

ACA Capital Holdings Announces Global Settlement by its Insurance Subsidiary with its Counterparties and the Restructuring of Medium Term Notes

ACA Capital Holdings to change its name to Manifold Capital Corp.

NEW YORK, Aug 08, 2008 (BUSINESS WIRE) -- ACA Capital Holdings, Inc. today announced that ACA Financial Guaranty Corporation, ACA Capital's financial guaranty insurance subsidiary, has entered into a global settlement agreement with its Structured Credit and other similarly situated counterparties. The Agreement provides for a comprehensive plan to satisfy and discharge all claims associated with ACA Financial Guaranty's exposure to Credit Default Swaps, including the swaps on all of its exposure to ABS and corporate Collateralized Debt Obligations (CDOs). Under the agreement, the counterparties have terminated all of their respective transactions with ACA Financial Guaranty and received a cash payment and surplus notes issued by ACA Financial Guaranty.

The holders of the surplus notes will generally share pro-rata any future dividends or distributions from ACA Financial Guaranty up to \$1 billion in the aggregate. 95% of the surplus notes were issued to the counterparties, with the remaining 5% being issued to ACA Capital. The surplus notes issued to the counterparties will provide, among other rights relating to ACA Financial Guaranty, voting rights to nominate all of the persons to serve as directors of ACA Financial Guaranty. Additionally, ACA Capital has agreed that it will no longer be responsible for the management of ACA Financial Guaranty.

ACA Capital and ACA Financial Guaranty have also entered into a restructuring agreement that provides for a comprehensive settlement and release of all claims associated with \$100 million of medium term notes insured by ACA Financial Guaranty. Under this agreement, the note holders will receive an aggregate cash payment of approximately \$47 million and title to certain collateralized loan and debt obligation equity interests in full satisfaction of the claims of the note holders.

ACA Financial Guaranty will operate as a run-off financial guaranty insurance company, meaning it will not issue any new insurance policies or guarantees and will exist to adjust, defend and pay claims on its in-force book of financial guaranty insurance policies, virtually all of which relate to exposure on municipal debt obligations.

The Company is pleased to have been able to engineer a comprehensive solution to ACA Financial Guaranty's financial situation that it believes is for the mutual benefit of all its policyholders. ACA Capital's financial advisor for the restructuring was The Blackstone Group.

For further information, please see the press release and order issued by the Maryland Insurance Administration earlier today.

SOURCE: ACA Capital Holdings, Inc.

ACA Capital Holdings, Inc. / Manifold Capital Corp.

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