

# **MERITAGE HOMES CORPORATION**

## **AUDIT COMMITTEE CHARTER**

### **I. PURPOSE AND AUTHORITY**

The primary function of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Meritage Homes Corporation (the “Corporation”) in fulfilling its oversight responsibilities by reviewing and reporting to the Board on the integrity of the financial reports and other financial information provided by the Corporation to governmental bodies and the public, and on compliance by the Corporation with applicable legal and regulatory requirements, including those relating to the Corporation’s internal audit department, the Corporation’s systems of internal control over financial reporting and the Corporation’s auditing, accounting and financial reporting processes. The Committee should encourage continuous improvement of, and foster adherence to, the Corporation’s policies, procedures and practices at all levels, and provide an open avenue of communication among the independent accountants, financial and senior management, the internal audit department, and the Board.

The Committee shall have the authority to obtain advice or assistance from consultants, legal counsel, accounting or other advisors as appropriate to perform its duties hereunder, and to determine the terms, costs and fees for such engagements and the Corporation shall provide appropriate funding for such expenses. Without limitation, the Committee shall have the sole authority to retain and terminate any independent registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Corporation and to determine and approve the terms, costs and fees for such engagements. The Corporation shall provide appropriate funding, as determined by the Committee, to permit the Committee to perform its duties under this charter, to compensate its advisors and to compensate any registered public accounting firm engaged by the Committee or Corporation. The Committee may request any officer or employee of the Corporation or the Corporation’s outside counsel or independent accountants to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee is not intended to be part of the Corporation’s operational or managerial decision-making process. The Corporation’s management, and not the Committee or the independent registered public accounting firm, is responsible for producing the Corporation’s financial statements and reports and for instituting and maintaining internal controls. The independent registered public accounting firm is responsible for attesting to the fair presentation of the financial statements in accordance with generally accepted accounting principles and upon the adequacy of the Corporation’s internal controls.

### **II. COMPOSITION**

The Committee shall be comprised of three or more directors. Each member of the Committee shall meet the independence and experience requirements of rules of the New York Stock Exchange (“NYSE”) and the Securities and Exchange Commission (“SEC”).

All members of the Committee shall be financially literate, and at least one member must be an audit committee financial expert as determined by the Board in accordance with the rules of the NYSE and SEC. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or outside providers and consultants.

No Committee member shall serve simultaneously on the audit committee of more than two other public companies without prior disclosure to the Committee and the Board and an affirmative determination by the Board that such service does not impair the ability of such member to serve effectively on the Committee.

The members of the Committee shall be appointed by the Board upon recommendation of the Nominating/Governance Committee. Any member may be removed by the Board at any time. The Committee Chair shall be selected by the Board upon recommendation of the Nominating/Governance Committee and shall preside at all regular sessions of the Committee.

### **III. MEETINGS**

The Committee shall meet regularly, generally four times per year, and as frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet periodically (and at least annually) with management, the internal audit department, and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee, or at least its Chair, should meet with the independent accountants and management quarterly to review the Corporation's financial statements consistent with Section IV.3 below. The Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

### **IV. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Committee shall:

#### **DOCUMENTS/REPORTS REVIEW**

1. Review and update this Charter periodically, but at least annually, as conditions dictate.
2. Review the Corporation's annual financial statements and any related reports, including any certification, report, opinion or review rendered by the independent accountants, and recommend whether the audited financial statements should be included in the Corporation's Form 10-K.
3. Review the Corporation's quarterly financial statements, including any certification, report, opinion or review rendered by the independent accountants, prior to its filing. The Chair of the Committee may represent the entire Committee for purposes of this review.
4. Prepare the Audit Committee report required by the rules of the SEC to be included in the Corporation's annual proxy statement.

## INDEPENDENT ACCOUNTANTS

5. Be directly and solely responsible for the appointment, compensation, retention and oversight of any independent accountants (including resolution of disagreements between management and the independent accountants regarding financial reporting) engaged by the Corporation for the purpose of preparing or issuing an audit report or related work, with each such independent accountant reporting directly to the Committee.
6. Approve in advance the engagement of the independent accountants for all audit services and non-audit services and approve the fees and other terms of any such engagement.
7. Review the performance of the independent accountants and approve any discharge of the independent accountants when circumstances warrant.
8. Periodically consult with the independent accountants out of the presence of management about internal controls and the completeness and accuracy of the Corporation's financial statements.
9. Discuss with the independent accountants at least annually (a) their internal quality control procedures, (b) any material issues raised by the most recent quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities (including the Public Company Accounting Oversight Board) within the preceding five years respecting one or more independent audits carried out by the firm and any steps taken to deal with any such issues, and (c) all relationships between the independent accountants and the Corporation (including personal relationships between the independent accountants and the Corporation's officers and directors).
10. Annually evaluate the qualifications, performance and independence of the independent accountants, including considering whether the accountants' quality controls are adequate and whether the provision of non-audit services is compatible with maintaining the accountants' independence, taking into account the opinions of management and the internal audit department.
11. Consult with the independent accountants to assure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit, consider issues related to the timing of such rotation and the transition to new lead and reviewing partners, and consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm, and report to the Board on its conclusions.
12. Not permit the hiring by the Corporation of employees and former employees of the independent accountants without the approval of the Committee after appropriate notice to, and discussions with, the supervising partner of the independent accountant.

