



## Corporate Governance Guidelines

The following Corporate Governance Guidelines (the “**Guidelines**”) have been adopted by the Board of Directors (the “**Board**”) of CalAtlantic Group, Inc. (the “**Company**”) to assist the Board in its exercise of its responsibilities. The Board is committed to review these Guidelines and other aspects of Company governance annually, or more often, if necessary.

The Company’s business is conducted by its employees, managers and officers under the direction of the Company’s Chief Executive Officer and with the oversight of the Board. The Board is elected by the Company’s stockholders to oversee management and to assure that the long-term interests of the stockholders are being served.

### SELECTION AND COMPOSITION OF THE BOARD

**1) Board Membership Criteria** – The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment shall include issues of judgment, skills (depth of understanding of the Company’s industry, financial sophistication, leadership, objectivity, etc.) and diversity of background and experience (which includes gender, race, ethnicity, sexual orientation, gender identity, culture and geography), all in the context of an assessment of the perceived needs of the Board at that point in time. In particular, each member of the Board should have the following:

- the highest character and integrity;
- an ability and desire to make independent and thoughtful analytical inquiries;
- meaningful experience at a strategy/policy setting level;
- outstanding ability to work well with others;
- sufficient time available to carry out the significant responsibilities of a member of the Board, and;
- freedom from any conflict of interest (other than Board members serving pursuant to an agreement between the Company and any stockholder or the employment by the Company of an inside director) that would interfere with his or her independent judgment and proper performance of responsibilities as a member of the Board.

**2) Selection and Orientation of New Directors** – Subject to Article X of the Company’s Bylaws, the Nominating and Corporate Governance Committee, with direct input from the Chairman of the Board and the Chief Executive Officer, is responsible for making recommendations to the Board concerning potential new Board members. The Committee will seek to include diverse candidates in the pool from which Board nominees are chosen, expanding search parameters beyond the executive suite to non-traditional environments (including government, academia and non-profit organizations) when required to identify such candidates. Subject to Article X of the Company’s Bylaws, the entire Board is responsible for nominating members for election to the Board by the Company’s stockholders and for filling vacancies on

the Board that may occur between annual meetings of stockholders. The Board and the Company will maintain a complete orientation process for new directors that will include background material, meetings with senior management and visits to Company facilities. The Board encourages directors to participate in education programs to assist them in performing their responsibilities as directors.

## **BOARD LEADERSHIP**

**3) Selection of Chairman and Chief Executive Officer** – Subject to Article X of the Company's Bylaws, the Company's Chairman and Chief Executive Officer will be selected in the manner the Board deems in the best interest of the Company at a given point in time. The Board does not have a policy as to whether the role of the Chairman and Chief Executive Officer should be separate or combined and, if it is to be separate, whether the Chairman should be selected from the non-employee directors or be an employee.

## **BOARD COMPOSITION AND PERFORMANCE**

**4) Size of the Board** – The Board believes that the appropriate size of the Board is between seven and twelve members.

**5) Independence of Directors** – The Board believes that a majority of its members should be independent. An independent director is a person who is free from any relationship that would interfere with the exercise of independent judgment as a member of the Board. The Company complies with the New York Stock Exchange Issuer requirements for independent directors (NYSE Rule 303). Compliance with the foregoing independence requirements is reviewed annually by the full Board.

**6) Former Chairman/Chief Executive Officer's Board Membership** – The Board believes that when a Chairman or Chief Executive Officer or other employee director resigns from that position, he or she should submit his or her resignation from the Board at the same time. Whether this individual's resignation is accepted or whether this individual will be asked to continue to serve on the Board is a matter for Board consideration.

**7) Directors Who Change Their Present Job Responsibilities** – When a director's principal occupation or business association changes substantially from the position he or she held when originally invited to join the Board, the director shall so notify the Nominating and Corporate Governance Committee. This committee will review whether the new occupation, or retirement, of the Board member is consistent with the specific rationale for originally selecting the person and these Guidelines. Based on the circumstances of retirement, if that is the case, or in the case of a new position, the responsibility and type of position, and industry involved and subject to Article X of the Company's Bylaws, the committee may elect to request or not request the resignation of the applicable director from the Board.

