



CODE OF CONDUCT

ACA Capital Holdings, Inc.

August 2006

ACA CAPITAL HOLDINGS, INC. CODE OF CONDUCT

I. Introduction

The Board of Directors of ACA Capital Holdings, Inc. (together with its direct and indirect subsidiaries, “ACA” or the “company”) has adopted this Code of Conduct (the “Code”). This Code sets forth certain minimum expectations that ACA has for you as a director, officer or employee of the company. You are expected to conduct ACA’s business in accordance with the highest standards of personal and professional ethics and integrity and to comply with all applicable laws and regulations, and ACA policies and procedures (including the Employee Handbook) that may be applicable to you. Accordingly, this Code should be read in conjunction with, and you are responsible for understanding all aspects of, the Employee Handbook and the policies and procedures applicable to the company and/or your particular department.

If you have any questions about this Code, the Employee Handbook or any other policy or procedure, or about how a particular rule applies in a specific situation, you should discuss them with the General Counsel or another attorney in the Legal Department. If there appears to be a conflict between this Code, applicable law, the Employee Handbook or other policies and procedures to the extent applicable to you, you should contact the General Counsel or another attorney in the Legal Department. Generally, however, if there are conflicts, the more restrictive policy will prevail.

Compliance with this Code and with other policies and procedures applicable to you is a term and condition of employment or directorship, as the case may be, with ACA. Failure to observe any law relating to the operation of ACA’s business, this Code or other applicable policies and procedures, or failure to cooperate as directed by the company with an internal or external investigation, may result in disciplinary action, up to and including immediate termination of employment or other relationship with ACA. ACA will take all reasonable actions to enforce this Code.

Waivers of the provisions of this Code for employees may only be granted by the General Counsel; any waiver of provisions of this Code for executive officers or directors may be made only by the Board of Directors or an authorized Board committee and must be promptly disclosed to shareholders. In those rare circumstances where a waiver might be warranted, the waiver will be accompanied by appropriate controls to ensure that ACA’s interests remain fully protected.

You are required to affirm, either in writing or electronically, that you have read and understood this Code and that you will comply with it. This affirmation is required of new employees when they are hired and of new directors and/or officers when they are elected or appointed to office. In addition, all ACA directors, officers and employees will be required to periodically re-affirm their understanding of and compliance with the then-current Code.

This Code neither constitutes nor should be construed to constitute a contract of employment for a definite term or a guarantee of continued employment or of any continued relationship between directors and/or officers and the company.

In general, consultants, agents and temporary workers are expected to comply with the underlying principles of this Code. Specific arrangements with such persons will vary depending on their relationship to the company. Please consult with the General Counsel if you have questions about the obligations of others under this Code.

II. Raising Concerns

Obligation to Report Violations

If you have reason to believe that any ACA representative has violated or may violate any applicable law or regulation or any provision of this Code (including its provisions regarding conflicts of interest and financial reporting), you must promptly report such activity to a manager or the General Counsel. Managers are required to report all violations of which they are or become aware to the General Counsel.

If you have a particular concern regarding accounting, internal accounting controls, audit matters or financial reporting practices, or if you believe that the violation pertains to conduct in which the General Counsel was allegedly involved, you may report such concern or violation to the Chairperson of the Audit Committee of the Board of Directors in the manner prescribed in ACA's Whistleblower Policy.

If you report a violation or a suspected violation of this Code and you do not believe the matter has been addressed, you must bring it to the attention of one of the other contacts identified in this Code.

Reporting Procedures

You may report a violation or a suspected violation either openly, by contacting one of the individuals above, or anonymously. For further information relating to specific anonymous reporting procedures, including contact information (i.e., addresses, telephone numbers, etc.), please refer to ACA's Whistleblower Policy, a copy of which is available on the company's intranet.

Investigation

ACA will investigate thoroughly any report, concern or complaint made in good faith that the company receives relating to a suspected violation. You are required to cooperate fully with any internal or external investigation of reported violations. Making false statements to or otherwise misleading internal or external auditors, ACA counsel, representatives or regulators may be grounds for immediate termination of employment or other relationship with ACA and may also be a criminal act that can result in severe penalties.

Confidentiality

To the extent practical and appropriate under the circumstances to protect the privacy of the persons involved, the General Counsel will not disclose the identity of anyone who in good faith reports a suspected violation of law or who participates in the investigation. You are advised that the General Counsel, and those assisting the General Counsel, are obligated to act in the best interests of ACA, and do not act as personal representatives or lawyers for employees or directors.

