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

# FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2023**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number 1-9977**

MeritageHomes®

Setting the standard for energy-efficient homes®

## Meritage Homes Corporation
**(Exact Name of Registrant as Specified in its Charter)**

| | |
|---|---|
| **Maryland** | **86-0611231** |
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(IRS Employer Identification No.)** |

**8800 E. Raintree Drive, Suite 300, Scottsdale, Arizona 85260**

**(Address of Principal Executive Offices) (Zip Code)**

**(480) 515-8100**

**(Registrant's telephone number, including area code)**

**N/A**

**(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock $.01 par value | MTH | New York Stock Exchange |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by a checkmark whether the registrant has submitted electronically every Interactive Date File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by a checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Common shares outstanding as of April 24, 2023: 36,765,267

**MERITAGE HOMES CORPORATION**
**FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2023**
**TABLE OF CONTENTS**

## PART I - FINANCIAL INFORMATION

**Item 1. Financial Statements**

**MERITAGE HOMES CORPORATION AND SUBSIDIARIES**
**UNAUDITED CONSOLIDATED BALANCE SHEETS**
**(in thousands, except share amounts)**

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 957,210 | $ 861,561 |
| Other receivables | 209,315 | 215,019 |
| Real estate | 4,355,178 | 4,358,263 |
| Deposits on real estate under option or contract | 65,841 | 76,729 |
| Investments in unconsolidated entities | 11,280 | 11,753 |
| Property and equipment, net | 41,702 | 38,635 |
| Deferred tax assets, net | 44,801 | 45,452 |
| Prepaids, other assets and goodwill | 185,819 | 164,689 |
| Total assets | $ 5,871,146 | $ 5,772,101 |
| **Liabilities** | | |
| Accounts payable | $ 263,655 | $ 273,267 |
| Accrued liabilities | 341,634 | 360,615 |
| Home sale deposits | 47,892 | 37,961 |
| Loans payable and other borrowings | 6,889 | 7,057 |
| Senior notes, net | 1,143,866 | 1,143,590 |
| Total liabilities | 1,803,936 | 1,822,490 |
| **Stockholders' Equity** | | |
| Preferred stock, par value $0.01. Authorized 10,000,000 shares; none issued and outstanding at March 31, 2023 and December 31, 2022 | — | — |
| Common stock, par value $0.01. Authorized 125,000,000 shares; 36,765,267 and 36,571,393 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively | 368 | 366 |
| Additional paid-in capital | 324,101 | 327,878 |
| Retained earnings | 3,742,741 | 3,621,367 |
| Total stockholders' equity | 4,067,210 | 3,949,611 |
| Total liabilities and stockholders' equity | $ 5,871,146 | $ 5,772,101 |

See accompanying notes to unaudited consolidated financial statements

**MERITAGE HOMES CORPORATION AND SUBSIDIARIES**
**UNAUDITED CONSOLIDATED INCOME STATEMENTS**
**(in thousands, except per share amounts)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Homebuilding:** | | |
| Home closing revenue | $ 1,261,923 | $ 1,245,456 |
| Land closing revenue | 17,385 | 41,478 |
| Total closing revenue | 1,279,308 | 1,286,934 |
| Cost of home closings | (979,462) | (867,807) |
| Cost of land closings | (15,945) | (30,685) |
| Total cost of closings | (995,407) | (898,492) |
| Home closing gross profit | 282,461 | 377,649 |
| Land closing gross profit | 1,440 | 10,793 |
| Total closing gross profit | 283,901 | 388,442 |
| **Financial Services:** | | |
| Revenue | 5,731 | 4,672 |
| Expense | (3,067) | (2,512) |
| Earnings from financial services unconsolidated entities and other, net | 259 | 1,174 |
| Financial services profit | 2,923 | 3,334 |
| Commissions and other sales costs | (82,846) | (65,540) |
| General and administrative expenses | (47,519) | (39,995) |
| Interest expense | — | (41) |
| Other income/(expense), net | 8,844 | (317) |
| Earnings before income taxes | 165,303 | 285,883 |
| Provision for income taxes | (34,002) | (68,629) |
| Net earnings | $ 131,301 | $ 217,254 |
| Earnings per common share: | | |
| Basic | $ 3.58 | $ 5.87 |
| Diluted | $ 3.54 | $ 5.79 |
| Weighted average number of shares: | | |
| Basic | 36,664 | 36,996 |
| Diluted | 37,121 | 37,527 |

