

THE RYLAND GROUP, INC.

AUDIT COMMITTEE CHARTER

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of The Ryland Group, Inc. (the “Company”) has the oversight responsibility, authority and duties described in this Charter.

Purpose

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to (1) the integrity of the Company’s financial statements and other financial information provided by the Company to its stockholders, (2) the Company’s compliance with legal and regulatory requirements, (3) the Company’s retention of its independent auditors, including oversight of the terms of their engagement and their performance, qualifications and independence and (4) the performance of the Company’s internal audit function, internal controls and disclosure controls. The Committee shall prepare the report of the Committee included in the Company’s annual proxy statement as required by the Securities and Exchange Commission (the “SEC”). In addition, the Committee provides an avenue for communication among the internal auditors, the independent auditors, financial management and the Board. The Committee’s responsibility is one of oversight, recognizing that the Company’s management is responsible for preparing the Company’s financial statements and that the independent auditors are responsible for auditing those financial statements. The independent auditors report directly to the Committee and are ultimately accountable to the Committee and the Board for such auditors’ audit of the financial statements of the Company.

Composition

The Committee shall be appointed annually by the Board on the recommendation of the Nominating and Governance Committee and shall be composed of at least three directors, each of whom shall meet the independence and financial literacy requirements of the New York Stock Exchange (“NYSE”) and the SEC. In addition, at least one member of the Committee will possess accounting or financial management expertise as defined by the NYSE, the SEC and applicable law. The Board shall designate one member as Chair of the Committee. The Committee may, at its discretion in accordance with applicable law or regulation, delegate to one or more of its members the authority to act on behalf of the Committee.

Meetings

The Committee shall hold meetings as deemed necessary or desirable by the Chair of the Committee. In addition to such meetings of the Committee as may be required to perform the functions described under “Duties and Powers” below, the Committee shall meet at least annually with the Company’s chief financial officer, the internal auditors and the independent auditors to discuss any matters that the Committee or any of these persons or firms believe should be discussed. The Committee may, at its discretion, meet in executive session with or without the presence of the independent auditors, the internal auditors or corporate officers.

Duties and Powers

The following shall be the principal recurring functions of the Committee in carrying out its oversight responsibilities. The functions are set forth as a guide with the understanding that the Committee may modify or supplement them as appropriate. The Committee should take appropriate actions to set the overall corporate “tone” for quality financial reporting, sound business risk practices and ethical behavior.

Independent Auditors

1. Appoint, approve audit fees for and oversee the Company’s independent auditors. Review the performance and audit fee arrangements of the independent auditors at least annually.
2. Review and provide approval of the engagement of the Company’s independent auditors to perform non-audit services. The Chair of the Committee may represent and act on behalf of the entire Committee for purposes of this review and approval.
3. Ensure that the independent auditors prepare and deliver at least annually a formal written statement delineating all relationships between the independent auditors and the Company addressing at least the matters set forth in Independence Standards Board, Standard No. 1, Independence Discussions with Audit Committees, as amended.
4. Discuss with the independent auditors any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and recommend that the Board take appropriate action in response to the independent auditors’ report to satisfy itself of the independent auditors’ independence.
5. Obtain and review at least annually a report by the independent auditors describing: (a) the auditing firm’s internal quality-control procedures, (b) any issues material to the Company’s audit raised (i) by the most recent internal quality-control review or peer review of the auditing firm or (ii) by any

inquiry or investigation by governmental or professional authorities within the preceding five years and (c) any steps taken to deal with any such issues.

6. Obtain from the independent auditors assurance that their audit of the Company's financial statements was conducted in accordance with auditing standards generally accepted in the United States.
7. Confirm that the Company's independent auditors have complied with any applicable rotation requirements for the lead audit partner and any reviewing audit partner with responsibility for the Company's audit.
8. To the extent required by the rules of the SEC, obtain and review at least annually an attestation to and a report from the Company's independent auditors regarding management's assessment of the effectiveness of the Company's internal controls and procedures for financial reporting to be included in the Company's Annual Report on Form 10-K.
9. Obtain and review from the independent auditors a timely report discussing (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the internal auditors and the independent auditors; (c) other material written communications between the internal auditors, the independent auditors and the management of the Company, such as any management letter or schedule of unadjusted differences; and (d) any illegal acts that have been detected or have otherwise come to the attention of the internal auditors or the independent auditors in the course of their audit.
10. Monitor compliance with regulatory requirements and set clear policies applicable to the hiring of employees and former employees of the independent auditors.

