

Meritage Homes CORP
Form DEF 14A
April 01, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Meritage Homes Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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Dear Stockholders:

You are cordially invited to join us for our 2008 annual meeting of stockholders, which will be held on Thursday, May 15, 2008, at 10:00 a.m. local time at the Scottsdale Marriott at McDowell Mountains, 16770 North Perimeter Drive, Scottsdale, Arizona 85260. Holders of record of our common stock as of March 31, 2008, are entitled to notice of and to vote at the 2008 annual meeting.

The Notice of Annual Meeting of Stockholders and the proxy statement that follow describe the business to be conducted at the meeting. We will also report on matters of current interest to our stockholders.

We hope you will be able to attend the meeting. However, even if you plan to attend, please vote your shares promptly to ensure they are represented at the meeting. You may submit your proxy by Internet or telephone, as described in the following materials, or by completing and signing the enclosed proxy card and returning it in the envelope provided. If you decide to attend the meeting and wish to change your proxy, you may do so automatically by voting in person at the meeting.

If your shares are held in the name of a broker, bank, trust or other nominee, you may be asked for proof of ownership to be admitted to the meeting.

We look forward to seeing you at the annual meeting.

Sincerely,

Steven J. Hilton
Chairman and Chief Executive Officer
17851 North 85th Street Suite 300 Scottsdale, Arizona 85255 Phone 480-515-8100

Listed on the New York Stock Exchange MTH

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date: Thursday, May 15, 2008
Time: 10:00 a.m. local time

Scottsdale Marriott at McDowell Mountains
16770 North Perimeter Drive
Scottsdale, Arizona 85260

To Our Stockholders:

You are invited to attend the Meritage Homes Corporation 2008 Annual Meeting of Stockholders for the following purposes:

1. To elect three Class I Directors, each to hold office until our 2010 annual meeting,
2. To ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2008 fiscal year,
3. To approve an amendment to our 2006 Stock Incentive Plan to increase shares available for issuance,
4. To approve an amendment to our 2006 Stock Incentive Plan to increase the annual maximum granting limits to a participant,
5. To approve an amendment to our Articles of Incorporation to authorize preferred stock, and
6. To conduct any other business that may properly come before the meeting or any adjournment or postponement thereof.

These items are more fully described in the accompanying proxy. Only stockholders of record at the close of business on March 31, 2008 are entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof. A copy of our 2007 Annual Report to Stockholders, which includes our audited consolidated financial statements, is enclosed.

By Order of the Board of Directors,

C. Timothy White, Secretary

Scottsdale, Arizona
April 1, 2008

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THIS MEETING, PLEASE SUBMIT YOUR PROXY BY SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE ENVELOPE PROVIDED. YOU MAY ALSO VOTE YOUR SHARES AND SUBMIT A PROXY BY USING THE INTERNET OR TELEPHONE AS DESCRIBED ON THE PROXY CARD.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 15, 2008 THIS PROXY STATEMENT AND MERITAGE'S 2007 ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT WWW.MERITAGEHOMES.COM.

MERITAGE HOMES CORPORATION

17851 NORTH 85TH STREET
SUITE 300
SCOTTSDALE, ARIZONA 85255
www.meritagehomes.com

PROXY STATEMENT

This proxy statement is furnished to you in connection with the solicitation of proxies by the Board of Directors of Meritage Homes Corporation to be used in voting at our Annual Meeting of Stockholders on May 15, 2008. The meeting will be held at 10:00 a.m. local time at the Scottsdale Marriott at McDowell Mountains, 16770 North Perimeter Drive, Scottsdale, Arizona 85260. The proxy materials relating to the annual meeting, together with our 2007 Annual Report to Stockholders (which includes audited consolidated financial statements for our fiscal year ended December 31, 2007), were mailed on or about April 7, 2008 to stockholders of record at the close of business on March 31, 2008 (the "record date").

If you submit a proxy, you are entitled to revoke your proxy at any time before it is exercised by attending the annual meeting and voting in person, duly executing and delivering a proxy bearing a later date, or sending written notice of revocation to our Corporate Secretary at the Company's address located at the top of this page. Whether or not you plan to be present at the annual meeting, we encourage you to sign and return the enclosed proxy card or to provide your proxy over the telephone or via the Internet. Refer to your proxy card for instructions about submitting a proxy by telephone, Internet and mail.

The Meritage Board of Directors is soliciting proxies. We will bear the entire cost of proxy solicitation, including charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of our outstanding common stock. We may solicit proxies through the mail, by personal interview or telephone, including through the use of a third party proxy solicitor. If we use a proxy solicitor, we estimate the cost will be approximately \$9,500.

The following information should be reviewed along with the audited consolidated financial statements, notes to consolidated financial statements, report of independent registered public accounting firm and other information included in our 2007 Annual Report to Stockholders that was mailed to you along with this proxy statement.

Information about our company and communities is provided on our Internet website at *www.meritagehomes.com*. Our periodic and current reports, including any amendments, filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended (the "Exchange Act"), are available, free of charge, on our website as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). The information contained on our website is not considered part of our Annual Report on Form 10-K or this proxy statement.

