

ACA Capital Holdings Inc
 Form 4
 February 23, 2007

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 Smith Robert M

(Last) (First) (Middle)

C/O ACA CAPITAL HOLDINGS, INC., 140 BROADWAY

(Street)

NEW YORK, NY 10005

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
 ACA Capital Holdings Inc [ACA]

3. Date of Earliest Transaction (Month/Day/Year)
 02/21/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___ 10% Owner
 ___ Officer (give title below) ___X___ Other (specify below)

See Remarks Below

6. Individual or Joint/Group Filing(Check Applicable Line)
 ___X___ Form filed by One Reporting Person
 ___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount or Price		
Common Stock	02/21/2007		M		36,480 A \$ 10.225	41,232.6	D
Common Stock	02/21/2007		S		1,200 D \$ 15.81	40,032.6	D
Common Stock	02/21/2007		S		18,800 D \$ 15.8	21,232.6	D
Common Stock	02/21/2007		S		4,200 D \$ 16	17,032.6	D
Common Stock	02/21/2007		S		800 D \$ 16.01	16,232.6	D

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Common Stock	02/22/2007	S	3,100	D	\$ 15.85	13,132.6	D
Common Stock	02/23/2007	S	1,480	D	\$ 16	11,652.6	D
Common Stock	02/23/2007	S	300	D	\$ 15.95	11,352.6	D
Common Stock	02/23/2007	S	100	D	\$ 15.94	11,252.6	D
Common Stock	02/23/2007	S	300	D	\$ 15.93	10,952.6	D
Common Stock	02/23/2007	S	500	D	\$ 15.92	10,452.6	D
Common Stock	02/23/2007	S	300	D	\$ 15.91	10,152.6	D
Common Stock	02/23/2007	S	1,700	D	\$ 15.9	8,452.6	D
Common Stock	02/23/2007	S	700	D	\$ 15.89	7,752.6	D
Common Stock	02/23/2007	S	200	D	\$ 15.85	7,552.6	D
Common Stock	02/23/2007	S	100	D	\$ 15.8	7,452.6	D
Common Stock	02/23/2007	S	100	D	\$ 15.79	7,352.6	D
Common Stock	02/23/2007	S	400	D	\$ 15.78	6,952.6	D
Common Stock	02/23/2007	S	2,000	D	\$ 15.76	4,952.6	D
Common Stock	02/23/2007	S	200	D	\$ 15.75	4,752.6	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. D S (1
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Derivative Security			or Disposed of (D) (Instr. 3, 4, and 5)		Date Exercisable	Expiration Date	Title	Amount or Number of Shares
			Code	V (A) (D)				
Stock Option (Right to Buy)	\$ 10.225	02/21/2007	M	36,480	(1)	03/31/2010	Common Stock	36,480

Reporting Owners

Reporting Owner Name / Address

Relationships

Director 10% Owner Officer Other

Smith Robert M
C/O ACA CAPITAL HOLDINGS, INC.
140 BROADWAY
NEW YORK, NY 10005

See Remarks Below

Signatures

/s/ Joanne Park, 02/23/2007
Attorney-in-Fact

__Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) This option vested in full on March 31, 2004.

Remarks:

The reporting person may be deemed a member of a Section 13(d) "group" pursuant to the issuer's stockholders agreement. Th

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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