

FIRST ACCEPTANCE CORPORATION

CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of First Acceptance Corporation (the “Company”) has adopted these corporate governance guidelines for the Company. These guidelines reflect the Board’s commitment to a system of governance that enhances corporate responsibility and accountability as well as the requirements of the Sarbanes-Oxley Act of 2002 and the New York Stock Exchange listing standards. These guidelines are subject to modification from time to time by the Board.

BOARD OF DIRECTORS

The Nominating and Corporate Governance Committee (the “Nominating Committee”), with input from the other directors, is responsible for reviewing with the Board the skills and characteristics required of the directors in view of sound business principles and best practices as well as by current legal and regulatory requirements. This assessment is addressed below in the “Criteria for Director Nomination” section. The Nominating Committee is responsible for overseeing the screening and recruitment process and for making recommendations for new director candidates and the invitation to join the Board should be extended by the Chair of the Nominating Committee. The Company has an orientation process for prospective and new directors that includes background material and meetings with the Company’s senior management to familiarize new directors with the Company’s strategic plans, its significant financial, accounting and risk management issues, its principal officers and its internal and independent auditors. The Board encourages formal Board continuing education.

Size and Composition of Board. The Company’s Restated Certificate of Incorporation permits the Board to set the number of directors at not less than two (2) and not more than twelve (12) members. At least a majority of the members of the Board shall be “Independent Directors” as defined in these guidelines. Each Independent Director shall periodically evaluate the criteria set forth in these guidelines to determine if he or she continues to be “Independent.” Upon making a determination that he or she no longer qualifies as an Independent Director, the director shall as soon as practicable notify the Chair of the Nominating Committee of such fact. The Chair of the Nominating Committee shall thereafter notify the Board of such fact and the Board shall, as soon as practicable, take any and all steps necessary and permitted by law to cause the Company to maintain the number of Independent Directors serving on the Board at a level of at least a majority of the members.

Criteria for Director Nomination. The Nominating Committee shall recommend to the Board persons to be nominated to serve as directors of the Company. When determining whether to nominate a current director to stand for reelection as a director, the Nominating Committee shall review the performance of such director during the prior year using performance criteria established by the Board. Such evaluation shall provide the basis for the Committee’s recommendation to the Board and stockholders. At a minimum, the performance criteria established by the Board shall include attendance at Board and Committee meetings; preparedness for Board and Committee meetings; objectivity in exercising business judgment;

First Acceptance Corporation Corporate Governance Guidelines

participation at Board and Committee meetings; and candor toward other directors, management and professionals retained by the Company. In recruiting and evaluating new director candidates, the Nominating Committee shall also consider persons who are not currently serving on the Board based on their character, judgment, diversity of experience, acumen and their ability to act on behalf of stockholders. The Nominating Committee will consider, consistent with applicable law, the Company's Restated Certificate of Incorporation and bylaws, any candidates proposed by any senior executive officer, director or stockholder.

Definition of Independent Director. An "Independent Director" is a director who:

(1) is not, and has not been within the current or past three years: (A) an employee of the Company or any of its affiliates; (B) affiliated with or employed by a present or former internal or external auditor of the Company or any of its affiliates; (C) part of an interlocking directorship in which an executive officer of the Company serves on the compensation committee of another company that employs such director; (D) the recipient of more than \$100,000 per year in direct compensation from the Company, other than director and committee fees and pension and other forms of deferred compensation; (E) an executive officer of an entity that makes payment to or, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other entity's consolidated gross revenues;

(2) is not an immediate family member of anyone who has been an officer of the Company or any of its affiliates within the current year or the past three years or has had a relationship described in clause (B), (C), (D) or (E) above within the current year or the past three years; and

(3) has been determined by the Company's Board not to have any other material relationship with or to the Company or its management (either directly or as a partner, stockholder or officer of an organization that has a material relationship with or to the Company or its management).

Since the definition of an "Independent Director" focuses on independence from management of the Company, ownership of even a significant amount of stock by a Board member shall not, by itself, preclude a finding that the individual is an Independent Director.

