

THE RYLAND GROUP, INC.

GUIDELINES ON SIGNIFICANT CORPORATE GOVERNANCE ISSUES

As approved by the Board of Directors on February 29, 2012

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1. SIZE AND STRUCTURE OF THE BOARD

- 1.1 Mix of Directors.** The Board should be composed predominantly of independent directors. An “**independent director**” is a person who is not a member of management and is free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment. Compliance with this definition and any other requirements of stock exchanges or regulatory agencies that govern the conduct or otherwise regulate the independence of directors should be reviewed annually by the Nominating and Governance Committee. The Company’s Chief Executive Officer should be a director.
- 1.2 Board Membership Criteria.** The Nominating and Governance Committee is responsible for recommending to the Board the appropriate skills and characteristics required of Board members, based on the needs of the Company from time to time. This assessment should include issues of relevant experience, intelligence, independence, commitment, compatibility with the Chief Executive Officer and the Board culture, prominence, diversity, age and other factors deemed relevant. Prospective Board members should demonstrate unimpeachable character and integrity, have sufficient time to carry out their duties, and provide experience at senior levels in areas relevant to the Company and consistent with the objective to have a diverse and well-rounded Board and the willingness and commitment to assume the responsibilities required of a director of the Company. The Nominating and Governance Committee shall confer with the full Board as to the criteria it intends to apply before a search for a new director is commenced.
- 1.3 Selection of New Director Candidates; Orientation and Continuing Education.** The Board will select new members from candidates identified and screened by the Nominating and Governing Committee (with input from the Chief Executive Officer). Any invitation to join the Board should be extended through the Chairperson of the Nominating and Governance Committee and the Chief Executive Officer of the Company, after approval by the full Board. When a new director joins the Board, the management of the Company shall provide an orientation program for the director for the purpose of the new director gaining a better understanding of the operations and the financial condition of the Company. The Company will establish or sponsor appropriate continuing education programs for directors.
- 1.4 Directors Who Materially Change Their Job Responsibility.** For directors who retire or materially change the responsibility they held when they were elected to the Board, the Nominating and Governance Committee will review the continued appropriateness of the person’s ongoing Board membership under these circumstances.
- 1.5 Executive Sessions of Directors.** The non-management directors will meet in Executive Session regularly, with an Executive Session including only independent directors at least

once a year. Such sessions are chaired by the Chairman of the Board, who would also establish an agenda for such meetings. A non-management director may request an Executive Session for discussion of a specific agenda item or items by notifying the Chairman of the Board five days in advance of a Board meeting unless a non-management director determines that an agenda item has arisen within the five day period, for example within the Board materials or during a meeting, that warrants discussion in an Executive Session. The notification to the Chairman should include the agenda item(s) to be discussed. In connection with these meetings, the Chairman of the Board will discuss and summarize the meeting or the meetings will conclude with a discussion with the Chief Executive Officer.

1.6 Term of Board Service. Term limits for Board membership are not necessary, however no director should have an expectation of permanent membership.

1.7 Retirement Age. The retirement age is 72.

1.8 Board Compensation Review. Management should report periodically to the Compensation Committee about the status of Board compensation in relation to compensation paid by comparable companies within the Company's peer group for SEC reporting purposes. Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee, with concurrence by the Board.

1.9 Chairman of the Board of Directors. The Nominating and Governance Committee will annually assess and recommend whether to nominate for designation by the non-management directors, the current Chairman or another Director to serve as Chairman of the Board as part of its annual nomination process. The Chairman of the Board has the following responsibilities and authority:

- chair Board meetings;
- call and chair Executive Sessions of the non-management directors in accordance with Section 1.5 and provide a report to the Chief Executive Officer and the opportunity for the discussion set forth in Section 1.5;
- appoint a non-management director to chair any meetings at which the Chairman of the Board cannot be present;
- act as liaison between the non-management directors and management as requested by the non-management directors;
- promote an effective relationship between the Board, the Chief Executive Officer and the management of the Company;
- work with the Nominating and Governance Committee to determine appropriate Committee assignments and confirm that Committees function as appropriate and report results as necessary to the Board;
- insure that appropriate processes are in place for evaluation of the Chief Executive Officer; and
- provide input on the Board schedule, agenda and materials.

The Compensation Committee will establish the compensation that should be provided to the Chairman of the Board in recognition of the additional responsibilities and authority that are required by the role of the Chairman of the Board.

If the Chairman is employed by or an officer of the Company, the non-management directors will designate a Lead Director and assign certain of the foregoing responsibilities, as appropriate, to the Lead Director.

- 1.10 Stock Ownership and Retention Guidelines for Non-Management Directors.** The Board believes that non-management Directors should have a significant personal financial stake in the Company's performance. Consequently, each non-management Director is expected to acquire and hold shares of the Company's common stock having a value equal to three times the Director's annual cash retainer. Directors in office as of February 27, 2008 have an ownership goal of \$90,000 in value of shares of the Company's common stock which they should achieve by February 27, 2013. Directors who join the Board after February 27, 2008 have an ownership goal of three times the annual cash retainer in effect on the date they join the Board which they should achieve five years after their appointment to the Board. For purposes of this ownership guideline, unvested shares of restricted stock are counted, but unexercised stock options are not.