Meritage operates within a comprehensive plan of corporate governance for the purpose of defining responsibilities and setting high standards for ethical conduct. Our Board of Directors has established an audit committee, executive compensation committee and nominating/governance committee. The charter of each of these committees is available on our website, along with our Code of Ethics and our Corporate Governance Principles and Practices. Our committee charters, Code of Ethics and Corporate Governance Principles and Practices are also available in print, free of charge, to any stockholder who requests them by calling us or by writing to us at our principal executive offices at the following address: Meritage Homes Corporation, 17851 North 85th Street, Suite 300, Scottsdale, Arizona 85255, Attention: Legal Department. Our telephone number is (480) 515-8100.

VOTING SECURITIES OUTSTANDING

On the record date, there were 26,388,494 shares of Meritage common stock outstanding. The common stock is our only outstanding class of voting securities. Each share is entitled to one vote on each proposal to be voted on at the annual meeting. Only holders of record of common stock at the close of business on the record date will be permitted to vote at the meeting, either in person or by valid proxy.

VOTING PROXIES

Shares of common stock represented by properly executed proxy cards received by the Company in time for the meeting will be voted in accordance with the instructions specified in the proxies. If you submit a proxy but do not indicate any voting instructions, your shares will be voted **FOR** the election as directors of the nominees named in this proxy statement, **FOR** the ratification of the selection of Deloitte & Touche as the Company's independent registered public accounting firm, **FOR** the amendments to the 2006 Stock Incentive Plan and **FOR** the amendment to our charter to authorize Preferred Stock.

If your shares are held in a brokerage account or by another nominee, you are considered the "beneficial owner" of shares held in "street name", and these proxy materials are being forwarded to you by your broker or nominee (the "record holder") along with a voting instruction card. As the beneficial owner, you have the right to direct your record holder regarding how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions. If you do not give instructions to your record holder prior to the meeting, the record holder will be entitled to vote your shares in its discretion on Proposal 1 (Election of Directors) and Proposal 2 (Ratification of Independent Registered Public Accounting Firm), but will not be able to vote your shares on Proposals 3 and 4 (Approval of Amendments to the 2006 Stock Incentive Plan) or Proposal 5 (Approval of Authorization of Preferred Stock), and your shares will be counted as a "broker non-vote" on those proposals.

As the beneficial owner of shares, you are invited to attend the annual meeting. Please note, however, that if you are a beneficial owner, you may not vote your shares in person at the meeting unless you obtain a "legal proxy" from the record holder that holds your shares.

Rules of the New York Stock Exchange (the "NYSE") determine whether proposals presented at stockholder meetings are "routine" or "non-routine." If a proposal is routine, a broker or other entity holding shares for an owner in street name may vote on the proposal without voting instructions from the owner. If a proposal is non-routine, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A "broker non-vote" occurs when the broker or other entity is unable to vote on a proposal because the proposal is non-routine and the owner does not provide instructions. As a result, brokers or other entities holding shares for an owner in street name may vote on routine proposals even if no voting instructions are provided by the owner.

The management and Board of Directors of the Company know of no other matters to be brought before the meeting. If other matters are properly presented to the stockholders for action at the meeting or any adjournments or postponements thereof, it is the intention of the proxy holders named in the proxy to vote in their discretion on all matters on which the shares of common stock represented by such proxy are entitled to vote.

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SUMMARY

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. To understand the proposals fully, you should carefully read this entire proxy statement.

General Information

Date, Time and Place of Meeting	The annual meeting will be held on Thursday, May 15, 2008 at 10:00 a.m. local time at the Scottsdale Marriott at McDowell Mountains, 16770 North Perimeter Drive, Scottsdale, Arizona 85260.
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Record Date	The record date for the annual meeting is March 31, 2008. Stockholders who hold shares of our stock at the close of business on the record date will be entitled to vote on the matters proposed in this proxy statement.
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Voting Information	You can vote in person at the annual meeting or submit a proxy to have your shares represented without attending the annual meeting. The shares represented by a properly executed proxy will be voted as you direct. To submit a proxy, you must fill out your proxy card and return it by mail, call the telephone number and follow the instructions on your proxy card or follow the instructions on your proxy card to submit your proxy via the Internet.
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You can revoke your proxy any time before it is voted by written notice delivered to the Company's Secretary, by timely delivery of a later signed proxy (including via the Internet or telephone), or by voting in person at the annual meeting. Attendance at the meeting alone is not sufficient to revoke your proxy. You must also vote your shares to revoke your proxy.

Quorum	The presence in person or by proxy of stockholders entitled to cast a majority of the votes entitled to be cast at the meeting is necessary to constitute a quorum at the meeting. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining whether a quorum exists.
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The Proposals

Election of Directors (page 6)	Steven J. Hilton, Raymond Oppel and Richard T. Burke, Sr., each of whom is presently serving as a Class I Director, are nominated for re-election.
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The Board of Directors recommends a vote "for" each of these directors. If a quorum is present, the three nominees who receive the most votes will be elected. Broker non-votes and votes that are withheld have no legal effect. Please vote on this matter.

Ratification of Auditor (page 7)

Ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2008 fiscal year.