In the case of a member of the Board who is also an employee of the Company, it is expected that such member will submit a director resignation to the Board at the same time such person relinquishes his or her corporate officer title.

**8) Service on Other Boards** – The independent Board members are encouraged to limit the number of other boards (excluding non-profit) on which they serve, taking into account potential Board attendance, participation and effectiveness on these boards. Independent members of the Board are also required to advise the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another board.

**9) Term Limits** – The Board does not believe it should establish term limits. As an alternative to term limits, subject to Article X of the Company's Bylaws, the Nominating and Corporate Governance Committee, in conjunction with the Chief Executive Officer, will formally review each Board member's continuation on the Board every year. This will also allow each Board member the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

**10) Board Compensation** – The Company’s executive officers will not receive additional compensation for their service as directors. The Company believes that compensation for non-employee members of the Board should be competitive. As part of a Board member’s total compensation and to create a direct link with corporate performance, the Board believes that a meaningful portion of a Board member’s total compensation should be provided in common stock or stock options. Director compensation is set by the Board based upon the recommendation of the Compensation Committee.

**11) Lead Independent Director/Executive Sessions of Independent Members of the Board** – The independent members of the Board will meet in executive session from time to time throughout each year. These meetings will generally be scheduled in conjunction with a regular Board meeting. In addition, any independent Board member may call for an executive session of the independent members of the Board at any regularly scheduled Board meeting. The format of these meetings may, in the discretion of the independent members of the Board, include a discussion with the Chairman and the Chief Executive Officer.

Subject to Article X of the Company’s Bylaws, if the Chairman of the Board is an independent Board member, then the Chairman of the Board will serve as the “Lead Independent Director” and will chair executive sessions and assume such other responsibilities that the independent members of the Board may assign. If the Chairman of the Board is not an independent Board member, then, subject to Article X of the Company’s Bylaws, the Chairman of the Nominating and Corporate Governance Committee shall serve as the Lead Independent Director. Currently, the Chairman is not an independent director and, therefore, the Board has appointed a Lead Independent Director in accordance with and subject to Article X of the Company’s Bylaws.

The Lead Independent Director will be responsible for coordinating the activities of the independent members of the Board including facilitating communications between the Chairman of the Board and other members of the Board. The duties of the Lead Independent Director will include the following:

- Convene and chair regular executive session meetings of the independent directors and, as appropriate, provide prompt feedback to the Chairman of the Board and the Chief Executive Officer.
- Coordinate, develop and approve the agenda for executive sessions of the independent directors.
- Serve as a liaison between the Chairman of the Board and the independent directors and coordinate feedback to the Chairman of the Board and Chief Executive Officer on behalf of independent directors regarding business issues and management.
- Provide the Chairman of the Board and the Chief Executive Officer with input as to the preparation of the agendas for meetings of the Board and informational needs associated with those agendas and presentations and approve such meeting agendas and information sent to the Board.
- Provide the Chairman of the Board and the Chief Executive Officer with input as to an appropriate schedule of Board and Committee meetings and approve such meeting schedules to ensure that there is sufficient time for discussion of all agenda items.
- Perform such other duties as may be necessary for the Board to fulfill its responsibilities or as may be requested by the Board as a whole, by the independent directors, or by the Chairman of the Board.
- In the absence of the Chairman of the Board, act as chair of meetings of the Board.
- Provide or elect not to provide, as appropriate, required approvals under the Company’s Code of Business Conduct and Ethics with regard to proposed chief executive officer and director conduct.

- Be the designated spokesperson for the Board when it is appropriate for the Board to comment publicly on any matter, and, if requested by major shareholders, be available for consultation and direct communication.