This ownership guideline applies to the number of shares held by a Director on the date his or her Company ownership interest has an aggregate value meeting the applicable ownership goal. Upon meeting the ownership goal, that number of shares becomes fixed and must be maintained until the end of the Director's service on the Board. A Director's ownership requirement will not change as a result of changes in his or her retainer fee or fluctuations in the Company's common stock price.

Nothing in this Section shall preclude transfers of equity instruments to trusts or similar entities for the benefit of a Director, his or her spouse or family members. The Nominating and Governance Committee will from time to time review these stock ownership guidelines and recommend any changes for Board consideration.

- 1.11 Other Board Memberships** Directors will advise the Chairman of the Board and the Chairperson of the Nominating and Governance Committee in advance of accepting any directorship with a for-profit entity, to allow for a review of potential conflicts. Absent approval from the Nominating and Governance Committee, no Director will serve on more than four other public-company boards (in addition to the Company's Board). In this regard, it is the Board's belief that whether it is appropriate for a Director to serve on more than four other public-company boards will depend on the circumstances of each case, including whether the Director also is a full-time executive with another organization.

2. BOARD PROCEDURAL MATTERS

- 2.1 **Selection of Chairperson and Chief Executive Officer.** The Board does not have a fixed policy as to whether the role of the Chief Executive Officer and Chairperson should be separate. The Board should be free to make these choices in any manner that seems best for the Company at a given point in time.
- 2.2 **Agenda For Board Meetings.** The Chairperson of the Board will establish and distribute in advance the agenda for each Board meeting. Any director is free to suggest potential items for the agenda.
- 2.3 **Information Provided to the Board; Communications.**
- 2.3.1 **Pre-Meeting.** Information that is important to the matters that will be discussed at Board meetings should be distributed at least five days in advance of the meeting, if possible, so that Board meeting time can be conserved for substantive discussion.
- 2.3.2 **Between Meeting.** From time to time between meetings the Chief Executive Officer should continue to advise the Board of any significant developments, through a suitable method of communication, which may include periodic conference calls of the directors.
- 2.3.3 **Communications.** Regular discussion between the directors and the Chief Executive Officer, and among directors, is encouraged. The Chief Executive Officer should make full use of the Board's talents to the extent feasible and appropriate by conferring with directors about Company matters within the directors' areas of expertise.
- 2.4 **Expectations of Directors.**
- 2.4.1 **Attendance; Availability.** Each director should make every reasonable effort to attend each meeting of the Board and any Committee of which the director is a member, and each annual meeting of shareholders (absent extenuating circumstances), and to be reasonably available to management and the other directors for consultation between meeting(s). In particular, directors should attend sufficient meetings to avoid falling below the attendance level that would require disclosure in the Company's annual proxy statement. A director whose participation falls below that threshold for 2 years will be reviewed by the Nominating and Governance Committee for continued membership on the Board.
- 2.4.2 **Review of Materials; Operational Issues.** Directors should review carefully information distributed to them prior to Board and Committee meetings. If directors have questions either about the materials distributed or Company operations generally that are not likely to be of general interest or relevance to the entire Board, those issues should be discussed by the director with management either prior to or between Board meetings.

- 2.5 Attendance of Non-Directors at Board Meetings.** The Board encourages management to bring officers and managers into Board meetings from time to time, when such managers can provide additional insight into the items being discussed, and/or have potential as future members of senior management. If the Chief Executive Officer wishes to add additional personnel as attendees at Board meetings on a regular basis, Board approval should be sought.
- 2.6 Conduct of Meetings.** The Chairperson should conduct Board meetings on the assumption that each Director has carefully reviewed all Board materials, and fairly facilitate open, and respectful discussions. The focus at Board meetings should be strategic and “big picture” items.
- 2.7 Assessing the Board's Performance.** There should be regular discussions between the Chief Executive Officer and the directors, individually and/or as a group, about how best to maximize each director’s contribution to the Board. The Chairperson of the Nominating and Governance Committee and the Chief Executive Officer should periodically assess the Board's performance and the contributions made by directors, with a view to making full and productive use of directors’ talents and improving the performance of the Board. The results of this assessment shall be reviewed with the Nominating and Governance Committee. This assessment should be about the Board's contribution as a whole and specifically reference areas in which the Board and/or management believes a better contribution could be made. The purpose of these discussions is to increase the overall effectiveness of the Board, not to target individual directors. The Board will conduct an evaluation of its effectiveness on at least an annual basis.
- 2.8 Assessing Individual Director Performance.** If it appears to the Chairman of the Board, the Chairperson of the Nominating and Governance Committee or the Chief Executive Officer that a particular director’s contribution to the Board is not consistent with the Company’s needs, or the director is disruptive to the smooth functioning of the Board, they should hold appropriate discussions with that director and make recommendations to the Nominating and Governance Committee.