See accompanying notes to unaudited consolidated financial statements

**MERITAGE HOMES CORPORATION AND SUBSIDIARIES**
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2023** | **2022** |
| **Cash flows from operating activities:** | | |
| Net earnings | $ 131,301 | $ 217,254 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,208 | 5,759 |
| Stock-based compensation | 6,225 | 5,975 |
| Equity in earnings from unconsolidated entities | (1,346) | (936) |
| Distributions of earnings from unconsolidated entities | 1,776 | 1,069 |
| Other | 928 | 208 |
| Changes in assets and liabilities: | | |
| Decrease/(increase) in real estate | 2,999 | (283,885) |
| Decrease/(increase) in deposits on real estate under option or contract | 10,886 | (2,753) |
| Increase in other receivables, prepaids and other assets | (11,749) | (52,098) |
| (Decrease)/increase in accounts payable and accrued liabilities | (31,687) | 115,927 |
| Increase in home sale deposits | 9,931 | 5,668 |
| Net cash provided by operating activities | 124,472 | 12,188 |
| **Cash flows from investing activities:** | | |
| Distributions of capital from unconsolidated entities | 43 | — |
| Purchases of property and equipment | (8,899) | (6,423) |
| Proceeds from sales of property and equipment | 128 | 178 |
| Maturities/sales of investments and securities | — | 2,213 |
| Payments to purchase investments and securities | — | (2,213) |
| Net cash used in investing activities | (8,728) | (6,245) |
| **Cash flows from financing activities:** | | |
| Repayment of loans payable and other borrowings | (168) | (4,580) |
| Dividends paid | (9,927) | — |
| Repurchase of shares | (10,000) | (99,303) |
| Net cash used in financing activities | (20,095) | (103,883) |
| Net increase/(decrease) in cash and cash equivalents | 95,649 | (97,940) |
| Cash and cash equivalents, beginning of period | 861,561 | 618,335 |
| Cash and cash equivalents, end of period | $ 957,210 | $ 520,395 |

See Supplemental Disclosure of Cash Flow Information in Note 13.

See accompanying notes to unaudited consolidated financial statements

## MERITAGE HOMES CORPORATION AND SUBSIDIARIES
## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

***Organization.*** Meritage Homes Corporation ("Meritage Homes") is a leading designer and builder of single-family attached and detached homes. We primarily build in historically high-growth regions of the United States and offer a variety of entry-level and first move-up homes. We have operations in three regions: West, Central and East, which are comprised of ten states: Arizona, California, Colorado, Texas, Florida, Georgia, North Carolina, South Carolina, Tennessee and Utah. We also operate a financial services reporting segment. In this segment, we offer title and escrow, mortgage, and insurance services. Carefree Title Agency, Inc. ("Carefree Title"), our wholly-owned title company, provides title insurance and closing/settlement services to our homebuyers. Managing our own title operations allows us greater control over the entire escrow and closing cycles in addition to generating additional revenue. Meritage Homes Insurance Agency ("Meritage Insurance"), our wholly-owned insurance broker, works in collaboration with insurance companies nationwide to offer homeowners insurance and other insurance products to our homebuyers. Our financial services operations also provides mortgage services to our homebuyers through an unconsolidated joint venture.

We commenced our homebuilding operations in 1985 through our predecessor company, Monterey Homes. Meritage Homes Corporation was incorporated in the state of Maryland in 1988 under the name of Homeplex Mortgage Investments Corporation and merged with Monterey Homes in 1996, at which time our name was changed to Monterey Homes Corporation and later ultimately to Meritage Homes Corporation. Since that time, we have engaged in homebuilding and related activities. Meritage Homes Corporation operates as a holding company and has no independent assets or operations. Its homebuilding construction, development and sales activities are conducted through its subsidiaries. Our homebuilding activities are conducted under the name of Meritage Homes in each of our homebuilding markets. At March 31, 2023, we were actively selling homes in 278 communities, with base prices ranging from approximately $250,000 to $1,300,000.