Protection against Retaliation

Retaliation in any form against an individual who in good faith reports a violation of this Code or of law, even if the report is mistaken, or who assists in the investigation of a reported violation, is itself a serious violation of this Code. Acts of retaliation should be reported immediately and will be disciplined appropriately.

Please note that ACA reserves the right to discipline anyone who knowingly makes a false accusation, provides false information to the company or has acted improperly in connection with any accusation or investigation thereof.

Disciplinary Action and Other Consequences of Violations of this Code

All employees, directors and officers are expected to comply with this Code. The company intends to enforce the provisions of this Code strictly, vigorously and consistently against all persons to which it applies.

Any violation of this Code, whether well-intentioned or believed to be justified, will be dealt with promptly. Violations of this Code include, without limitation, failing to report a violation, condoning a violation by another person subject to this Code, making a false report or false accusation, failing to fully cooperate in an internal investigation of a suspected violation, and retaliating against another person who reports in good faith a suspected violation.

Any ACA representative who violates this Code, regardless of his or her position within or relationship with ACA, will be subject to disciplinary action, including possible termination of employment or removal from office. For employees, ACA may also reduce or eliminate any severance or other benefit that might otherwise have been offered by the company in connection with termination of employment. If a violation of this Code results in termination of employment for any individual covered by an employment contract, such violation will, to the fullest extent possible, be deemed to constitute "cause" for such termination under such contract. The sanction for a director who violates this Code will be determined by the other members of the Board of Directors or an authorized committee thereof, in their judgment, and may result in a request for such director's resignation or his or her removal from office in appropriate circumstances. Any violation of this Code that involves illegal activity will be promptly reported to the appropriate government authorities and may be subject to civil and criminal liability.

Resources

For further information on certain of the matters covered under this section of the Code, please refer to the following procedures and policies, copies of which are available on ACA's intranet:

Employee Handbook
Whistleblower Policy
"Up-the-Ladder" Reporting Policy

III. Responsibilities to ACA and Its Shareholders

Compliance with Laws

You are expected to fully comply with all applicable laws, rules and regulations wherever the company does business. ACA recognizes that it is not practical that you will be fully versed in every law affecting your responsibilities. However, it is expected that you will have a working knowledge of permissible activities involved in your work. You may not use a contractor, consultant or other third party to do anything that you are prohibited from doing. In addition, pressures from supervisors, co-workers or demands of the business are no excuse for violating the law. If you have any question regarding the legality of any action, you should seek guidance from the General Counsel or another attorney in the Legal Department.

Safeguarding ACA Assets

You are responsible for safeguarding ACA's assets as well as the assets of others that come into your custody or under your control. ACA assets include: cash; securities; business plans; client, counterparty or customer information; supplier information; intellectual property (computer programs, models and other similar items); physical property and services. Misappropriation of ACA assets, and carelessness or waste in regard to ACA assets, is a breach of your duty to ACA.

Telephones, E-mail and Computer Systems

ACA's telephone, e-mail and computer systems and equipment are the property of the company and should be used primarily for business purposes. Reasonable and limited personal use of these systems is permitted consistent with this Code and all other policies of the company. You may not send by e-mail or other form of electronic communication or post to, or display on, or store in, ACA's computers or on the internet, fraudulent, harassing, embarrassing, indecent, profane, obscene, intimidating, threatening, discriminatory or other unlawful material. When using ACA's systems, you should apply the same degree of care, sensitivity and professionalism as you would when communicating in writing on ACA letterhead.

ACA considers all data and communications transmitted through, received by, or contained in the company's electronic and telephonic equipment and systems to be ACA's property and, subject to applicable law, we reserve the right to monitor, review and disclose all such data and communications as we deem appropriate. You should have no expectation of privacy when using ACA's telephone, e-mail and computer systems.

You are prohibited from accessing or attempting to access any ACA systems and equipments (including files or programs) that you are not authorized to access. Any access to such unauthorized items must be approved by the General Counsel and, if you are an employee, your manager.

Intellectual Property

If you are an employee, you are required to disclose and assign to ACA your entire right, title, and interest in and to any invention, idea or work, which is conceived or made solely or jointly by you while employed by ACA and which relates in any manner to the business, research, or other activities of ACA or results from the assignment or performance of any task by you on behalf of ACA. As a condition of employment, employees are required to sign a non-disclosure agreement relating to, among other things, the confidentiality of any such invention, idea or work. In addition, if requested, employees must execute a specific assignment of title to ACA for any such invention, idea, or work and they are required to take all reasonable actions necessary to enable ACA to secure patent, copyright or other protection in the United States and in foreign countries on any such invention, idea, or work.