13. As deemed appropriate, discuss with the national office of the independent accountants issues on which they were consulted by the Corporation's audit team and matters of audit quality and consistency.
14. Meet with the independent accountants annually prior to the audit to discuss the planning and staffing of the audit, and annually approve the audit plan.
15. Consider the tenure of the independent registered public accounting firm as the Corporation's independent auditor.

#### **INTERNAL AUDIT DEPARTMENT**

16. Review the appointment, replacement, and, as desired, compensation, of the Corporation's Vice President of Internal Audit/Compliance and other members of the internal audit department.
17. Review the performance of the internal audit department, and approve any proposed discharge of the Vice President of Internal Audit/Compliance when circumstances warrant.
18. Periodically consult with the Vice President of Internal Audit/Compliance out of the presence of management about internal controls and the Corporation's financial statements.
19. Review significant reports prepared for management or the Board by the internal audit department.
20. Discuss with management and the internal audit department the internal audit department's responsibilities, budget and staffing and the planned scope of the internal audit agenda.
21. Meet periodically with the internal audit department to discuss results of the internal audit department's work and the progress of the audit agenda.
22. Be available for consultation at the request of the Vice President of Internal Audit/Compliance.
23. Maintain procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. Adopt, as necessary, appropriate remedial measures or actions with respect to such complaints or concerns.

#### **FINANCIAL REPORTING POLICIES AND PROCESSES**

24. Review and discuss with management and the independent accountants the Corporation's annual audited financial statements. Such discussion shall include a discussion of any significant financial reporting issues and judgments made in connection with the preparation of such financial statements, including (a) any significant changes in the Corporation's selection or application of accounting principles, (b) any major issues as to the adequacy of the Corporation's internal controls, (c) any special audit steps adopted in light of any control deficiencies,

- (d) the development, selection and disclosure of critical accounting estimates, and  
(e) analyses of the effect of alternative assumptions, estimates or GAAP methods on the Corporation's financial statements.
25. Review, discuss and evaluate the appropriateness and completeness of the critical audit matters identified by the independent registered public accounting firm.
  26. Review and discuss with management and the independent accountants the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in the Corporation's periodic reports.
  27. Review and discuss with management the Corporation's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.
  28. Review and discuss with management and the independent accountants the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements, as well as the disclosure regarding such transactions and structures in the Corporation's public filings.
  29. Review and discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.
  30. Review with management its assessment of the effectiveness and adequacy of the Corporation's internal control structure and procedures for financial reporting, review annually with the independent accountants the attestation to and report on the assessment made by management, and consider with management, the internal audit department, and the independent accountants whether any changes to the internal controls are appropriate in light of management's assessment or the independent accountants' attestation.
  31. Review with the Chief Executive Officer and Chief Financial Officer of the Corporation any report on significant deficiencies in the design or operation of the internal controls that could adversely affect the Corporation's ability to record, process, summarize and report financial data, any material weaknesses in internal controls identified to the independent accountants, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls.
  32. Establish regular and separate systems of reporting to the Committee by each of management and the independent accountants of any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
  33. Following completion of the annual audit, review separately with management and the independent accountants any audit issues or difficulties encountered

during the course of the audit, including any restrictions on the scope of work or access to required information.

34. Review any significant disagreements among management and the independent accountants in connection with the preparation of the financial statements and management's response to any such disagreements.
35. Review with the independent accountants and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)

#### **ETHICAL AND LEGAL COMPLIANCE**

36. Review periodically the Corporation's Code of Ethics policies and ensure that management has established a system to enforce these policies.
37. Review management's monitoring of the Corporation's compliance with the Corporation's conduct policies, and ensure that management has the proper review system in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
38. Review, with the Corporation's counsel, legal and regulatory compliance matters including corporate securities trading policies.
39. Review and approve related-party transactions between the Corporation and management or Board members in accordance with the Corporation's Conflict of Interest Policy.
40. Review, with legal counsel (inside or outside), any legal matter that could have a significant impact on the Corporation's financial statements.
41. Regularly report to the Board on the Committee's activities, recommendations and conclusions.
42. Perform any other activities consistent with this Charter, the Corporation's charter and Bylaws, and governing law, as the Committee or the Board deems necessary or appropriate.

#### **PERFORMANCE REVIEW**

43. Annually review the Committee's own performance.