***Basis of Presentation***. The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022. The unaudited consolidated financial statements include the accounts of Meritage Homes Corporation and those of our consolidated subsidiaries, partnerships and other entities in which we have a controlling financial interest, and of variable interest entities (see Note 3) in which we are deemed the primary beneficiary (collectively, "us", "we", "our" and "the Company"). Intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, the accompanying unaudited consolidated financial statements include all normal and recurring adjustments that are considered necessary for the fair presentation of our results for the interim periods presented. Results for interim periods are not necessarily indicative of results to be expected for the full fiscal year.

***Cash and Cash Equivalents.*** Liquid investments with an initial maturity of three months or less are classified as cash equivalents. Amounts in transit from title companies or closing agents for home closings of approximately $81.2 million and $161.5 million are included in Cash and cash equivalents at March 31, 2023 and December 31, 2022, respectively.

***Real Estate.*** Real estate inventory is stated at cost unless the community or land is determined to be impaired, at which point the inventory is written down to fair value as required by Accounting Standards Codification ("ASC") 360-10, *Property, Plant and Equipment* ("ASC 360-10"). Inventory includes the costs of land acquisition, land development and home construction, capitalized interest, real estate taxes, and direct overhead costs incurred during development and home construction that benefit the entire community, less impairments, if any. Land and development costs are typically allocated and transferred to homes when home construction begins. Home construction costs are accumulated on a per-home basis, while selling and marketing costs are expensed as incurred. Cost of home closings includes the specific construction costs of the home and all related allocated land acquisition, land development and other common costs (both incurred and estimated to be incurred) that are allocated based upon the total number of homes expected to be closed in each community or phase. Any changes to the estimated total development costs of a community or phase are allocated to the remaining homes in that community or phase. When a home closes, we may have incurred costs for goods and services that have not yet been paid. We accrue a liability to capture such obligations in connection with the home closing which is charged directly to Cost of home closings.

We capitalize qualifying interest to inventory during the development and construction periods. Capitalized interest is included in Cost of closings when the related inventory is closed. Included within our real estate inventory is land held for development and land held for sale. Land held for development primarily represents land and land development costs related to land where development activity is not currently underway but is expected to begin in the future. For these parcels, we have chosen not to currently develop certain land holdings as they typically represent a portion or phases of a larger land parcel that we plan to build out over several years. We do not capitalize interest for these inactive assets, and all ongoing costs of land ownership (i.e. property taxes, homeowner association dues, etc.) are expensed as incurred.

We rely on certain estimates to determine our construction and land development costs. Construction and land costs are comprised of direct and allocated costs, including estimated future costs. In determining these costs, we compile project budgets that are based on a variety of assumptions, including future construction schedules and costs to be incurred. Actual results can differ from budgeted amounts for various reasons, including construction delays, labor or material shortages, sales orders absorptions that differ from our expectations, increases in costs that have not yet been contracted, changes in governmental requirements, or other unanticipated issues encountered during construction and development and other factors beyond our control, including weather. To address uncertainty in these budgets, we assess, update and revise project budgets on a regular basis, utilizing the most current information available to estimate home construction and land development costs.

Typically, a community's life cycle ranges from three to five years, commencing with the acquisition of the land, continuing through the land development phase, if applicable, and concluding with the construction, sale and closing of the homes. Actual community lives will vary based on the size of the community, the sales orders absorption rates and whether the land purchased was raw, partially-developed or in finished status. Master-planned communities encompassing several phases and super-block land parcels may have significantly longer lives and projects involving smaller finished lot purchases may be significantly shorter.