Copying, storing, selling, using, re-using, reproducing, printing or distributing information, software and other forms of intellectual property in violation of license agreements, and copyright or other applicable laws is prohibited.

Quality and Accuracy of ACA's Public Disclosures

ACA is responsible for ensuring that all financial and other reports and documents it files with the Securities and Exchange Commission, insurance regulators, rating agencies and other governmental and non-governmental agencies, organizations and external parties represent full, fair, accurate, timely and

understandable disclosure about ACA. We strictly prohibit dishonest reporting of information to government agencies and to organizations and people generally outside of ACA. This includes not only reporting information inaccurately, but also organizing or presenting it in a manner that is, or may appear to be, intended to mislead or misinform the recipients or expected users of the information. In such regard, you are responsible for: (i) if you are an employee, ensuring that material information is made known to appropriate members of management on a timely basis, even if not specifically requested under applicable ACA procedures; and (ii) advising appropriate members of management on a timely basis of any reasonable concern you have regarding the accuracy or completeness of ACA's public disclosures or any other financial, accounting or auditing matter.

Books and Records

The records, data and information owned, collected, used and managed by ACA must be accurate and complete so that it reflects the true state of our business and discloses the true nature of all transactions at all times. Employees are personally responsible for the integrity of the information, reports and records under their control.

You must use common sense and observe standards of good taste regarding content and language when creating business records and other documents relating to ACA that may be retained by ACA or by a third party. You should be mindful that at a future date, ACA or a third party may be in a position to rely on or interpret the document with the benefit of hindsight and/or the disadvantage of imperfect recollections.

All documents and other records created or received by you in connection with your relationship with ACA must be retained in accordance with applicable law and ACA's document retention policy. You may not alter or falsify information on any such document or other record. Such documents and records may be discarded or destroyed only when permitted by applicable law, ACA's document retention policy and any special legal circumstances that may exist from time to time. If you have any questions relating to the destruction of any document or record, please contact the General Counsel or another attorney in the Legal Department prior to the destruction of such document or record.

Whenever it becomes apparent that documents and other records will be required in connection with a litigation or government investigation, all conceivably relevant documents and e-mails should be preserved and ordinary disposal of documents in areas pertaining to the litigation or investigation must be suspended. The obligation to suspend disposal of documents arises as soon as there is a reasonably foreseeable likelihood of litigation or a government investigation. If you are uncertain whether documents in your area should be preserved because of their potential relevance to an investigation or legal proceeding, you must consult the General Counsel. You are required to advise the General Counsel as soon as you believe there is a possibility of a government investigation or litigation involving ACA.

Limits of Your Authority

Your authority to act on behalf of ACA is limited by various laws, regulations, corporate charters, bylaws and Board resolutions as well as internal policies and procedures. You may not sign any documents, or otherwise attempt to represent or exercise authority, on behalf of ACA unless you are specifically authorized to do so. You are advised to be aware of limits on your authority and to not take any action that exceeds such limits. Delegation of authority, where permissible under internal policies and otherwise appropriate, should be reasonably limited in scope and subject to appropriate ongoing oversight.

Resources

For further information on certain of the matters covered under this section of the Code, please refer to the following procedures and policies, copies of which are available on ACA's intranet:

Communications Policy
ACA Management, L.L.C. ("ACAM") Communications Policy
Document Retention Policy
IP Policy
Employee's Non-Disclosure Agreement
Authorization Policy

IV. Responsibilities to Your Colleagues

Equitable Treatment

ACA is firmly committed to the equitable treatment of all employees and qualified applicants for employment and actively promotes diversity and equal opportunity in the workplace. All applicants and employees must be judged by their qualifications, demonstrated skills and achievements.

Discrimination and Harassment

ACA is committed to providing a work environment in which all individuals are treated with respect and dignity. Employees have the right to work in a professional atmosphere that promotes equal opportunities and prohibits discriminatory practices, including sexual or any other kind of discrimination, harassment, or intimidation. Discrimination and harassment, whether based on person's race, color, creed, religion, age, sex, disability, sexual orientation, national origin, marital status, citizenship status, veteran's status or any other protected class under applicable law is unacceptable and will not be tolerated.

You are prohibited from using ACA systems to transmit or receive electronic images or text of a sexual nature or containing ethnic slurs, racial epithets or any other material of a harassing, offensive or lewd nature.