The Board of Directors recommends a vote "for" this proposal. An affirmative vote of the majority of the shares present at the annual meeting is required to ratify the selection of Deloitte & Touche LLP as the Company's independent auditor. Broker non-votes and votes that are withheld have no legal effect. Please vote on this matter. If the appointment is not approved by the stockholders, the adverse vote will be considered a direction to the Audit Committee to consider other auditors for next year. However, because of the difficulty in making any substitution of auditors so long after the beginning of the current year, the appointment in 2008 will stand, unless the Audit Committee finds other good reason for making a change.

Approval of an Amendment to the 2006 Stock Incentive Plan to Increase the Number of Shares Available (page 8)

Under the 2006 Stock Incentive Plan, the Company's executives, officers, employees, non-employee directors, consultants and advisors are eligible to receive awards of stock options, stock appreciation rights, restricted stock awards, performance share awards and performance based awards. We are asking for your approval of two amendments to the 2006 Stock Incentive Plan. Each proposal is independent of, and not conditioned upon, approval of the other. The first amendment will increase the number of shares available under the Plan. We are asking for you to approve this amendment because the Board has determined that increasing the number of shares available for grant generally under the plan is necessary to be able to grant additional equity awards in order to continue to retain and motivate key employees in the current difficult homebuilding environment.

The Board of Directors has approved this amendment to the plan and recommends a vote "for" this proposal. The affirmative vote of a majority of the votes cast on the proposal is required for approval of this amendment to the 2006 Stock Incentive Plan, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. For purposes of the vote on this amendment, abstentions will have the same effect as votes against the proposal and broker non-votes will have the same effect as votes against the proposal, unless holders of more than 50% in interest of all securities entitled to vote on the proposal cast votes, in which event broker non-votes will not have any effect on the result of the vote.

Approval of an Amendment to the 2006 Stock Incentive Plan to Increase the Annual Limit on the Amount that can be Granted to any One Individual (page 8)

We are also asking for your approval of an amendment to the 2006 Stock Incentive Plan to change the maximum number of shares with respect to one or more awards that can be granted to a participant during a single year. The Board has determined that increasing the amount subject to the annual grant limitation is appropriate in order to retain and motivate key employees in the current difficult homebuilding environment.

We note that our equity grants are within guidelines established for our industry and similarly-sized companies by major stockholder advocate groups.

The Board of Directors has approved this amendment to the plan and recommends a vote "for" this proposal. The affirmative vote of a majority of the votes cast on the proposal is required for approval of this amendment to the 2006 Stock Incentive Plan, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. For purposes of the vote on this amendment, abstentions will have the same effect as votes against the proposal and broker non-votes will have the same effect as votes against the proposal, unless holders of more than 50% in interest of all securities entitled to vote on the proposal cast votes, in which event broker non-votes will not have any effect on the result of the vote.

Amendment to Charter to Authorize Preferred Stock (page 14)

Our last proposal asks you to approve an amendment to our charter that would increase the number of shares of capital stock the Company is authorized to issue from 125,000,000 to 135,000,000 by authorizing for issuance up to 10,000,000 shares of preferred stock ("Preferred Stock"), in addition to the currently authorized 125,000,000 shares of common stock.

We are asking you to approve the authorization of Preferred Stock to enhance our flexibility in structuring future public or private financing transactions. Because an issuance of Preferred Stock may be treated differently than an issuance of debt under the covenants contained in our current credit facilities and indentures, we believe that having the flexibility to issue Preferred Stock may be beneficial for purposes of being able to raise additional funds in the future, if needed, while maintaining compliance with those covenants.

The Board of Directors represents that it does not intend to issue, without prior stockholder approval, any series of Preferred Stock for any defensive or anti-takeover purpose, to implement any stockholder rights plan or with features intended to make any attempted acquisition of the Company more difficult or costly.

The Board of Directors has approved this amendment and recommends a vote "for" this proposal. The affirmative vote of holders of record of not less than a majority of the outstanding shares of common stock on the record date is required for approval of the proposed amendment to the charter. Because the affirmative vote of a majority of our outstanding shares is required to approve this proposal, broker non-votes and abstentions have the same effect as a vote against this proposal, so please vote.

**ELECTION OF DIRECTORS
(PROPOSAL NO. 1)**

Our Board of Directors currently has six members. The directors are divided into two classes serving staggered two-year terms. This year our Class I Directors are up for election. The Board, upon the recommendation of its Nominating/Governance Committee, has nominated Steven J. Hilton, Raymond Oppel and Richard T. Burke Sr., who are presently serving as Class I Directors, for re-election.

Biographical information for each of our director nominees is set forth below:

Steven J. Hilton, 46, was co-chairman and co-chief executive officer of Meritage Homes Corporation from 1997 to May 2006. In May 2006, Mr. Hilton was named the Company's chairman and chief executive officer. Mr. Hilton co-founded Arizona-based Monterey Homes in 1985. Under Mr. Hilton's leadership, Monterey became publicly traded and combined with Legacy Homes in 1997, which thereafter became Meritage. Mr. Hilton received his Bachelor of Science degree in accounting from the University of Arizona and is a director of Western Alliance Bancorporation, a \$4 billion community bank based in Las Vegas, Nevada.