All of our land inventory and related real estate assets are periodically reviewed for recoverability when certain criteria are met, but at least annually, as our inventory is considered “long-lived” in accordance with GAAP. Community-level reviews are performed quarterly to determine if indicators of potential impairment exist. If indicators of potential impairment exist and the undiscounted cash flows expected to be generated by an asset are lower than its carrying amount, impairment charges are recorded to write down the asset to its estimated fair value. The impairment of a community is allocated to each remaining unstarted lot in the community on a straight-line basis and is recognized in Cost of home closings in the period in which the impairment is determined. Our determination of fair value is based on projections and estimates. Changes in these expectations may lead to a change in the outcome of our impairment analysis, and actual results may also differ from our assumptions, although if financial metrics improve, we do not reverse impairments once recorded. See Note 2 for additional information related to real estate.

***Deposits.*** Deposits paid related to land option and purchase contracts are recorded and classified as Deposits on real estate under option or contract until the related land is purchased. Deposits are reclassified as a component of Real estate at the time the deposit is used to offset the acquisition price of the land based on the terms of the underlying agreements. To the extent they are non-refundable, deposits are expensed to Cost of home closings if the land acquisition is terminated or no longer considered probable. Since our acquisition contracts typically do not require specific performance, we do not consider such contracts to be contractual obligations to purchase the land and our total exposure under such contracts is limited to the loss of any non-refundable deposits and any related capitalized costs. Our Deposits on real estate under option or contract were $65.8 million and $76.7 million as of March 31, 2023 and December 31, 2022, respectively. See Note 3 for additional information related to Deposits on real estate.

***Goodwill.*** In accordance with ASC 350, *Intangibles, Goodwill and Other* ("ASC 350"), we analyze goodwill on an annual basis (or whenever indication of impairment exists) through a qualitative assessment to determine whether it is necessary to perform a goodwill impairment test. ASC 350 states that an entity may first assess qualitative factors to determine whether it is necessary to perform a goodwill impairment test. Such qualitative factors include: (1) macroeconomic conditions, such as a deterioration in general economic conditions, (2) industry and market considerations such as deterioration in the environment in which the entity operates, (3) cost factors such as increases in raw materials, labor costs, etc., and (4) overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings. If the qualitative analysis determines that additional impairment testing is required, a two-step impairment test in accordance with ASC 350 would be initiated. We continually evaluate our qualitative inputs to assess whether events and circumstances have occurred that indicate the goodwill balance may not be recoverable. See Note 9 for additional information on our goodwill assets.

***Leases.*** We lease certain office space and equipment for use in our operations. We assess each of these contracts to determine whether the arrangement contains a lease as defined by ASC 842, *Leases* ("ASC 842"). In order to meet the definition of a lease under ASC 842, the contractual arrangement must convey to us the right to control the use of an identifiable asset for a period of time in exchange for consideration. Leases that meet the criteria of ASC 842 are recorded on our balance sheets as right-of-use ("ROU") assets and lease liabilities. ROU assets are classified within Prepaids, other assets and goodwill on the accompanying unaudited consolidated balance sheets, while lease liabilities are classified within Accrued liabilities on the accompanying unaudited consolidated balance sheets.

The table below outlines our ROU assets and lease liabilities (in thousands):

| | As of | |
|---|---|---|
| | March 31, 2023 | December 31, 2022 |
| ROU assets | $ 20,419 | $ 19,129 |
| Lease liabilities | 23,481 | 22,782 |

***Off-Balance Sheet Arrangements - Joint Ventures*** We may participate in land development joint ventures as a means of accessing larger parcels of land, expanding our market opportunities, managing our risk profile, optimizing deal structure for the impacted parties and leveraging our capital, although our participation in such ventures is currently limited. See Note 4 for additional discussion of our investments in unconsolidated entities.

***Off-Balance Sheet Arrangements - Other.*** In the normal course of business, we may acquire lots from various development entities pursuant to purchase and option agreements. The purchase price generally approximates the market price at the date the contract is executed (with possible future escalators) and may have staggered purchase schedules. See Note 3 for additional information on these off-balance sheet arrangements.

***Surety Bonds and Letters of Credit.*** We provide surety bonds and letters of credit in support of our obligations relating to the development of our projects and other corporate purposes in lieu of cash deposits. The amount of these obligations outstanding at any time varies depending on the stage and level of our development activities. Bonds are generally not wholly released until all development activities under the bond are complete. In the event a bond or letter of credit is drawn upon, we would be obligated to reimburse the issuer for any amounts advanced under the bond or letter of credit. We believe it is unlikely that any significant amounts of these bonds or letters of credit will be drawn upon.