If you believe you are being subjected to discrimination or harassment, or if you observe or receive a complaint regarding any such behavior, you should promptly report it to a manager, the Director of Human Resources, the General Counsel or another attorney in the Legal Department. Managers are required to report all violations for which they are or become aware to the General Counsel. ACA will promptly investigate all allegations and will take appropriate corrective action. Retaliation against individuals for raising claims of harassment or discrimination is prohibited.

Drug and Alcohol Abuse

Use of illegal drugs and alcohol abuse create serious health and safety risks in the workplace. The possession, sale or use of illegal drugs or being under the influence of such drugs, on Company time and property, or at Company-sponsored events, is prohibited. Similarly, impairment from alcohol when conducting ACA business or at Company-sponsored events is also prohibited.

Safety in the Workplace

ACA is committed to providing a safe workplace for all employees. In addition, several laws and regulations impose responsibility on ACA to prevent safety and health hazards. For that reason, and to protect your own safety and the safety of other employees, directors and officers, you are required to follow carefully all safety instructions and procedures. You are also responsible for immediately reporting accidents, injuries, hazards, broken equipment and unsafe practices or conditions to your manager or to the General Counsel. Questions about possible health or safety hazards at any ACA facility should be directed to your manager or the General Counsel. Managers are required to report all violations for which they are or become aware to the General Counsel.

Resources

For further information on certain of the matters covered under this section of the Code, please refer to the following procedures and policies, copies of which are available on ACA's intranet:

Employee Handbook

V. Representing ACA to Clients and Others

Fair Dealing

ACA is committed to dealing fairly with its clients, counterparties, customers, suppliers, competitors, business partners, regulators and employees. In the conduct of ACA-related business, no person may take unfair advantage of anyone through manipulation, concealment, abuse of confidential information, misrepresentation of material facts or other unfair dealing practice.

Supplier Relationships

If you are authorized to approve or award orders, contracts and commitments to suppliers of goods and services, you must do so based on objective business standards to avoid any real or perceived favoritism. ACA business of this nature must be conducted strictly on an arm's-length basis with due regard to ACA policies and applicable law.

Media, Publishing and Public Appearances

Before publishing, making speeches, giving interviews or making public appearances that are connected to ACA's business interests, you must obtain prior approval from the Marketing Department and/or Legal Department in accordance with ACA's marketing policies and procedures. All marketing materials used for any ACA-related business purposes must also be approved by the Marketing Department and the Legal Department and shall be posted to the ACA website prior to such use.

All inquiries from the media relating to ACA should be referred to the Marketing Department. Only officially designated spokespersons may provide comments to the media.

ACA's Regulation Fair Disclosure Policy and related policies and procedures are designed to ensure that individuals associated with the company do not violate public disclosure requirements when communicating with investors and analysts. These guidelines are part of ACA's commitment to full compliance with the Securities and Exchange Commission's Regulation FD. Generally speaking, only

persons specifically authorized under ACA's Regulation Fair Disclosure Policy will be permitted to speak with investors, analysts or other securities market participants about ACA and its activities or business. To ensure strict compliance with these guidelines, employees should consult with the Chief Financial Officer or General Counsel prior to arranging or participating in any investor or analyst meetings or phone calls.

Communications with Governmental Agencies and Regulators

All communications by ACA with any insurance, governmental or other regulatory entity must be made by, through or at the direction of the General Counsel or other specifically authorized persons. Requests from regulators for information should be answered with complete, factual and accurate information. During an inspection or examination, you must not conceal, destroy or alter any documents, lie or make any misleading statements to any regulatory agency representative or cause another person to do the same.

If an ACA employee is served with legal documents (e.g., a subpoena), he or she must notify the General Counsel immediately by telephone or e-mail, and the documents are to be sent to the General Counsel without delay.

Improper Payments

You are prohibited from giving or offering any improper payment, bribe, kickback, gift or other thing of value to or for the benefit of any client, counterparty, customer, government official or other person for the purpose of improperly influencing a business decision or obtaining any improper advantage in conducting ACA's business or representing ACA's interests. You are also prohibited from soliciting, demanding or receiving any improper payment, bribe, kickback, gift or other thing of value for your personal benefit from any client, counterparty, customer, government official or other person as a condition of, or otherwise in connection with, doing business with ACA. If you become aware of a request for, or the offering of, any improper payment, bribe, kickback, gift or other thing of value, whether or not you are personally involved, you must immediately report such occurrence to the General Counsel.