Raymond Oppel, 51, has been a director since December 1997. He was the co-founder, chairman and chief executive officer of the Oppel Jenkins Group, a regional homebuilder in Texas and New Mexico, which was sold in 1995 to the public homebuilder KB Home. Mr. Oppel is a licensed real estate broker and currently is active as a private investor in real estate development and land banking. Mr. Oppel has over 18 years of experience in the homebuilding business.

Richard T. Burke, Sr., 64, was appointed as a director in September 2004. Mr. Burke is the Chairman of the Board of Directors of UnitedHealth Group, which he founded, took public in 1984 and served as chairman and chief executive officer until 1988. From 1995 until 2001, Mr. Burke was the owner and chief executive officer of the Phoenix Coyotes, a National Hockey League team. Mr. Burke is also a director of First Cash Financial Services, Inc.

All nominees have consented to serve as directors. The Board of Directors has no reason to believe that any of the nominees will be unable to act as a director. However, should a nominee become unable to serve or should a vacancy on the Board occur before the annual meeting, the Board may either reduce its size or designate a substitute nominee. If a substitute nominee is named, your shares will be voted for the election of the substitute nominee. In the vote on the election of the director nominees, stockholders may:

vote **FOR** all nominees;

vote to **WITHHOLD** votes for all nominees; or

WITHHOLD votes as to specific nominees.

Unless you tell us by your proxy to vote differently, your shares will be voted **FOR** the Board's nominees. If a quorum is present, the three nominees who receive the most votes will be elected. Broker non-votes and votes that are withheld have no effect.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE
ELECTION OF THE ABOVE-NAMED NOMINEES AS DIRECTORS.**

**RATIFICATION OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM
(PROPOSAL NO. 2)**

The Board of Directors seeks an indication from stockholders of their approval or disapproval of the Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2008.

Deloitte & Touche LLP was appointed our auditor in 2005 and no relationship exists other than the usual relationship between auditors and clients.

An affirmative vote of the majority of the shares present at the annual meeting is required to ratify the selection of Deloitte & Touche LLP as the Company's independent auditor. Broker non-votes and votes that are withheld have no effect. If the appointment of Deloitte & Touche LLP as auditors for 2008 is not approved by stockholders, the adverse vote will be considered a direction to the Audit Committee to consider other auditors for next year. However, because of the difficulty in making any substitution of auditors so long after the beginning of the current year, the appointment in 2008 will stand, unless the Audit Committee finds other good reason for making a change.

**THE BOARD OF DIRECTORS HAS APPROVED THIS PROPOSAL NO. 2 AND
THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR"
PROPOSAL NO. 2.**

AMENDMENTS TO THE 2006 STOCK INCENTIVE PLAN

Information Relating to Proposals 3 and 4

On January 16, 2008, our Board of Directors adopted, subject to stockholder approval, amendments to the Meritage Homes Corporation 2006 Stock Incentive Plan (the "2006 Stock Incentive Plan") that would increase the number of shares of common stock reserved for issuance under the plan from 700,000 (excluding shares remaining available for grant that were rolled into the 2006 Stock Incentive Plan from our former stock option plan) to 1,600,000 and change the maximum number of shares with respect to one or more awards that can be granted to any one person from an aggregate of 100,000 shares to 250,000 shares per year. Each of these amendments is set forth below in a separate proposal for approval by stockholders. Each proposal is independent of, and not conditioned upon, approval of the other. The affirmative vote of a majority of the votes cast is required for approval of this amendment to the 2006 Stock Incentive Plan, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. For purposes of the vote on the amendment, abstentions will have the same effect as votes against the proposal, and broker non-votes will have the same effect as votes against the proposal, unless holders of more than 50% in interest of all securities entitled to vote on the proposal cast votes, in which event broker non-votes will not have any effect on the result of the vote.

Certain material features of the plan are discussed below, however, the description is subject to, and qualified by the full text of the plan, attached as *Appendix A*, which includes the proposed amendments highlighted in bold. The closing price for our common stock on March 31, 2008, as reported on the NYSE, was \$19.32 per share.

The Board believes the 2006 Stock Incentive Plan promotes success and enhances our value, because it ties the personal interests of the participants to those of stockholders and provides the participants with an incentive for outstanding performance. The Executive Compensation Committee of the Board of Directors (the "Compensation Committee") administers the plan, and has exclusive authority over it, including the power to determine a participant's eligibility, the types of awards to be granted, the timing of the awards and the exercise price of awards.

In order to facilitate approval of this proposal and alleviate any stockholder concerns regarding the number of equity awards we intend to grant in a given year, our Compensation Committee and management commit to our stockholders that for fiscal years 2007, 2008 and 2009, we will not grant during such three fiscal years a number of shares subject to options or other awards such that the average number of shares granted during such three fiscal years is greater than 3.33% of the average number of shares of our common stock that were outstanding at the beginning of each of the three fiscal years ("Burn Rate"). For calculation purposes, the Burn Rate is determined as (i) for each fiscal year, the number of new grants for shares underlying options, SARs, and similar awards plus one and a half times the number of new grants for shares underlying other equity-related awards (including restricted stock and deferred stock) for which the participant does not pay the grant date share value, divided by (ii) the number of shares outstanding at the beginning of each corresponding fiscal year. This limitation applies to awards that can result in the delivery of shares but would exclude any plans assumed in connection with an acquisition.