The table below outlines our surety bond and letter of credit obligations (in thousands):

| | As of | | | |
|---|---|---|---|---|
| | March 31, 2023 | | December 31, 2022 | |
| | Outstanding | Estimated work remaining to complete | Outstanding | Estimated work remaining to complete |
| Sureties: | | | | |
| Sureties related to owned projects and lots under contract | $ 949,137 | $ 646,649 | $ 926,928 | $ 616,028 |
| Total Sureties | $ 949,137 | $ 646,649 | $ 926,928 | $ 616,028 |
| Letters of Credit (“LOCs”): | | | | |
| LOCs for land development | 44,486 | N/A | 49,442 | N/A |
| LOCs for general corporate operations | 5,000 | N/A | 5,000 | N/A |
| Total LOCs | $ 49,486 | N/A | $ 54,442 | N/A |

***Accrued Liabilities***. Accrued liabilities at March 31, 2023 and December 31, 2022 consisted of the following (in thousands):

| | As of | |
|---|---|---|
| | March 31, 2023 | December 31, 2022 |
| Accruals related to real estate development and construction activities | $ 130,340 | $ 139,447 |
| Payroll and other benefits | 55,278 | 110,338 |
| Accrued interest | 21,225 | 7,026 |
| Accrued taxes | 56,427 | 25,182 |
| Warranty reserves | 37,063 | 35,575 |
| Lease liabilities | 23,481 | 22,782 |
| Other accruals | 17,820 | 20,265 |
| Total | $ 341,634 | $ 360,615 |

***Warranty Reserves.*** We provide home purchasers with limited warranties against certain building defects and we have certain obligations related to those post-construction warranties for closed homes. The specific terms and conditions of these limited warranties vary by state, but overall the nature of the warranties include a complete workmanship and materials warranty for the first year after the close of the home, a major mechanical warranty for two years after the close of the home and a structural warranty that typically extends up to 10 years after the close of the home. With the assistance of an actuary, we have estimated these reserves for the structural warranty based on the number of homes still under warranty and historical data and trends for our geographies. We may use industry data with respect to similar product types and geographic areas in markets where our experience is incomplete to draw a meaningful conclusion. We regularly review our warranty reserves and adjust them, as necessary, to reflect changes in trends as information becomes available. Based on such reviews of warranty costs incurred, we did not adjust the warranty reserve balance in the three months ended March 31, 2023 or 2022. Included in the warranty reserve balances at March 31, 2023 and December 31, 2022 are case-specific reserves for warranty matters, as discussed in Note 15.

A summary of changes in our warranty reserves follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | **2023** | **2022** |
| Balance, beginning of period | $ 35,575 | $ 26,264 |
| Additions to reserve from new home deliveries | 4,406 | 4,528 |
| Warranty claims | (2,918) | (4,125) |
| Adjustments to pre-existing reserves | — | — |
| Balance, end of period | $ 37,063 | $ 26,667 |

Warranty reserves are included in Accrued liabilities on the accompanying unaudited consolidated balance sheets, and additions and adjustments to the reserves are included in Cost of home closings within the accompanying unaudited consolidated income statements. These reserves are intended to cover costs associated with our contractual and statutory warranty obligations, which include, among other items, claims involving defective workmanship and materials. We believe that our total reserves, coupled with our contractual relationships and rights with our trades and the insurance we and our trades maintain, are sufficient to cover our general warranty obligations. However, unanticipated changes in legal, weather, environmental or other conditions could have an impact on our actual warranty costs, and future costs could differ significantly from our estimates.