Gifts and Entertainment

The giving and receiving of ordinary and reasonable gifts and entertainment can be a legitimate means of establishing and maintaining business relationships. Certain types of gifts and entertainment, however, may also create the appearance of impropriety and expectations or feelings of commitment or obligation. In addition, providing gifts, entertainment, business amenities or any other thing of value in any amount to government or public officials or employees may be prohibited under applicable law. Before accepting any gifts or entertainment from any client, counterparty, customer, supplier or other entity that does or seeks to do business with ACA, you must carefully consider whether accepting the gifts or entertainment would give rise to a conflict of interest. You must use sound judgment and comply with this policy and applicable law in all matters relating to gifts and entertainment. You should consult with the General Counsel if you have any questions or concerns in regard to this policy.

You may provide to (or accept from) clients, counterparties, customers, suppliers or other business acquaintances (other than governmental official and employees) customary gifts (i.e., any item of monetary value) and business entertainment such as meals, beverages, recreation, lodging, transportation and tickets to events provided that such gift or entertainment satisfies each of the following requirements:

- It is directly related to or associated with the proper conduct of ACA's business;
- It is reasonable, appropriate and complies with other company policies and procedures as to amount, nature, time and place;
- It is not lavish, excessive, recurring or repetitive in nature;
- It is not intended to improperly influence and it does not give the appearance of improperly influencing the recipient;
- It cannot be viewed as or appear to be a bribe, kickback or illegal gratuity; and
- It is permitted by applicable law and, to the extent known, it is permitted by the policies of the recipient's employer relating to gifts and entertainment.

In no event may you make or accept a gift of cash or other monetary gifts in any amount.

If you provide a business amenity (or a gift) to a client, counterparty or customer, for which you submit an expense report to ACA for reimbursement, you must completely and accurately document your expenditure in writing with receipts and all other required information, such as business justification, name, title, company or agency and relationship of client, counterparty or customer in accordance with company policies and procedures.

In your personal capacity, that is when the motivation for the gift or entertainment is personal (not business), you may provide gifts and entertainment to, and accept gifts and entertainment from, family members, personal friends and other personal relations. If those family members, friends and other personal relations do business with ACA, you must consider whether providing or accepting such gifts or entertainment would give rise to any appearance of impropriety and, if so, you should not provide or accept them. Similarly, for directors, if you are providing gifts or entertainment to, or accepting gifts or entertainment from, a third party in the context of sustaining your business relationships with such party for purposes unrelated to ACA's business or such director's relationship with ACA, but such third party also conducts business with ACA, such director must consider whether providing or accepting such gifts or entertainment would give rise to any appearance of impropriety and, if so, you should not provide or accept them.

Special Rules for Gifts and Entertainment to Public Sector Employees

Gifts and entertainment to governmental or public officials or employees are highly regulated and often prohibited. All individuals subject to this Code must comply with applicable law. For employees of ACA, notwithstanding that applicable law may permit a government or public official or employee to accept gifts or entertainment, they may not, except with the prior consent of the General Counsel, provide a gift or entertainment to any such government or public official or employee.

Special Rules for Investment Advisory Personnel

Those employees who are involved with ACA's investment advisory business are subject to further restrictions or requirements related to gifts and entertainment. Please consult the ACA Management, L.L.C. Gifts and Entertainment Policy for further information.

Political Activities and Contributions

You have the right to voluntarily participate in the political process. No one at ACA may require you to contribute to, support or oppose any political group or candidate. If you choose to participate in the political process, you must do so in your individual capacity and not as an ACA representative. Employees may not work on a political fundraiser or other campaign activity while on company time or use ACA property or resources for such activities. Any overt, visible and partisan political activity that could cause someone to believe that the actions of any individual subject to this Code reflect the views or position of ACA requires the prior approval of the General Counsel.

ACA does not purchase tickets or pay fees for employees to attend an event where any portion of the funds will be used for election campaigns. Using Company time or assets (phone, fax, computer) to support an employee's run for public office or campaigning for a candidate is the equivalent of such a contribution, and is therefore not permitted.

Employees of certain business units, including those involved in the United States securities industry and those engaged in transactions with state and local governments, may be subject to additional restrictions on political contributions.

Except with the prior consent of the General Counsel, employees may make political contributions to elected officials at the state, county and local levels only if (i) the employee is entitled to vote for such official and (ii) the contributions, in total, are not in excess of \$250 by any employee to each official of such issuer, per election. Political contributions to federal elected officials are not subject to this restriction but are subject to the limitations imposed by federal election laws.

No person may be reimbursed directly or indirectly by ACA for any political contribution or for their attending any political event.

