

ACA CAPITAL HOLDINGS, INC.

CORPORATE GOVERNANCE GUIDELINES

The following Corporate Governance Guidelines (the “Guidelines”) have been adopted by the Board of Directors (the “Board”) of ACA Capital Holdings, Inc. (the “Company”) to assist the Board in the exercise of its responsibilities. These Guidelines are not intended to change or interpret any federal or state law, or the Company’s certificate of incorporation or by-laws. These Guidelines are subject to modification from time to time by the Board.

I. Board Composition and Selection

- A. Independence. The Board will have majority of directors who satisfy the criteria for “independent directors” pursuant to the rules of the New York Stock Exchange (the “NYSE”).
- B. Size of the Board. The Board currently has 9 members. The Board believes that it should generally have no fewer than 3 directors and no more than 14 directors consistent with the Bylaw limits. This range permits diversity without hindering effective discussion.
- C. Selection. The Nominating and Governance Committee is responsible for identifying, screening and recommending candidates to the entire Board for Board membership. Stockholders may propose nominees for consideration by the Nominating and Governance Committee by submitting names and supporting information to the Company’s General Counsel. The Board will review the Nominating and Governance Committee’s recommendations of candidates for election to the Board. Directors will serve for three year terms. The Board will nominate directors for election at each annual meeting of stockholders, as applicable. The Board is responsible for filling any director vacancies that may occur between annual meetings of stockholders. An invitation to join the Board should be extended by the Board itself, through the Chairperson of the Board. Selection of directors shall be subject to the terms of Applicable Law (as defined below) and the Company’s Stockholders Agreement (as defined below).
- D. Board Membership Criteria. The Nominating and Governance Committee will select nominees for the Board in accordance with the procedures and criteria set forth in the Committee’s charter. At least annually, the Committee shall review with the Board the background and qualifications of each member of the Board, as well as an assessment of the Board’s composition in light of the Board’s needs and objectives.
- E. No Specific Limitation on Other Board Service. The Board does not believe that its members should be prohibited from serving on boards or committees of other organizations, and the Board has not adopted any specific guidelines limiting such

activities. However, the Nominating and Governance Committee and the full Board will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to the Company's stockholders. Service on boards and/or committees of other organizations should be consistent with the Company's conflict of interest policies and the terms of the charters of the various committees of the Board. In addition, in accordance with the Company's Code of Conduct, directors are required to notify the Company's General Counsel when they join any other Board or committee.

- F. Retirement. No director shall stand for re-election after attainment of age 70, unless continued service as a director is approved by the Board.
- G. Term Limits. The Board does not believe it is advisable to establish term limits. While term limits may help ensure that new viewpoints are brought to the Board, the Board believes this potential benefit is likely to be outweighed by the forced loss of directors who have developed, over a period of time, insight into the Company and its operations and who, as a result, make an important contribution to the Board as a whole. The Board believes that, as an alternative to term limits, the Board and the Nominating and Governance Committee can better monitor and control the overall mix of views through ongoing performance evaluation and suitability reviews of Board members.

II. Board Meetings and Agenda

- A. Board Meetings. The Board shall have at least 4 regularly scheduled Board meetings each year. Additional special meetings and telephonic meetings shall be held as necessary.
- B. Agenda. The Chairperson of the Board, taking into account suggestions from the Chief Executive Officer and other Board members, will set the agenda for each meeting and will distribute this agenda to each director. Each member is free to suggest the inclusion of agenda items and is also free to raise additional items at any meeting. At least annually, the Board should review the Company's long term business and strategic plan and operating budget.
- C. Advance Distribution of Materials. To the extent feasible, information and materials that are relevant to the Board's understanding of agenda items at an upcoming Board meeting should be distributed to all Board members sufficiently in advance of the meeting to permit prior review. The Board understands that certain matters that are discussed at Board meetings are of an extremely confidential and sensitive nature and that the distribution of materials on these matters before Board meetings may not be advisable.

III. Director Responsibilities

- A. General. The basic responsibility of the directors is to exercise their business judgment in accordance with applicable law and to act in what they reasonably believe is in the best interests of the Company and its stockholders.
- B. Functions of the Board. The business of the Company is conducted by its employees and officers under the direction of the Chief Executive Officer and the oversight of the Board. The Board performs a number of specific functions, including:
- selecting, evaluating and compensating the Chief Executive Officer and overseeing Chief Executive Officer succession planning;
 - reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions; and
 - reviewing the Company's compliance with its public disclosure obligations.
- C. Attendance. Directors are expected to attend all Board meetings and all meetings of committees of the Board of which they are a member. They are expected to spend such time as may be necessary to properly discharge their responsibilities.
- D. Ethics and Conflicts of Interest. The Company expects its directors to acknowledge their adherence to the Company's Code of Conduct. If any actual or potential conflict of interest arises from a director, the director shall promptly inform the General Counsel and the Chairperson of the Nominating and Governance Committee. Any waiver of any potential conflict of interest may be granted by the Nominating and Governance Committee. All directors shall recuse themselves from any decision affecting their personal interests. The Board shall resolve any conflict of interest question involving the Chief Executive Officer.
- E. Board Interaction with Investors, Media and the Public. The Board believes that it is senior management's responsibility to speak for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company; however, it is expected that directors will do so only with the knowledge of the CEO, CFO and General Counsel and, absent unusual circumstances or as provided in the committee charters, only at the request of such senior officers.