***Revenue Recognition.*** In accordance with ASC 606, *Revenue from Contracts with Customers,* we apply the following steps in determining the timing and amount of revenue to recognize: (1) identify the contract with our customer; (2) identify the performance obligation(s) in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, if applicable; and (5) recognize revenue when (or as) we satisfy the performance obligations. The performance obligations and subsequent revenue recognition for our three sources of revenue are outlined below:

- Revenue from home closings is recognized when closings have occurred, the risks and rewards of ownership are transferred to the buyer, and we have no continuing involvement with the property, which is generally upon the close of escrow. Revenue is reported net of any discounts and incentives.
- Revenue from land closings is recognized when a significant down payment is received, title passes, and collectability of the receivable, if any, is reasonably assured, and we have no continuing involvement with the property, which is generally upon the close of escrow.
- Revenue from financial services is recognized when closings have occurred and all financial services have been rendered, which is generally upon the close of escrow.

Home closing and land closing revenue expected to be recognized in any future year related to remaining performance obligations (if any) and the associated contract liabilities expected to be recognized as revenue, excluding revenue pertaining to contracts that have an original expected duration of one year or less, is not material. Revenue from financial services includes estimated future insurance policy renewal commissions as our performance obligations are satisfied upon issuance of the initial policy with a third party broker. The related contract assets for these estimated future renewal commissions are not material at March 31, 2023 and December 31, 2022. Our three sources of revenue are disaggregated by type in the accompanying unaudited consolidated income statements.

***Recent Accounting Pronouncements.***

There are no recent accounting pronouncements that are expected to have a material impact on our financial statements or financial statement disclosures.

## NOTE 2 — REAL ESTATE AND CAPITALIZED INTEREST

Real estate consists of the following (in thousands):

| | As of | |
|---|---|---|
| | March 31, 2023 | December 31, 2022 |
| Homes under contract under construction [1] | $ 1,021,522 | $ 822,428 |
| Unsold homes, completed and under construction [1] | 896,093 | 1,155,543 |
| Model homes [1] | 107,291 | 97,198 |
| Finished home sites and home sites under development [2] [3] | 2,330,272 | 2,283,094 |
| Total | $ 4,355,178 | $ 4,358,263 |

(1) Includes the allocated land and land development costs associated with each lot for these homes.

(2) Includes raw land, land held for development and land held for sale, less impairments, if any. We do not capitalize interest for inactive assets, and all ongoing costs of land ownership (i.e. property taxes, homeowner association dues, etc.) are expensed as incurred.

(3) Includes land held for sale of $29.0 million and $66.8 million as of March 31, 2023 and December 31, 2022, respectively.

Subject to sufficient qualifying assets, we capitalize our development period interest costs incurred to applicable qualifying assets in connection with our real estate development and construction activities. Capitalized interest is allocated to active real estate when incurred and charged to Cost of closings when the related property is delivered. A summary of our capitalized interest is as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Capitalized interest, beginning of period | $ 60,169 | $ 56,253 |
| Interest incurred | 15,030 | 15,213 |
| Interest expensed | — | (41) |
| Interest amortized to cost of home and land closings | (12,747) | (12,343) |
| Capitalized interest, end of period | $ 62,452 | $ 59,082 |

## NOTE 3 — VARIABLE INTEREST ENTITIES AND CONSOLIDATED REAL ESTATE NOT OWNED

We enter into purchase and option agreements for land or lots as part of the normal course of business. These purchase and option agreements enable us to acquire properties at one or multiple future dates at pre-determined prices. We believe these acquisition structures allow us to better leverage our balance sheet and reduce our financial risk associated with land acquisitions. In accordance with ASC 810, *Consolidation*, we evaluate all purchase and option agreements for land to determine whether they are a variable interest entity ("VIE"), and if so, whether we are the primary beneficiary. Although we do not have legal title to the underlying land, if we are the primary beneficiary we are required to consolidate the VIE in our financial statements and reflect its assets and liabilities as Real estate not owned and Liabilities related to real estate not owned, respectively. As a result of our analyses, we determined that as of March 31, 2023 and December 31, 2022, we were not the primary beneficiary of any VIEs from which we have acquired rights to land or lots under option contracts.