Resources

For further information on certain of the matters covered under this section of the Code, please refer to the following procedures and policies, copies of which are available on ACA's intranet:

- Employee Handbook
- Press Communications and Marketing Materials Policy
- Marketing Materials Guidelines
- Regulation Fair Disclosure Policy
- ACAM Marketing Materials Policy
- ACAM Gifts and Entertainment Policy

VI. Confidentiality and Privacy

Confidential and Proprietary Information

You must protect the confidentiality of nonpublic information that you obtain or create in connection with your activities with ACA. As a condition of employment, Employees are required to sign a non-disclosure agreement pursuant to which he or she agrees not to disclose confidential or proprietary information about ACA, its products or activities, or its employees, or confidential information about a client, counterparty, customer, supplier or distributor, to anyone (including other ACA representatives)

who is not authorized to receive it or has no need to know the information. The only exceptions are when such disclosure is authorized by the client, counterparty, customer, supplier or distributor, or by applicable legal process or where the Legal Department otherwise determines it is appropriate.

Examples of confidential and proprietary information include nonpublic financial results or trends; client, counterparty and customer lists or other information about clients, counterparties and customers; materials developed for in-house use; administrative processes, policies and procedures; employee information; business plans; pricing strategies and any systems, software, models, formulae, devices and compilations of information that give ACA an advantage over our competitors.

You must take precautionary measures to prevent unauthorized disclosure of confidential and proprietary information. Accordingly, you should also take steps to ensure that business-related paperwork and documents are produced, filed, stored, faxed, copied and discarded by means designed to minimize the risk that unauthorized persons might obtain access to confidential or proprietary information. You should also ensure that access to work areas and computers is properly controlled. You should not discuss sensitive matters or confidential information in public places such as elevators, hallways, restaurants, restrooms and public transportation. You should seek to limit your discussions of any confidential or proprietary information on cellular telephones.

Prior Employer's Confidential and Proprietary Information

Employees must not disclose to ACA or use during their employment at ACA any confidential or proprietary information of a prior employer, unless such information is then public information through no action of their own.

Privacy of Client Information and Data Privacy Legislation

You must safeguard any confidential information related to our clients, counterparties and customers received by you in the context of your relationship with ACA. This responsibility may be imposed by law, may arise out of agreements with our clients, counterparties and customers or may be based on policies or practices adopted by ACA. Certain jurisdictions have regulations relating specifically to the privacy of individuals and/or business and institutional clients, counterparties and customers. Customer information should never be disclosed to anyone outside of ACA except as permitted by law and in the proper conduct of our business, where disclosure is required by legal process, or where the Legal Department otherwise determines it is appropriate.

Privacy of Employee Information

ACA recognizes and protects the privacy and confidentiality of employee medical and personnel records. Such records must not be shared or discussed outside ACA, except as authorized by the employee or as required by law, rule, regulation or a subpoena or order issued by a court of competent jurisdiction or requested by a judicial, administrative or legislative body. Disclosure of such records to anyone outside ACA under any circumstance must be specifically approved by the General Counsel. The discard of such information may also be governed by law or regulation. Employees must discard employee medical and personnel records in accordance with applicable law and the Company's document retention policy.

Resources

For further information on certain of the matters covered under this section of the Code, please refer to the following procedures and policies, copies of which are available on ACA's intranet:

Employee Handbook
IP Policy
Employee's Non-Disclosure Agreement
Document Retention Policy

VII. Investments and Outside Activities

Insider Trading

You are prohibited from trading in the securities (including equity securities, convertible securities, derivatives, options, bonds and any stock index containing the security) of any company while in possession of "material, nonpublic information" (also known as "inside information") regarding such company. This prohibition applies to ACA's securities and, with respect to employees, to the securities of other companies that are listed on the company's restricted list, in connection with which you are deemed to have material non-public information as to a particular company, for so long as the name of the company appears on the restricted list. The restricted list is available on ACA's intranet.

Further, even if a company is not listed on ACA's restricted list, if you believe that you have come into possession of inside information relating to any third party conducting business with ACA, you may not buy or sell securities of such company that may be affected by that information, either for your own account or any account over which you exercise control, alone or with others (e.g., spouses, domestic partners, children and other members of your household). In addition, you may not pass along ("tip") any inside information expressly or by way of making a recommendation for the purchase or sale of such securities based upon inside information.

Information is "material" if there is a substantial likelihood that a reasonable investor would consider the information important in determining whether to buy or sell a security, or if the information, if made public, likely would affect the market price a company's securities.