Eligibility

Awards may be made to any officer, employee or executive of the Company, as well as to non-employee directors and consultants or advisors to the Company. As of December 31, 2007, there were five non-employee directors and approximately 140 officers and employees of the Company and its subsidiaries eligible to participate in the 2006 Stock Incentive Plan.

Types of Awards

The 2006 Stock Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock, performance shares and performance-based awards (each, an "Award"), whether granted alone or in combination, pursuant to which shares of common stock, cash or a combination thereof may be delivered to the Award recipient; provided that stock appreciation rights will be paid only in shares. Under the 2006 Stock Incentive Plan, the total number of shares of common stock available for future Awards is reduced by one share for each share issued in connection with an option or a stock appreciation right and by 1.38 shares for each share issued in connection with any other type of Award.

Options. An option is the right to purchase shares of common stock at a future date at a specified exercise price. The Executive Compensation Committee (the "Compensation Committee") may grant both nonqualified stock options and incentive stock options under the 2006 Stock Incentive Plan. The per share exercise price will be determined by the Compensation Committee, but must be at least equal to the fair market value of the underlying shares of common stock on the date of grant. The Compensation Committee determines the date after which options may be exercised in whole or in part and the expiration date of each option, which cannot be more than ten years from the date of grant. However, in the case of an incentive stock option granted to a participant who holds more than 10% of the voting power of the Company, the exercise price must be at least 110% of the fair market value of the underlying shares of common stock on the date of grant and the expiration date cannot be more than five years from the date of grant. The exercise price of an option may be paid in shares of common stock, cash or a combination thereof, as determined by the Compensation Committee, including an irrevocable commitment by a broker to pay the exercise price from the proceeds of a sale of shares issuable under the option, the delivery of previously owned shares or withholding of shares deliverable upon exercise. Options cannot be repriced (or cancelled and regranted at a lower exercise price) without shareholder approval, other than in connection with a change in the Company's capitalization.

Stock Appreciation Rights. A stock appreciation right is a right granted to the participant to receive, in shares of common stock, an amount equal to the appreciation of one share of common stock from the date of grant.

Restricted Stock Awards. Awards of shares of stock may be granted under the 2006 Stock Incentive Plan, although the shares are generally subject to a risk of forfeiture or to other conditions or restrictions during specified periods of time. The Compensation Committee does not typically issue a stock certificate representing a restricted stock award until the restrictions applicable to all or part of the award have lapsed, and the Compensation Committee has discretion to waive in whole or in part restrictions or forfeiture conditions relating to the restricted stock award.

Performance Share Awards. Performance share awards are rights to receive, in cash, shares of common stock or a combination thereof, an amount equal to the value of common stock if certain performance goals are attained.

Performance-Based Awards. The purpose of performance-based awards is to qualify restricted stock or performance share awards as "performance-based compensation" pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Section 162(m) of the Code limits the Company's federal income tax deduction for compensation paid to any of the executive officers named in the summary compensation table of its annual proxy statement. The limit is \$1 million per officer per year, with certain exceptions. However, the deductibility limit does not apply to "performance-based compensation" if the qualifying performance criteria and maximum amounts payable upon the satisfaction of performance goals are approved in advance by the Company's

stockholders. Stockholders approved the qualifying performance criteria and maximum amounts payable for purposes of Section 162(m) of the Code at the annual meeting of stockholders in 2006.

Notwithstanding the satisfaction of the performance criteria, the number of shares issued or the amount paid under an Award may be reduced by the Compensation Committee on the basis of such further considerations as the Compensation Committee in its sole discretion may determine.

Change in Control

If a change of control occurs and Awards are converted, assumed, or replaced by a successor, the Compensation Committee has the discretion to cause all outstanding Awards to become fully exercisable and all restrictions on outstanding Awards to lapse. If a change of control occurs and the Awards are not converted, assumed, or replaced by a successor, all outstanding Awards shall automatically become fully exercisable and all restrictions on outstanding Awards shall lapse.

Amendment to or Termination of the 2006 Stock Incentive Plan

The Compensation Committee, with the Board's approval, may amend, alter or discontinue the 2006 Stock Incentive Plan. However, other than in connection with a change in the Company's capitalization, no amendment may be made without stockholder approval if such amendment would:

increase the maximum number of shares of common stock for which Awards may be granted under the 2006 Stock Incentive Plan;

permit the Compensation Committee to grant options with an exercise price that is below the fair market value of a share of common stock on the date of grant;

permit the Compensation Committee to extend the exercise period for an option beyond ten years from the date of grant;

permit the Compensation Committee to reprice previously-granted options; or

require stockholder approval under any laws, regulation or stock exchange rule.