In assessing the materiality of any existing or proposed director's relationship with the Company (other than a relationship described in clause (1) or (2) of the definition of an Independent Director, which will always be deemed material), the Board will consider all relevant facts and circumstances. Material relationships can include, but are not limited to, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. The Board should evaluate materiality not only from the perspective of the director, but also from that of persons and organizations with which the director has a relationship. The Board may adopt categorical standards to assist it in making determinations of independence. The basis for the Board's determination that a relationship is not material must be disclosed in the Company's proxy statement. This disclosure may be stated in a general way for anyone satisfying any categorical standards adopted by the Board and described in the proxy

First Acceptance Corporation Corporate Governance Guidelines

statement, but the determination must be specifically explained if no such standards are adopted or if a director does not satisfy them.

For the purposes of the definition of Independent Director,

“Immediate Family Members” include a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person’s home.

“Affiliate” of the Company means a current or former subsidiary, sibling company, predecessor or parent company, except that another entity shall no longer be deemed an affiliate of the Company after three years following termination of its relationship with the Company. Thus, a director who is or has been within the past two years an executive officer of another entity that stopped being an affiliate of the Company more than three years ago will qualify as an Independent Director absent any other disqualifying relationship.

Executive Sessions of Non-Management Directors. The non-management directors will meet at regularly scheduled executive sessions without management. The independent directors will meet at least once a year in executive sessions without management. The director who presides at these meetings shall be the Chairman of the Board of Directors if the Chairman is a non-management director, and if the Chairman of the Board of Directors is not a non-management director, will be chosen by the non-management directors, and his or her name will be disclosed in the annual proxy statement. The Independent Directors of the Company shall meet at least once a year in executive session. Interested parties may communicate their concerns to the non-management directors by writing the Chairman of the Board c/o First Acceptance Corporation, 3813 Green Hills Village Drive, Nashville, TN 37215.

Director Compensation. The Board shall consider annually director compensation, which may consist of cash, the Company’s common stock or a combination of cash and the Company’s common stock, including grants allowed for directors under the Company’s equity compensation plans. In relation to this consideration, it is the policy of the Board that management and the Compensation Committee report annually to the Board on the comparability of the Board’s compensation policies in relation to other comparable public companies. Changes in Board compensation, if any, should be made with discussion and concurrence by the full Board. Consideration should be given to including equity compensation as a principal portion of director compensation. In addition, director compensation shall be the only compensation an Audit Committee member receives directly or indirectly from the Company.

Board and Committee Meetings. The Board and its Committees meet a number of times during a fiscal year in accordance with a pre-approved schedule of meeting dates. In addition, the Chairman of the Board of Directors and of each Committee has the flexibility to call a special meeting in his or her discretion. The length of each meeting depends upon the agenda for the meeting, but in general, Committee meetings are scheduled to coincide with meetings of the Board. Any director is free to suggest the inclusion of items on the agenda with

First Acceptance Corporation Corporate Governance Guidelines

appropriate notice to the Chairman of the Board of Directors and to raise at any Board meeting subjects that are not on the agenda for that meeting.

It is the policy of the Board that information and data that is important to the Board's and Committees' understanding of the business to be conducted be distributed to the Board and Committee members, as applicable, reasonably in advance of a meeting to the extent possible.

Directors are expected to regularly attend Board meetings and meetings of Committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Directors are expected to review meeting materials provided to them prior to Board and Committee meetings and, when possible, communicate in advance of meetings any questions or concerns that they wish to discuss so that management will be prepared for Board meetings. The Nominating Committee considers such director performance when recommending director nominees for reelection.

Board Committees. The Board currently has the following standing committees:

- **Audit Committee**
- **Compensation Committee**
- **Nominating and Corporate Governance Committee**

The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee shall be comprised solely of Independent Directors. In addition to these committees, the Board has the flexibility to form a new committee, either standing or *ad hoc*, or disband any of the current committees at any time depending upon the circumstances and subject to the requirements and regulations imposed on the Company by the New York Stock Exchange, the Securities and Exchange Commission or other regulatory entities or by applicable law. All Committees shall have a written charter of responsibilities, duties and authorities, which the Board shall periodically review. Each Committee shall report to the full Board with respect to its activities, findings and recommendations after each meeting and shall conduct an annual performance review.