Information is considered to be "nonpublic" unless it has been publicly announced or otherwise disseminated in a manner that makes the information available to investors generally.

Personal Investments in ACA's Securities

Investments in ACA's securities for personal accounts is permissible, but should be made with a long-term orientation and as part of a broader investment strategy. In order to comply with applicable law and avoid the appearance of impropriety, certain general restrictions apply to all transactions in ACA's securities.

As discussed above, you are prohibited from trading in ACA's securities for your personal accounts if you possess material nonpublic information about ACA. In addition, ACA directors and our most senior officers are subject to reporting, pre-clearance and other legal restrictions regarding their personal trading of ACA's securities. You are responsible for knowing and abiding by ACA's Securities Trading Policy

and any ACA corporate or departmental policies regarding ACA's securities that may be applicable to you.

Conflicts of Interest

You are expected to avoid activities, interests or relationships that might interfere with, or even appear to interfere with, your ability to act in the best interests of ACA and its clients, counterparties and customers in your role with ACA. The following are only some of the areas in which real or perceived conflicts of interest may arise. When faced with a situation involving a potential conflict, ask yourself whether public disclosure of the matter could embarrass ACA or you, or would lead an outside observer to believe a conflict exists, whether or not one actually exists. You must disclose to the General Counsel all potential conflicts of interest, including those in which you may have been placed inadvertently due to either business or personal relationships with clients, counterparties, customers, suppliers, regulators, competitors of ACA, or with other ACA employees. Directors must also disclose all such potential conflicts to the Board of Directors or the appropriate authorized committee thereof.

Investments. You must not make any personal investment in an enterprise if the investment might affect or appear to affect your ability to make unbiased business decisions for ACA. If you made such an investment prior to joining ACA, or your position at ACA changes in such a way as to create a conflict of interest or the appearance of such a conflict, you must report the facts to the General Counsel. In addition to conflicts of interests, you must also be mindful of any insider trading issues that may be associated with investments in public companies.

In addition, for employees, those who are involved with ACA's investment advisory business are subject to further restrictions or requirements on investments. Please consult the ACAM Code of Ethics for further information.

Outside Business Activities. Employees must obtain the prior written approval of the General Counsel before accepting a position as a director, officer, trustee or similar position of any for-profit or not-for-profit organization. Directors must notify the General Counsel and the Board of Directors, or an appropriate authorized committee thereof, of any positions as directors, officers, trustees or similar positions of any profit or not-for-profit organization. You should avoid any such position that might pose a conflict of interest or create the appearance of a conflict of interest. If an apparent or actual conflict of interest develops and cannot be immediately resolved, employees must promptly withdraw from service of the outside corporation or organization. Appropriate action as it relates to such a conflict for a director shall be determined by the Board of Directors or an appropriate authorized committee thereof. You should also be aware that you have the sole responsibility for your actions and that ACA does not provide indemnification for employees who serve as directors, officers or trustees of outside organizations or for directors serving in any such context for another company.

You are required to abstain from, and not be physically present during, negotiations, preparations, recommendations or approvals of any business transactions between ACA and any outside organization for which you serve as a director, officer, trustee or similar position.

Use of ACA's Name, Facilities or Relationships. You should not use ACA's name (including on corporate letterhead), facilities or relationships for personal benefit or for outside work. Use of ACA's name, facilities or relationships for charitable or pro bono purposes can be made only with prior approval of the Chief Executive Officer or General Counsel.

Corporate Opportunities. You owe a duty to ACA to advance its legitimate interests when the opportunity to do so arises. You may not take for yourself a corporate opportunity that is discovered in the course of your ACA employment or representation or through the use of corporate property, information or position, nor may you compete against ACA.

Resources

For further information on certain of the matters covered under this section of the Code, please refer to the following procedures and policies, copies of which are available on ACA's intranet:

Employee Handbook
Securities Trading Policy
Conflicts of Interest Policy
ACAM Insider Trader Policy
ACAM Code of Ethics
Restricted List

VIII. Responsibilities to Our Communities and Society

Foreign Corrupt Practices Act

Under the Foreign Corrupt Practices Act, it is illegal for an employee or a director, in the director's role as such, or any agent or consultant on behalf of ACA, to give anything of value, directly or indirectly, to a foreign official, a foreign political party or a candidate for foreign political office if doing so could be reasonably understood to be part of an effort to obtain or retain business for ACA. In countries where it is customary to give gifts to officials in a business context, you may do so, but only with approval from the General Counsel and only if the gifts have nominal value and cannot be interpreted as part of an effort to obtain special favors. No payment to any foreign official or entities should be made either by you or by any agent or consultant on behalf of ACA without consulting the General Counsel to determine whether the payment would be prohibited.