3. COMMITTEE MATTERS

- 3.1 Number, Titles and Charters of Committees.** The current standing Board Committees are (a) Audit, (b) Compensation, and (c) Nominating and Governance. This committee structure meets the Company’s present needs. Each Committee should review its charter and activities annually, with the assistance of inside or outside counsel and advisers, as appropriate, to make certain that they are consistent with then-current sound governance practices and legal requirements. There will, from time to time, be occasions when the Board may want to form a new committee or disband a current committee depending upon the circumstances.
- 3.2 Assignment and Rotation of Committee Members.** The Nominating and Governance Committee is responsible, after consultation with the Chairman of the Board and the Chief Executive Officer and consideration of the desires of individual directors, for the

assignment of directors to various Committees. Each director is expected to serve at all times on at least one Committee. Consideration will be given to rotating Committee assignments periodically, but rotation should not be mandated as there may be reasons, at a given point in time, to maintain an individual director's Committee membership.

- 3.3 **Frequency and Length of Committee Meetings.** Each Committee Chairperson, in consultation with Committee members, will determine the frequency and length of each Committee's meetings provided that each Committee will meet at least twice a year.
- 3.4 **Committee Agenda.** Each Committee Chairperson, in consultation with the appropriate members of the Committee and management, will develop the Committee's agenda. Each Committee will issue annually a schedule of agenda items for the upcoming year (to the degree these items can be foreseen). These agenda items will be shared with the Board.
- 3.5 **Attendance at Committee Meetings.** Any Committee Meeting is open to any member of the Board who wishes to attend, unless the subject matter of the meeting involves the particular director. Attendance of non-Board members at Committee meetings will be at the pleasure of the Chairperson of the Committee and members of the Committee. Committees should regularly have opportunities for executive sessions.
- 3.6 **Minutes and Reports.** Reasonably detailed minutes of each Committee meeting or action will be kept and distributed to the Board together with the written materials provided to Committee members as part of the Board meeting distribution. Each Committee will report regularly, through its Chairperson, to the Board on substantive matters considered by the Committee.

4. SUCCESSION PLANNING AND MANAGEMENT DEVELOPMENT MATTERS

- 4.1 **Succession Planning and Management Development.** There should be an annual report by the Chief Executive Officer to the Board on succession planning and management development, both short term and long term, without participation by any other insider. The Board and the Compensation Committee should monitor issues associated with Chief Executive Officer succession and management development with a regular report to the Board on these issues. This should include issues associated with preparedness for the possibility of an emergency situation involving senior management, the long-term growth and development of the senior management team, and identifying the Chief Executive Officer's successor. The Human Resource Executive of the Company should monitor and evaluate this process on a regular basis.
- 4.2 **Evaluation of the Chief Executive Officer.** The Nominating and Governance Committee in consultation with the Compensation Committee should develop with the Chief Executive Officer and discuss with the Board appropriate criteria upon which the Chief Executive Officer's performance will be evaluated annually. These criteria might include, for example, the operating performance of the Company, both in the absolute and relative to peer companies, accomplishment of long-term strategic objectives, development of management (including a successor to the Chief Executive Officer) and

other relevant factors. The non-management directors should annually meet in Executive Session to review and discuss this evaluation of the Chief Executive Officer's performance. The evaluation will be discussed with the Chief Executive Officer. The Compensation Committee may utilize this evaluation in its review of the Chief Executive Officer's compensation.

5. OTHER MATTERS

- 5.1 **Board Access to Management.** Directors have complete access to members of the Company's management team. Directors will use judgment to be sure that such contacts are not distracting to the business operations of the Company and that the Chief Executive Officer is made aware of such contacts.
- 5.2 **Board Interaction With Institutional Investors, the Press, Customers, and Others.** The Company should speak to outside constituencies, such as the press, investors, analysts or the financial community, through senior management. If individual directors intend to meet or otherwise communicate with these constituencies about Company matters, this should be done only after consulting with the Chief Executive Officer. Individual directors will maintain confidentiality on all Board related matters.
- 5.3 **Resources** The Board shall have the resources and authority appropriate to discharge its responsibilities, including the authority to retain and terminate special counsel and other experts or consultants.
- 5.4 **Amendments of Guidelines.** The Nominating and Governance Committee will review these Guidelines at least every two years to ensure that they remain suitable for the needs of the Company. The Nominating and Governance Committee will recommend needed changes for review and possible approval by the Board.
- 5.5 **Stockholder and other Communications to the Board.** Consistent with the "Procedures for Stockholder and Other Communications to the Board," the Chairperson of the Nominating and Governance Committee will consult with the Corporate Secretary to discuss and, as necessary, respond to stockholder communications to the Board and review any matters or recommend any amendments to the "Procedures for Stockholder and Other Communications to the Board."