**12) Assessing the Board's Performance** – The Board conducts an annual self-evaluation to assess its performance. Following the end of each fiscal year, the Nominating and Corporate Governance Committee shall present to the Board an assessment of the Board's performance. This assessment may in part be based on a self-assessment by each Board committee of the committees' and its members' effectiveness and contribution. The overall Board assessment should discuss the Board's contribution as a whole and specifically review areas in which the Board and/or Company management believes a better contribution could be made. The purpose of this review is to increase the effectiveness of the Board, not to target individual Board members.

**13) Board's Interaction with Institutional Investors, Press, Customers, etc.** – The Board believes that management speaks for the Company. Individual Board members may, from time to time at the request of Company management, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman.

## **BOARD RELATIONSHIP TO SENIOR MANAGEMENT AND INDEPENDENT ADVISORS**

**14) Regular Attendance of Non-Director at Board Meetings** – The Board welcomes the regular attendance at each Board meeting of non-Board members who are in senior management positions with the Company. Should the Chairman or the Chief Executive Officer want to add additional people as attendees on a regular basis, it is expected that this suggestion would be made to the Board for its concurrence.

Furthermore, the Board encourages senior management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are managers with future potential that senior management believes should be given exposure to the Board.

**15) Board Access to Management** – Board members have complete access to Company management. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chairman or Chief Executive Officer, as appropriate.

**16) Independent Advisors** – The Board and its committees shall have the right at any time to retain independent outside financial, legal or other advisors.

## **MEETING PROCEDURES**

**17) Selections of Agenda Items for Board Meetings** – The Chairman of the Board and Chief Executive Officer will establish the agenda for each Board meeting in consultation with and subject to approval by the Lead Independent Director, if applicable, and distribute a schedule of agenda subjects to be discussed in advance of each meeting. Each Board member is free to suggest the inclusion of items(s) on the agenda.

**18) Board Materials Distributed in Advance** – To the extent practicable, information and data that is important to the Board's understanding of the business to be conducted at a meeting will be distributed in writing to the Board before the Board meets.

## COMMITTEE MATTERS

**19) Committees** – The Board has established the following committees to assist the Board in discharging its responsibilities: (i) Audit, (ii) Nominating and Corporate Governance, and (iii) Compensation. The current charters of these committees may be found at [www.calatlantichomes.com](http://www.calatlantichomes.com) under the “Investors” link. Subject to Article X of the Company’s Bylaws, the Board may, from time to time, form a new committee or disband a current committee depending upon the circumstances. Independent members of the Board chair all standing Board committees. The Audit, Nominating and Corporate Governance, and Compensation Committees are composed entirely of independent Board members.

**20) Assignment and Rotation of Committee Members** – Subject to Article X of the Company’s Bylaws, the Nominating and Corporate Governance Committee is responsible for, after consultation with the Chairman and with consideration of the desires of individual Board members, making recommendations to the Board concerning the assignment of Board members to various committees.

**21) Frequency and Length of Committee Meetings, Agenda** – Each Committee Chairman, in consultation with Committee members, will determine the frequency and length of, and develop the agenda for, each Committee meeting.

## LEADERSHIP DEVELOPMENT

**22) Succession Planning** – The Chief Executive Officer shall discuss annually with the Board the Company’s short-term and long-term succession plan should the Chief Executive Officer temporarily or permanently become unable to perform his or her duties. If an unexpected event occurs, the short-term succession plan shall be in effect until the Board has the opportunity to consider the situation and take appropriate action.

**23) Management Development** – The Chief Executive Officer shall discuss annually with the Board the Company’s efforts to promote the development of senior and midlevel managers throughout the Company.

## STOCK OWNERSHIP GUIDELINES

**24) Stock Ownership Guidelines** – In order to align the interests of directors and executive officers with the long-term interests of the Company’s stockholders, the Compensation Committee of the Board has adopted stock ownership guidelines for directors and executive officers.

*\* It is important to note that these Guidelines are not rigid rules. The Board recognizes that every situation is unique and the publication of these Guidelines should not be interpreted as a representation that they will be strictly followed in each instance.*

*Last Updated October 27, 2015*