Plan Benefits

The following table sets forth grants of options and restricted shares through March 1, 2008 made under the 2006 Stock Incentive Plan since its inception to (i) each of our named executive officers, (ii) all current executive officers, as a group; (iii) all current directors and director nominees who are not executive officers, as a group; and (iv) all employees, including all current officers who are not

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executive officers, as a group. Grants under the plan are made at the discretion of the Board of Directors.

Individual Or Group Name	Number Of Shares Subject To Options and Non- Vested Shares Granted	Weighted Average Exercise Price Per Share
Executive Officers		
Steven J. Hilton	243,160	\$ 29.97
Larry W. Seay	154,000	\$ 26.00
C. Timothy White	87,500	\$ 25.73
Steven M. Davis	95,000	\$ 20.95
Sandra R.A. Karrmann	28,500	\$ 41.49
<hr/>		
Executive Officer Group (five persons)	608,160	\$ 27.49
<hr/>		
Non-Executive Officer Director Group		
Robert G. Sarver	28,500	\$ 19.69
Raymond Oppel	28,500	\$ 19.69
Peter L. Ax	28,500	\$ 19.69
Richard T. Burke, Sr.	28,500	\$ 19.69
Gerald W. Haddock	28,500	\$ 19.69
<hr/>		
Non-Executive Officer Director Group (five persons)	142,500	\$ 19.69
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Non-Executive Officer Employee Group (about 140 persons)	1,900,136	\$ 33.27
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PROPOSAL TO APPROVE AN AMENDMENT TO THE 2006 STOCK INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK AUTHORIZED FOR ISSUANCE THEREUNDER (PROPOSAL NO. 3)

The Board of Directors has reviewed the shares currently available under the 2006 Stock Incentive Plan and has determined that it is appropriate to increase the maximum number of shares authorized for issuance under the 2006 Stock Incentive Plan. As of March 31, 2008, (i) 28,444 shares have been issued upon exercise of options or vesting of non-vested shares under the 2006 Stock Incentive Plan, (ii) option grants representing 1,540,977 shares were outstanding under the 2006 Stock Incentive Plan and (iii) 137,832 shares of restricted stock had been awarded under the 2006 Stock Incentive Plan and not otherwise forfeited or cancelled. The total number of shares of common stock available for awards under the 2006 Stock Incentive Plan currently is 433,353, which the Board believes is inadequate for the purpose of providing future equity incentives. The Board has determined that increasing the amount of shares of common stock issuable under the 2006 Stock Incentive Plan is necessary in order to be able to grant additional equity awards to continue to retain and motivate key employees in the current difficult homebuilding environment. As a result, the Board is asking the stockholders to approve an amendment to the 2006 Stock Incentive Plan that would increase the number of shares authorized for issuance from 700,000 (excluding shares that were rolled into the 2006 Stock Incentive Plan from our former incentive plan) to 1,600,000.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSAL TO APPROVE AN AMENDMENT TO THE 2006 STOCK INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK AUTHORIZED FOR ISSUANCE THEREUNDER.

PROPOSAL TO APPROVE AN AMENDMENT TO THE 2006 STOCK INCENTIVE PLAN TO INCREASE THE LIMIT ON THE NUMBER OF SHARES OF COMMON STOCK WITH RESPECT TO ONE OR MORE AWARDS THAT MAY BE GRANTED TO A PARTICIPANT DURING A CALENDAR YEAR (PROPOSAL NO. 4)

During 2007, equity awards were approved under the 2006 Stock Incentive Plan that exceeded the plan's annual limitation on the number of shares with respect to one or more Awards that may be granted to any participant during a single calendar year. As a result, the Company withheld the awards that exceeded the annual limit, and determined that an amendment to the 2006 Stock Incentive Plan was warranted to enable larger grants.

The Board has determined that increasing the amount of shares subject to the annual grant limitation is appropriate in order to retain and motivate key employees in the current difficult homebuilding environment. We note that our equity grants are within guidelines established for our industry and similarly-sized companies by major stockholder advocate groups. The Board is asking the stockholders to approve this amendment to the 2006 Stock Incentive Plan that would change the maximum number of shares with respect to one or more Awards that could be issued to any one person from an aggregate of 100,000 shares to 250,000 shares per year.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSAL TO APPROVE AN AMENDMENT TO THE 2006 STOCK INCENTIVE PLAN TO INCREASE THE LIMIT ON THE NUMBER OF SHARES OF COMMON STOCK WITH RESPECT TO ONE OR MORE AWARDS THAT MAY BE GRANTED TO A PARTICIPANT DURING A CALENDAR YEAR.

**PROPOSAL TO APPROVE AUTHORIZATION OF PREFERRED STOCK
(PROPOSAL NO. 5)**

On January 16, 2008, the Board of Directors declared advisable and approved, subject to the approval of the stockholders, an amendment to the Company's Articles of Incorporation increasing the number of shares of capital stock the Company is authorized to issue from 125,000,000 to 135,000,000 by authorizing for issuance up to 10,000,000 shares of Preferred Stock, in addition to the currently authorized 125,000,000 shares of common stock. The proposed amendment to the Company's Articles of Incorporation is attached to this proxy statement as *Appendix B*.