U.S. Embargoes and Sanctions

ACA complies fully with U.S. economic sanctions and embargoes restricting U.S. persons, corporations and, in some cases, foreign subsidiaries from doing business with certain countries, groups and individuals, including organizations associated with terrorist activity and narcotics trafficking. Economic sanctions prohibit doing business of any kind with targeted governments and organizations, as well as individuals and entities that act on their behalf. Sanction prohibitions also may restrict investment in a targeted country, as well as trading in goods, technology and services with a targeted country. U.S. persons may not approve or facilitate transactions by a third party that the U.S. person could not do directly.

Antitrust Laws

Antitrust laws are intended to preserve competition by prohibiting actions that could unreasonably restrain the functioning of a free and competitive marketplace. Violations of these laws can lead to substantial civil liability and/or criminal penalties. You are expected to comply with these laws at all times. Examples of types of anti-competitive conduct that should be avoided include:

- Fixing prices, dividing markets, allocating clients or customers, or otherwise agreeing on any terms of trade with any company that competes with ACA;
- Discussing competitively sensitive information with any competitor including, without limitation: prices; premiums; discounts; surcharges; business plans or strategies; client, counterparty or customer information; insurance capacity; capital constraints; rates of return; profits; margins; particular coverages; or new product development;
- Agreeing with others (competitors, suppliers, clients or customers) to exclude or otherwise injure a competitor, supplier, client or customer; and
- Tying or bundling separate products or entering into exclusive dealing arrangements without first obtaining the General Counsel's approval.

You should be mindful of the foregoing and other antitrust concerns in any communication with a competitor. If a communication with a competitor is absolutely necessary, (a) employees must obtain the approval of the General Counsel before making the contact and (b) directors must notify the Chief Executive Officer or General Counsel of any such communication to the extent it relates to ACA or any of its competitive or proprietary information. When a communication with a competitor cannot be avoided and has been authorized by the Chief Executive Officer or General Counsel, competitive strategies should not be disclosed or discussed. If you receive a phone call from a competitor requesting competitively-sensitive information, you should inform the caller that you are prohibited to divulge such information, immediately terminate the conversation and report the matter to the Chief Executive Officer or General Counsel.

If you learn of, or become involved in, a possible violation of the antitrust laws, whether by ACA or any of its competitors, suppliers, clients or customers, you must immediately report the matter to the General Counsel.

Environmental Stewardship

We are financially and legally responsible for the proper handling and disposal of regulated or hazardous materials or pollutants in connection with any of our business activities. Environmental responsibility is also an important component of our duty to the public and our good reputation.

Everyone at ACA who deals with regulated or hazardous materials or pollutants must comply with environmental laws and regulations. Employees are also expected to ensure that ACA complies with all applicable laws and regulations governing the handling, storage and use of any such materials, including accurate maintenance of any required records. Employees should never participate in concealing improper discharge or disposal of regulated or hazardous materials or pollutants. Any employee who has reason to believe that there have been violations by ACA should report them immediately to the General Counsel, who will in turn notify appropriate government agencies as required by law.

IX. Compliance Resources

ACA Legal Contacts

Nora J. Dahlman
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(212) 375-2494
ndahlman@aca.com

Eric J. Torkelson
Director, Associate General Counsel
(212) 375-2059
etorkelson@aca.com

Joanne Park
Compliance Officer
Vice President, Associate General Counsel
(212) 375-2050
jpark@aca.com

Stacey L. Tyson
Vice President, Associate General Counsel
(212) 375-2045
styson@aca.com

Human Resources Contacts

Eileen Hackett
Director
(212) 375-2039
ehackett@aca.com

Marketing Department Contacts

Edward U. Gilpin
Executive Vice President and Chief Financial Officer
(212) 375-2012
tgilpin@aca.com

ACA Capital Holdings, Inc. Code of Conduct

Acknowledgement

I acknowledge that I have read the ACA Code of Conduct and understand my obligations as an employee or director, as the case may be, to comply with the principles, policies and laws outlined in the Code, including any amendments made by ACA. I understand that a current copy of the Code is posted on ACA's website at www.aca.com.

I understand that my agreement to comply with the Code neither constitutes nor should be construed to constitute either a contract of employment for a definite term or a guarantee of continued employment or directorship with the company.

Signature: _____

Printed Name: _____

Date: _____