The Nominating Committee is responsible for the recommendation of directors to serve on the Board's various committees, subject to Board approval. This Committee may consult with the Company's Chairman of the Board of Directors and Chief Executive Officer and may consider numerous factors when nominating directors for service on a Committee including, among other items, the director's qualifications under the above-listed criteria, the director's experience and the tenure of the other current directors. Further, the Company does not have any formal rotation policy with regards to committee membership.

Each Committee shall have full power and authority to retain at the Company's expense the services of such advisers and experts, including counsel, as the Committee deems necessary or appropriate with respect to specific matters within its purview.

Board Access to Senior Management. All directors shall have access to the Company's senior management employed in policy-making capacities. The Board has the flexibility to

First Acceptance Corporation Corporate Governance Guidelines

nominate the Chair of the Audit Committee or another Independent Director as a liaison between directors and the executive officers. It is the policy of the Board to encourage the Chief Executive Officer, from time to time, to bring managers into Board meetings who can provide additional insight into items being discussed or into significant segments of the Company's business as well as those managers with future senior management potential that senior management believes should be given exposure to the Board. It is the policy of the Board that each member has a responsibility to be informed about material aspects of the Company's business, including the quality of its senior management.

Board Performance Evaluation. The Nominating Committee, acting on behalf of the Board, shall conduct an evaluation of the Board's performance every year. This evaluation should consider the Board's contribution as a whole and specifically review areas in which the Board and/or senior management believes additional contributions could be made. The purpose of the evaluation is to increase the effectiveness of the Board.

Board Interaction with Analysts, Institutional Investors and the Media. It is the policy of the Board that senior management speak on behalf of the Company to analysts, institutional investors and the media. At the request of senior management, directors may be called upon from time to time to meet or otherwise communicate with analysts, institutional investors or the media, but generally directors shall not do so without the specific approval of senior management, and all inquiries or requests of directors for comment should be referred to the Company's senior management.

Shareholder Communication with Directors. Shareholders may communicate with any of the Company's directors by writing to them c/o First Acceptance Corporation, 3813 Green Hills Village Drive, Nashville, TN 37215, Attention: Shareholder Communication.

SENIOR EXECUTIVE OFFICERS

Chairman of the Board and Chief Executive Officer. The Company's bylaws provide flexibility in choosing a Chairman of the Board of Directors and a Chief Executive Officer. The bylaws provide that such positions may be held by different people. This flexibility leaves the Board free to make this choice any way that it determines is in the best interest of the Company. Annually, the Independent Directors shall evaluate the Chief Executive Officer. This evaluation is generally based on objective and subjective criteria, including performance of the Company's business, accomplishment of long-term strategic objectives, the development of management and succession planning and other factors as may have been communicated to the Chief Executive Officer. Following this evaluation, the Chair of the Compensation Committee shall meet with the Chief Executive Officer to discuss the evaluation of the Chief Executive Officer's performance.

Senior Executive Officer Compensation. The Compensation Committee shall annually review and approve senior executive officers' compensation and benefit programs, policies and practices.

Senior Management Development and Succession Plans. It is the policy of the Board to discuss succession planning and management development in executive session on an ongoing basis. As such, the Board, at least annually, shall consider a Chief Executive Officer succession plan and receive periodic reports from appropriate executive officers on the development of other members of the Company's senior management.

CONDUCT AND ETHICS STANDARDS FOR DIRECTORS

Directors are subject to applicable provisions of the Company's Code of Business Conduct and Ethics. Among other things, directors shall conduct themselves in a manner that avoids actual or apparent conflicts of interest and that protects the Company's business reputation. Company loans to, or guarantees of obligations of, directors and their family members are prohibited.

Directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Accordingly, directors are prohibited from taking for themselves personally business opportunities that are discovered through the use of Company property, information or position.

Directors, in the course of their Company duties, shall comply fully with all federal and state laws applicable to the Company's businesses, and with applicable Company policies (including policies relating to use of confidential information and insider trading).