Internal Auditors

11. Consult with management before the appointment or replacement of the Vice President, Internal Audit.
12. Review with the Vice President, Internal Audit the significant reports to management prepared by the internal auditors and management's responses thereto, and also such other reports or matters as the Committee or the Vice President, Internal Audit deems necessary or desirable.

Financial Statements, Controls and Reports

13. Obtain, review and approve, if applicable, a timely analysis from management relating to any significant proposed or contemplated changes to the

Company's accounting principles, policies, estimates, internal controls, disclosure controls, procedures, practices and auditing plans (including those policies for which management is required to exercise discretion or judgments regarding the implementation thereof).

14. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
15. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, Communications with Audit Committees.
16. Periodically discuss with the internal auditors and the independent auditors, without management being present, (a) their judgments about the quality, appropriateness, and acceptability of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, and (b) the completeness and accuracy of the Company's financial statements.
17. Review and discuss generally with management and the independent auditors the Company's earnings press releases, including the annual or quarterly consolidated financial statements included in such releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Chair of the Committee may represent and act on behalf of the entire Committee for purposes of this review.
18. Review the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q in advance of such filings. The Chair of the Committee may represent and act on behalf of the entire Committee for purposes of the review of any Quarterly Reports on Form 10-Q.
19. Meet separately, periodically with management, the Vice President, Internal Audit, and the independent auditors to:
 - review the respective annual audit plans of the internal auditors and the independent auditors, including the adequacy of staffing and compensation;
 - discuss any significant matters arising from any audit or report or communication relating to the consolidated financial statements, including any material audit problems, disagreements or difficulties and responses by management;

- understand the significant judgments made and alternatives considered in the Company's financial reporting, including the appropriateness of the alternatives ultimately chosen; and
 - discuss policies with respect to significant risks and exposures, if any, and the steps taken to assess, monitor and manage such risks.
20. Review with the Company's internal and external counsel any legal matters that could have a significant impact on the Company's financial statements.

Reporting and Recommendations

21. Determine, based on the reviews and discussions noted above, whether to recommend to the Board that the audited financial statements be included in the Company's Annual Report to Stockholders and on Form 10-K for filing with the SEC.
22. Prepare any report, including any recommendation of the Committee, required to be included in the Company's annual proxy statement.
23. Maintain minutes or other records of meetings and activities of the Committee.
24. Report the Committee's activities to the Board on a regular basis and make such recommendations with respect to the above as the Committee or the Board may deem necessary or appropriate.

Other Responsibilities

25. Establish and maintain procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
26. Review and approve (a) any change in or waiver to the Company's code of ethics for its principal executive and senior financial officers and (b) any disclosure made on Form 8-K regarding such change or waiver.
27. Review and provide prior approval of all transactions or arrangements required to be disclosed pursuant to SEC Regulation S-K, Item 404, between the Company and any of its directors, officers, principal stockholders or any of their respective affiliates, associates or related parties.
28. Take such other actions as the Committee or the Board may deem necessary or appropriate.
29. Review the Committee's performance of the foregoing duties on an annual basis.

Resources and Authority

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to engage independent auditors for special audits, reviews and other procedures and to retain special counsel and other experts or consultants, in each case as the Committee determines necessary to carry out its activities.

Annual Review

The Committee shall review, on at least an annual basis, this Charter and the scope of the responsibilities of this Committee. Any proposed changes, where indicated, shall be referred to the Board for appropriate action.

Operating Procedures

Formal actions to be taken by the Committee shall be by unanimous written consent or by a majority of the persons present (in person or by conference telephone) at a meeting at which a quorum is present. A quorum shall consist of at least 50% of the members of the Committee.