IV. Access to Management, Employees and Independent Advisors

- A. Access to Management. The Board shall have complete access to management and other Company employees to ensure that directors can ask questions and gather the information necessary to fulfill their duties. The Board may specify a protocol for making such inquiries. The Board encourages management to invite

Company personnel to any Board meeting at which their presence and expertise would be helpful to the Board in considering matters under discussion.

- B. Access to Independent Advisers. As necessary or appropriate to fulfill their duties, Board members shall have the power to hire independent legal, financial, accounting and other advisors.

V. Director Compensation

- A. Amount and Review. The Company's executive officers shall not receive additional compensation for their service as directors. Directors affiliated with significant shareholders shall not be deemed "independent" for director compensation purposes. Compensation for non-employee/independent directors should be competitive with those of corporations of comparable size and the Company's competitors. The Board believes that the independence of a director may be compromised by compensation or perquisites that are not customary. Changes in director compensation, if any, should come upon the recommendation of the Compensation Committee or other authorized committee, with full discussion by and unanimous approval of the Board.

VI. Committee Matters

- A. Number and Type of Committees. The Board currently has 5 committees: an Executive Committee, an Audit and Investment Committee, a Compensation Committee, a Nominating and Governance Committee and a Risk Oversight Committee. From time to time, the Board may want to form a new committee or disband a current committee depending upon the circumstances. The Board, however, will have at all times an Audit and Investment Committee, a Compensation Committee, and a Nominating and Governance Committee in compliance with the rules of the NYSE, although the Board may take advantage of the NYSE's grace periods.
- B. Composition of Committees and Committee Chairpersons. Each of the Audit, Compensation and Nominating and Governance Committees will consist solely of independent directors as defined by the NYSE rules and SEC rules, as applicable, although the Board may take advantage of the NYSE's grace periods. The Board, after considering the desires of individual directors and the recommendation of the Nominating and Governance Committee, is responsible for the appointment of committee members and committee chairpersons according to criteria that it determines to be in the best interest of the Company and its stockholders.
- C. Frequency, Length and Agenda of Committee Meetings. The committee Chairperson, in consultation with committee members, will determine the frequency and length of the meetings of the committee, and the agenda for the meetings.

- D. Charters. Each of the committees will have its own charter which will be approved by the full Board. The charter will, among other things, set forth the purposes and duties of the committee and provide for an annual performance evaluation of the committee.
- E. Outside Activities. Each committee shall have the power to hire, at the expense of the Company, independent legal, financial, accounting and other advisors as necessary or appropriate to fulfill its duties.

VII. Director Orientation and Continuing Education

- A. Orientation. Management will provide an orientation program for new directors to familiarize them with the Company's business, strategic plans, management team and significant legal, financial and accounting issues.
- B. Continuing Education. The Company will endeavor to provide additional educational opportunities to directors to enable them to perform better their duties and to recognize and deal appropriately with issues that may arise.

VIII. Management Succession

- A. Selection of Chairperson and Chief Executive Officer. The Board shall select the Chairperson of the Board and the Chief Executive Officer of the Company in the manner that it determines to be in the best interests of the Company and its stockholders. If the role of Chairperson and the Chief Executive Officer is combined, the Board will select a lead director.
- B. Review of Chief Executive Officer. The Compensation Committee will conduct an annual review of the performance of the Chief Executive Officer. The evaluation should be based on objective criteria, including performance of the Company's business, accomplishment of long-term strategic objectives, and development of management. The Board, without the Chief Executive Officer present, shall review the Compensation Committee's report to ensure that the Chief Executive Officer is providing appropriate leadership of the Company.
- C. Succession Policy. The Nominating and Governance Committee shall conduct an annual review of succession planning. The review shall focus on evaluating potential successors to the Chief Executive Officer. The Chief Executive Officer shall make available his or her recommendations and evaluations of potential successors, as well as leadership development plans and programs, to the full Nominating and Governance Committee. The Nominating and Governance Committee shall approve and maintain a succession plan for the Chief Executive Officer.

IX. Annual Performance Evaluation of the Board

A. The Board shall conduct an annual review of the performance of the Board and each committee of the Board to determine whether they are functioning effectively. The Nominating and Governance Committee will prepare an assessment of the Board and each committee and report to the full Board. This evaluation should generally include an assessment of the contribution to the Company of the Board and each committee, and compliance with these Guidelines, and identify areas in which the Board and its committees could improve their functioning. The Board and Nominating and Governance Committee may delegate the preparation of the assessment to an independent corporate governance expert.

X. Executive Sessions

To promote open discussion among non-management directors (as defined by the rules of the NYSE), non-management directors shall meet without management participation at least four times per year. These executive sessions shall include such topics as the non-management directors shall determine. The Chairperson shall preside at the executive sessions unless otherwise agreed to by the directors at a specific executive session.

XI. Conflicts with Applicable Law or Stockholders Agreement

In the event of a conflict between the provisions of these Corporate Guidelines and either (i) applicable law or regulations or the corporate governance rules of the NYSE (collectively or individually, "Applicable Law"), or (ii) the Company's Stockholders Agreement dated September 30, 2004, as amended (the "Stockholders Agreement"), the provisions of Applicable Law shall be first prevail and then, if not inconsistent with Applicable Law, the terms of the Stockholders Agreement shall also prevail over the terms of these Corporate Guidelines.

Adopted: August 3, 2006