The table below presents a summary of our lots under option at March 31, 2023 (dollars in thousands):

| | Projected Number of Lots | Purchase Price | Option/ Earnest Money Deposits–Cash | |
|---|---|---|---|---|
| Purchase and option contracts recorded on balance sheet as Real estate not owned | — | $ — | $ — | |
| Option contracts — non-refundable deposits, committed (1) | 7,331 | 420,173 | 39,412 | |
| Purchase contracts — non-refundable deposits, committed (1) | 5,881 | 192,681 | 15,311 | |
| Purchase and option contracts —refundable deposits, committed | 1,910 | 47,370 | 1,515 | |
| Total committed | 15,122 | 660,224 | 56,238 | |
| Purchase and option contracts — refundable deposits, uncommitted (2) | 18,928 | 704,227 | 9,603 | |
| Total lots under contract or option | 34,050 | $ 1,364,451 | $ 65,841 | |
| Total purchase and option contracts not recorded on balance sheet(3) | 34,050 | $ 1,364,451 | $ 65,841 | (4) |

(1) Deposits are non-refundable except if certain contractual conditions are not performed by the selling party.

(2) Deposits are refundable at our sole discretion. We have not completed our acquisition evaluation process and we have not internally committed to purchase these lots.

(3) Except for our specific performance contracts recorded on the accompanying unaudited consolidated balance sheets as Real estate not owned (if any), none of our purchase or option contracts require us to purchase lots.

(4) Amount is reflected on the accompanying unaudited consolidated balance sheets in Deposits on real estate under option or contract as of March 31, 2023.

Generally, our options to purchase lots remain effective so long as we purchase a pre-established minimum number of lots on a pre-determined schedule in accordance with each respective agreement. Although the pre-established number is typically structured to approximate our expected rate of home construction starts, during a weakened homebuilding market, we may purchase lots at an absorption level that exceeds our expected orders and home starts pace to meet the pre-established minimum number of lots or restructure our original contract to terms that more accurately reflect our revised orders pace expectations. During a strong homebuilding market, we may accelerate our pre-established minimum purchases if allowed by the contract.

**NOTE 4 - INVESTMENTS IN UNCONSOLIDATED ENTITIES**

We may enter into joint ventures as a means of accessing larger parcels of land, expanding our market opportunities, managing our risk profile, optimizing deal structure for the impacted parties and leveraging our capital. While purchasing land through a joint venture can be beneficial, currently we do not view joint ventures as critical to the success of our homebuilding operations. Our joint venture partners generally are other homebuilders, land sellers or other real estate investors. We generally do not have a controlling interest in these ventures, which means our joint venture partners could cause the venture to take actions we disagree with or fail to take actions we believe should be undertaken, including the sale of the underlying property to repay debt or recoup all or part of the partners' investments. Based on the structure of these joint ventures, they may or may not be consolidated into our results. As of March 31, 2023, we had two active equity-method land joint ventures and one mortgage joint venture, which is engaged in mortgage activities and primarily provides services to our homebuyers.

Summarized condensed combined financial information related to unconsolidated joint ventures that are accounted for using the equity method was as follows (in thousands):

| | As of | |
|---|---|---|
| | March 31, 2023 | December 31, 2022 |
| **Assets:** | | |
| Cash | $ 2,729 | $ 3,389 |
| Real estate | 18,031 | 17,965 |
| Other assets | 6,273 | 11,653 |
| Total assets | $ 27,033 | $ 33,007 |
| **Liabilities and equity:** | | |
| Accounts payable and other liabilities | $ 5,391 | $ 11,397 |
| Equity of: | | |
| Meritage [1] | 10,386 | 10,356 |
| Other | 11,256 | 11,254 |
| Total liabilities and equity | $ 27,033 | $ 33,007 |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Revenue | $ 9,516 | $ 9,238 |
| Costs and expenses | (8,351) | (8,272) |
| Net earnings of unconsolidated entities | $ 1,165 | $ 966 |
| Meritage’s share of pre-tax earnings [1] [2] | $ 1,346 | $ 984 |

(1) Balance represents Meritage’s interest, as reflected in the financial records of the respective joint ventures. This balance may differ from the balance reported in the accompanying unaudited consolidated financial statements due to the following reconciling items: (i) timing differences for revenue and distributions recognition, (ii) step-up basis and corresponding amortization, (iii) capitalization of interest on qualified assets, (iv) income deferrals as discussed in Note (2) below and (v) the cessation of allocation of losses from joint ventures in which we have previously written down our investment balance to zero and where we have no commitment to fund additional losses.

