Commissioner of Insurance of the State of Wisconsin. On March 24, 2010, the Office of the Commissioner of Insurance for the State of Wisconsin (“OCI”) filed a petition in Dane County Circuit Court to rehabilitate the Segregated Account of Ambac Assurance Corporation. This case is numbered 10 CV 1576 (“State Court Action”). In conjunction with the State Court Action, the OCI hopes to reform and revitalize the Segregated Account (an account holding some, but not all, of the liabilities and assets of Ambac Assurance Corporation). On or about November 8, 2010, OCI filed a “Notice of Amendment To Plan Of Operation For The Segregated Account” (the “Notice”) and “Motion for Temporary

Supplemental Injunctive Relief” (the “Motion”) in the State Court Action. On that same day, Circuit Court Judge Johnston issued an Order for Temporary Supplemental Injunctive Relief (the “Order”). The United States received copies of the Notice and Motion, along with the State Court’s Order, only after the Order was signed by the State Court Judge.

2. The Order prohibits the United States (and in particular the Internal Revenue Service) from prosecuting any claims, actions, lawsuits or other formal legal proceedings in any court (state, federal, administrative etc.) against the Segregated Account, Ambac Assurance Corporation, and any of Ambac’s subsidiaries relating to *any* federal tax matters. Further, the Order not only prohibits the United States from ever commencing any type of tax proceeding, it also purports to require the IRS to defend any tax dispute with Ambac, the Segregated Account, and any of Ambac’s subsidiaries only in the State Court rehabilitation proceedings. Finally, the Order prohibits the IRS from taking any steps to transfer, foreclose, sell, assign, garnish, levy, encumber, attach, dispose of, or exercise rights in or against the property or assets of the Segregated Account, Ambac, and Ambac’s subsidiaries.

3. The Commissioner of Insurance, Ambac Financial Group, Inc. (Ambac Assurance Corporation’s holding company), and the United States are the only parties to this injunction. The United States does not intend to remove (and, to the extent it has removed has no objection to this Court remanding) all issues and/or claims in this rehabilitation action that are unrelated to the Internal Revenue Service, and the Notice, Motion and Order filed on November 8, 2010.

4. 28 U.S.C. §§ 1441 and 1442(a)(1) allow for the removal of any action against the United States/Internal Revenue Service and any action regarding the collection of the revenue.

5. The Motion, Notice, and Order were filed and signed on November 8, 2010.

Additionally, it appears from OIC's cover letter that the United States received service of those documents via hand-delivery on November 8, 2010. Pursuant to 28 U.S.C. § 1446(b), the United States has thirty days from November 8, 2010 to remove the action; accordingly, this notice of removal is timely.

6. As required by 28 U.S.C. § 1446(a), attached are copies of all process, pleadings, and orders served upon the United States in the state court action. *See* Ex. 1, State Court Pleadings.

7. The United States has given written notice of this notice of removal to all parties named in this action by serving them or their counsel with a copy of this notice, and has concurrently filed a copy of this notice with the Dane County Circuit Court, Carlo Esqueda, Clerk of Courts, Dane County, Wisconsin, Dane County Courthouse, Room 1000 215 S. Hamilton Street, Madison, WI 53703, pursuant to 28 U.S.C. § 1446(d). A copy of the notice filed with the Dane County, Wisconsin Circuit Court is attached hereto. *See* Ex. 2, State Court Notice.

The United States requests that this action be entered upon the docket of this Court in accordance with Federal Rule of Civil Procedure 81(c).

Respectfully submitted,

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/s/ Richard Humphrey

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CERTIFICATE OF SERVICE

IT IS HEREBY CERTIFIED that service of the foregoing NOTICE OF REMOVAL TO FEDERAL DISTRICT COURT has been made by First Class Mail, postage prepaid, upon the following this 8th day of December, 2010:

Michael B. Van Sicklen
Matthew R. Lynch
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Commissioner of Insurance of the State of Wisconsin

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The Honorable William D. Johnston
Lafayette County Circuit Court Judge
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