Reasons for the Proposal

The proposed amendment, if approved by stockholders, will supplement our authorized common stock by creating an undesignated class of Preferred Stock. Although the Board of Directors has no immediate plans to issue Preferred Stock, the Board believes that the proposed authority to issue Preferred Stock will enhance the Company's flexibility in structuring future public or private financings and possible acquisitions. The Preferred Stock also may be useful in connection with stock dividends, equity compensation plans or other proper corporate actions.

Preferred stock provides investors with a preference over the common stockholders upon a liquidity event, usually in the amount invested, plus accrued but unpaid dividends, if any. Further, the conversion feature of Preferred Stock, if any, will generally enable an investor to choose between the amount it would receive upon conversion into common stock and the amount due under the preference.

Because an issuance of Preferred Stock may be treated differently than an issuance of debt under the covenants contained in our current credit facilities and indentures, we believe that having the flexibility to issue Preferred Stock may be beneficial for purposes of being able to raise additional funds in the future, if needed, while maintaining compliance with those covenants. In this regard, Preferred Stock established by the Board of Directors, if the charter amendment is approved, could be treated as equity, mezzanine, or debt on our balance sheet based on the underlying structure of the transaction. Dividends on the Preferred Stock, depending on how the security is structured, may or may not be considered as interest for purposes of interest coverage ratios. If Preferred Stock is authorized, we would have the opportunity to negotiate terms most beneficial to us, subject to market conditions, relative to our balance sheet and indebtedness.

Having the authority to issue Preferred Stock by Board action will enable us to develop equity securities with terms tailored to specific purposes and to avoid the possible delay associated with, and significant expense of, calling and holding a special meeting of stockholders to authorize additional capital stock. The Board believes that an enhanced ability to respond to opportunities and to favorable capital market conditions before the opportunities or conditions pass is in the best interests of the Company and its stockholders.

Effect of Amendment

If the proposal is approved, the Board of Directors would be authorized to issue at its discretion one or more series of Preferred Stock from time to time without any further shareholder action, unless additional shareholder action is required by law, the Articles of Incorporation, regulatory authorities or the rules of any stock exchange on which the Company's securities are then listed. The authority of the Board of Directors would include, among other things, establishing the number of shares constituting a series, dividend rights, voting rights, conversion or exchange privileges, redemption features, sinking fund provisions, and rights in the event of a voluntary or involuntary liquidation or dissolution.

Effect on Common Stock

It is not possible to state the actual effects of the proposed Preferred Stock upon the rights of holders of common stock until the Board of Directors determines the respective rights of the holders of one or more series of Preferred Stock. The issuance of shares of Preferred Stock may, however, adversely affect the rights of the holders of common stock. For example, in the absence of a proportionate increase in the Company's earnings and book value, an increase in the aggregate number of outstanding shares caused by the issuance of Preferred Stock would dilute the earnings per share and book value per share of all outstanding shares of common stock. In addition, a series of Preferred Stock could rank senior to the common stock as to dividend rights or liquidation preferences or both, may have full or enhanced voting rights, and may be convertible into shares of common stock. The effects of an issuance of Preferred Stock could include (i) reduction of the amount of funds otherwise available for payment of dividends on common stock, (ii) restrictions on dividends on common stock, (iii) dilution of the voting power of common stock, and (iv) restrictions on the rights of holders of common stock to share in the Company's assets on liquidation until satisfaction of any liquidation preference granted to the holders of Preferred Stock.

"De-Clawed" Blank Check Preferred Stock

The Board of Directors represents that it does not intend to issue, without prior stockholder approval, any series of Preferred Stock for any defensive or anti-takeover purpose, to implement any stockholder rights plan or with features intended to make any attempted acquisition of the Company more difficult or costly, without stockholder approval. However, within these limits, the Board of Directors may issue Preferred Stock for financing, acquisition or other corporate purposes that has the effect of making an acquisition of the Company more difficult or costly, as could also be the case if the Board were to issue additional common stock for such purposes. Consequently, the Board of Directors believes that, as structured, the Preferred Stock is in the best interests of the Company and its stockholders because it (i) is consistent with sound corporate governance principles and (ii) enhances our ability to take advantage of financing alternatives and acquisition opportunities.

Other Considerations

Notwithstanding the above, any Preferred Stock issued could make a change in control of the Company more difficult, and therefore less likely, by reducing the likelihood of an inexpensive hostile takeover attempt during times when our stock price experiences significant volatility. Any such issuance could dilute the stock ownership or voting rights of, or increase the costs to, a person seeking to obtain control of the Company, thereby deterring or rendering more difficult a merger, tender offer, proxy contest or other extraordinary transaction. To the extent that it impedes any such attempts, the amendment to our charter may serve to perpetuate current management.

The amendment to the Articles of Incorporation is not being proposed in response to any known effort or threat to acquire control of the Company and is not part of a plan by management to adopt a series of amendments to the charter and bylaws that would thwart such efforts.

