

The Ryland Group, Inc.

Policy Regarding Extraordinary Retirement Benefits for Senior Executives

The following is a policy (the “**Policy**”) of the Board of Directors (the “**Board**”) of The Ryland Group, Inc. (the “**Company**”):

The Company, after the Effective Date of this Policy, will not, without seeking stockholder approval, agree with any Senior Executive:

- **To provide, under any one or more defined benefit Retirement Plans of the Company, an annual benefit that will exceed one hundred percent (100%) of the Senior Executive’s Final Average Salary; or**
- **To grant service credit or vesting credit (or accelerate vesting) under any defined benefit Retirement Plan for any period of time that the Senior Executive was not actually employed by the Company or any subsidiary or affiliate of the Company for purposes of determining the Senior Executive’s retirement benefits.**

For purposes of this Policy the following terms shall have the following meanings:

“**Final Average Salary**” means the average of the highest five calendar year’s salaries of the Senior Executive.

“**Retirement Plan**” means any pension benefit plan, within the meaning of the Employee Retirement Income Security Act of 1974, of the Company, regardless of whether such plan is a tax-qualified plan or a non-qualified plan.

“**Senior Executive**” means a person who is an officer of the Company or a subsidiary who is required to file reports pursuant to Section 16 of the Securities Exchange Act of 1934, as amended.

In the event that the Board or Compensation Committee determines that the circumstances of a future agreement with a Senior Executive warrant extraordinary retirement benefits, service or vesting credits, or vesting acceleration in excess of that which is permitted under this Policy (the “**Limits**”), and the Board determines that it is impractical to submit the matter to a stockholder vote in a timely fashion, then in such event the Board may elect to seek stockholder approval after the parties have mutually agreed to the material terms of the relevant future agreement, provided that the payment of any retirement benefits in excess of the Limits under such agreement is conditioned on subsequent stockholder ratification.

The Board may amend or terminate this Policy at any time if it determines in its sole discretion that such action would be in the best interests of the Company, provided that any such action shall be promptly disclosed on the Company’s website.

This Policy shall take effect upon formal adoption by the Board (the “**Effective Date**”) and apply only to agreements and plans entered into by the Company subsequent to such date with respect to issues that are the subject of this Policy.

This Board adopted this Policy on December 6, 2006.