

THE RYLAND GROUP, INC.

POLICY FOR THE REVIEW OF TRANSACTIONS WITH RELATED PERSONS

The Ryland Group, Inc. (the “**Company**”) strives to operate its business in the manner that best serves the interests of its stockholders. Consequently, the Company reviews all Related Person Transactions (defined below), given the potential for real or perceived conflicts of interest. The Company’s Board of Directors (the “**Board**”) has determined that the Nominating and Governance Committee (the “**Committee**”) is the governing body best suited to assessing the relative merit of Related Person Transactions, and has adopted this Policy regarding the Committee’s review, approval or ratification of Related Person Transactions.

It is the Company’s policy that a Related Person Transaction shall not be initiated or materially modified unless and until the Committee has approved or ratified such transaction or modification, and that any Related Person Transaction shall not continue past its next contractual termination date unless it is annually re-approved or ratified by the Committee, in each case in accordance with this Policy.

Definition of Related Person Transaction

For the purposes of this Policy, the term “Related Person Transaction” refers to any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which the Company or any of its subsidiaries was, is or will be a participant, in which the amount involved exceeds \$120,000 and in which any of the following persons had, has, or will have a direct or indirect material interest:

- 1) Any person who has been a director or executive officer of the Company, or a Board nominee, at any time since the beginning of the Company’s last fiscal year;
- 2) Any person who is the beneficial owner of more than 5% of the Company’s voting securities; and
- 3) Any child; stepchild; parent; stepparent; spouse; sibling; mother-, father-, sister-, brother-, son- or daughter-in-law of; and any person (other than a tenant or employee) sharing a household with any person covered in Item 1 or 2 (“**Immediate Family Members**”).

Related Person Transactions do not include the matters described in the “Indirect Material Interest” nor “Transactions Not Covered by this Policy” sections below.

Indirect Material Interest

A person who has a position or relationship with a firm, corporation or other entity that engages in a transaction with the Company or its subsidiaries shall not be deemed to have an indirect material interest where the interest arises only from such person’s position as a director of such other entity or from the ownership, by that person and all other persons specified in Items 1, 2 and 3 above, in the aggregate, of less than a 10% equity interest in any such other entity other than a partnership, or the interest arises only from such person’s position as a limited partner in a partnership in which such person and all other persons specified in Items 1, 2 and 3 above have an aggregate interest of less than 10%. In all other cases, including transactions with a firm, corporation or other entity in which a person is an officer, employee or general partner, determination of whether the interest is material will be made after presentation of the applicable facts to the General Counsel. Accordingly, any transaction which could be a Related Person Transaction if material should be reported to the General Counsel for review of materiality in accordance with this policy.

Transactions Not Covered by this Policy

This Policy shall not apply to any employment relationship with an executive officer of the Company, the Board membership of any Director of the Company, or any related compensation, to the extent such

compensation is disclosed under Item 402 of Regulation S-K. In addition, compensation paid to an executive officer who is not an Immediate Family Member of a person listed in Item 1 or 2 above is not covered by this Policy to the extent such compensation would have been reported under Item 402 of Regulation S-K if the executive officer were a “named executive officer,” and such compensation has been approved or recommended for approval by the Compensation Committee.

Review Procedures

Directors and officers are expected to promptly notify the General Counsel of any potential or existing Related Person Transactions of which they are aware. The General Counsel shall be responsible for collecting information regarding potential Related Person Transactions, determining whether a relationship meets the Policy’s definition of “Related Person Transaction” (including whether it represents an indirect material interest), and preparing information regarding Related Person Transactions for presentation to the Committee.

Proposed or Materially Amended Related Person Transactions

Prior to consummation of any Related Person Transaction, or material amendment to any existing Related Person Transaction, the details of such transaction shall be presented to the Committee. If advance Committee approval of a Related Party Transaction is not feasible, the Related Party Transaction will be considered and, if the Committee determines it to be appropriate, ratified at the Committee’s next regularly scheduled meeting. The Committee shall consider all relevant details regarding the transactions including the role of Company employees in arranging the transaction, the potential benefits to the Company, the availability and terms of other sources of comparable products or services, and whether the proposed Related Person Transaction is competitively bid or otherwise on terms comparable to those available to an unrelated third party or to Company employees generally. No member of the Committee may participate in any review, consideration or approval of any Related Person Transaction in which such member or an Immediate Family Member of such member has any interest. The Committee shall approve or ratify (as applicable) only those Related Person Transactions which it determines in good faith to be on terms that are fair to the Company and comparable to those that could be obtained in an arms-length negotiation with an unrelated third party.

Ongoing Related Person Transactions

At one of the Committee’s regular meetings in the first quarter of each year, the Committee shall review all existing Related Person Transactions that have a remaining term of more than six months. Based on the considerations enumerated above, the Committee shall determine whether it is in the best interest of the Company and its stockholders to continue, modify, or terminate the Related Person Transaction. A decision not to continue a relationship shall not apply to any remaining commitments and obligations under an existing arrangement.

Management Loan Transactions

In addition to the requirements imposed by this Policy, the Company has determined that it shall not enter into any transaction, arrangement or relationship pursuant to which the Company or any of its subsidiaries would directly or indirectly extend, maintain, arrange for, renew, or otherwise facilitate any extension of credit in the form of a mortgage or other personal loan of any amount to or for any director or executive officer of the Company, regardless of whether such arrangement would be permissible under Section 402 of the Sarbanes-Oxley Act of 2002.

Review of this Policy

This Policy has been approved and adopted by the Board on the recommendation of the Committee. The Committee will periodically review this Policy and recommend any changes for the consideration of the Board.