Existing provisions in the Articles of Incorporation and bylaws may also have the effect of delaying or preventing a merger with or acquisition of the Company, even where the stockholders may consider it to be favorable. These provisions could also prevent or hinder an attempt by stockholders to replace our current directors and include: (i) a classified board of directors; (ii) a provision that directors may only be removed for cause (iii) a limitation on the maximum number of directors; (iv) a limitation on the ability of stockholders to call a special meeting of stockholders; (v) a provision that only the directors can amend the bylaws; and (vi) advance notice requirements for nominations for election to the Board of Directors or for proposing matters that can be acted on by stockholders at a stockholders meeting. In addition, the Maryland Business Combination statute provides, generally, that no

stockholder holding more than 10% of the outstanding shares of common stock may engage in a merger or other similar transaction with the Company for a period of five years after first obtaining that 10% stockholder position unless that acquisition, or the proposed merger or other transaction, were approved by the Board of Directors before the interested stockholder acquired the 10% or greater interest.

Approval Requirements

The affirmative vote of holders of record of not less than a majority of the outstanding shares of common stock on the record date is required for approval of the proposed amendment to the Articles of Incorporation. Because the affirmative vote of a majority of our outstanding shares is required to approve this proposal, broker non-votes and abstentions have the same effect as a vote against this proposal. If the proposed amendment is approved by the stockholders, it will become effective upon its acceptance by the State Department of Assessments and Taxation of Maryland, which is expected to occur as soon as reasonably practicable after approval.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE AMENDMENT TO OUR ARTICLES OF INCORPORATION AUTHORIZING THE ISSUANCE OF PREFERRED STOCK.

SECURITY OWNERSHIP BY MANAGEMENT AND PRINCIPAL STOCKHOLDERS

Management. The following table summarizes, as of March 17, 2008, the number and percentage of outstanding shares of our common stock beneficially owned by the following:

each Meritage director and nominee for director;

each executive officer named in the summary compensation table; and

all Meritage directors and executive officers as a group.

Name Of Beneficial Owner(1)	Position With The Company	Number Of Shares Owned(2)	Right To Acquire By May 16, 2008	Total Shares Beneficially Owned	Percent Of Outstanding Shares
Steven J. Hilton	Director, Chairman and CEO	1,849,054(3)	228,642	2,077,696	7.9
Robert G. Sarver	Director	474,000(4)	12,000	486,000	1.8
Raymond Oppel	Director	25,000(5)	22,000	47,000	*
Peter L. Ax	Director	14,000	12,000	26,000	*
Richard T. Burke, Sr.	Director	4,000	12,000	16,000	*
Gerald W. Haddock	Director	8,000(6)	2,000	10,000	*
Larry W. Seay	Executive Vice President, Chief Financial Officer	67,076	91,333	158,409	*
C. Timothy White	Executive Vice President, General Counsel and Secretary	21,264(6)	23,000	44,264	*
Steven M. Davis	Executive Vice President National Homebuilding Operations	5,000	3,000	8,000	*
Sandra R.A. Karrmann	Former Exec. Vice President, Chief Human Resources Officer				*
All current directors and executive officers as a group (10 persons)		2,467,394	405,975	2,873,369	10.9

*

Less than 1%.

(1)

The address for our directors and executive officers is c/o Meritage Homes Corporation, 17851 North 85th Street, Suite 300, Scottsdale, Arizona 85255.

(2)

The amounts shown include the shares of common stock actually owned as of March 17, 2008, and the shares that the person or group had the right to acquire within 60 days of that date. The number of shares includes shares of common stock owned of record by such person's spouse and minor children and by other related individuals and entities over whose shares of common stock such person has custody, voting control or the power of disposition. In calculating the percentage of ownership, all shares of common stock which the identified person had the right to acquire within 60 days of March 17, 2008 upon exercise of options are considered as outstanding for computing the percentage of the shares owned by that person or group, but are not considered as outstanding for computing the

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percentage of the shares of stock owned by any other person. The shares owned do not include any unvested restricted stock.

(3) Shares are held by family trusts. Subsequent to March 17, 2008, 800,000 of these shares were pledged to a third-party lending institution.

(4) Mr. Sarver is deemed to indirectly own an additional 8,000 shares through his family members, and 875,000 shares are owned by Southwest Value Partners Fund XIV, LP, an entity in which Mr. Sarver indirectly shares control over voting, purchase and disposition of these shares. Additionally, an entity of which Mr. Sarver is a member owns 1,000,000 shares of our common stock. Mr. Sarver has expressly disclaimed any beneficial ownership of these shares.

(5) 6,000 shares are owned indirectly by family trusts.

(6) All shares pledged to a third-party lending institution to secure a loan.

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Certain Other Beneficial Owners. Based on filings made under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of March 17, 2008, the only other known beneficial owners of more than 5% of Meritage common stock are shown in the following table:

Name of Other Beneficial Owners	Address Of Beneficial Owner	Shares Beneficially Owned	
		Number	Percent
LMM, LLC(1)	100 Light Street Baltimore, MD 21202	2,600,000	9.91%
Invesco, Ltd.(2)	1360 Peachtree Street NE Atlanta, GA 30309	2,492,536	9.50%
T. Rowe Price Associates, Inc.(3)	100 E. Pratt Street Baltimore, MD 21202	2,491,400	9.40%
Earnest Partners, LLC(4)	1180 Peachtree Street NE, Suite 2300 Atlanta, GA 30309	2,099,841	