(2) Our share of pre-tax earnings/(loss) from our mortgage joint venture is recorded in Earnings from financial services unconsolidated entities and other, net on the accompanying unaudited consolidated income statements. Our share of pre-tax earnings/(loss) from all other joint ventures is recorded in Other income/(expense), net on the accompanying unaudited consolidated income statements and excludes joint venture profit related to lots we purchased from the joint ventures, if any. Such profit is deferred until homes are delivered by us and title passes to a homebuyer.

## NOTE 5 — LOANS PAYABLE AND OTHER BORROWINGS

Loans payable and other borrowings consist of the following (in thousands):

| | As of | |
|---|---|---|
| | March 31, 2023 | December 31, 2022 |
| Other borrowings, real estate notes payable[1] | $ 6,889 | $ 7,057 |
| $780.0 million unsecured revolving credit facility | — | — |
| Total | $ 6,889 | $ 7,057 |

(1) Reflects balance of non-recourse notes payable in connection with land purchases

The Company entered into an amended and restated unsecured revolving credit facility agreement ("Credit Facility") in 2014 that has been amended from time to time. In December 2021, the Credit Facility was amended to extend the maturity date to December 22, 2026 and replace LIBOR as the benchmark interest rate with the Secured Overnight Financing Rate ("SOFR") as described below. The Credit Facility's aggregate commitment is $780.0 million with an accordion feature permitting the size of the facility to increase to a maximum of $880.0 million, subject to certain conditions, including the availability of additional bank commitments. Borrowings under the Credit Facility bear interest at the Company's option, at either (1) term SOFR (based on 1, 3, or 6 month interest periods, as selected by the Company) plus a 10 basis point adjustment plus an applicable margin (ranging from 125 basis points to 175 basis points (the "applicable margin")) based on the Company's leverage ratio as determined in accordance with a pricing grid, (2) the higher of (i) the prime lending rate ("Prime"), (ii) an overnight bank rate plus 50 basis points and (iii) term SOFR (based on a 1 month interest period) plus a 10 basis point adjustment plus 1%, in each case plus a margin ranging from 25 basis points to 75 basis points based on the Company's leverage in accordance with a pricing grid, or (3) daily simple SOFR plus a 10 basis point adjustment plus the applicable margin. At March 31, 2023, the interest rate on outstanding borrowings under the Credit Facility would have been 6.150% per annum, calculated in accordance with option (1) discussed previously and using the 1 month term SOFR. We are obligated to pay a fee on the undrawn portion of the Credit Facility at a rate equal to the applicable margin then in effect.

The Credit Facility also contains certain financial covenants, including (a) a minimum tangible net worth requirement of $1.9 billion (which amount is subject to increase over time based on subsequent earnings and proceeds from equity offerings), and (b) a maximum leverage covenant that prohibits the leverage ratio (as defined therein) from exceeding 60%. In addition, we are required to maintain either (i) an interest coverage ratio (EBITDA to interest expense, as defined therein) of at least 1.50 to 1.00 or (ii) liquidity (as defined therein) of an amount not less than our consolidated interest incurred during the trailing 12 months. We were in compliance with all Credit Facility covenants as of March 31, 2023.

We had no outstanding borrowings under the Credit Facility as of March 31, 2023 and December 31, 2022. There were no borrowings or repayments under the Credit Facility during the three months ended March 31, 2023 and 2022. As of March 31, 2023, we had outstanding letters of credit issued under the Credit Facility totaling $49.5 million, leaving $730.5 million available under the Credit Facility to be drawn.

**NOTE 6 — SENIOR NOTES, NET**

Senior notes, net consist of the following (in thousands):

| | As of | |
|---|---|---|
| | **March 31, 2023** | **December 31, 2022** |
| 6.00% senior notes due 2025. At March 31, 2023 and December 31, 2022 there was approximately $1,773 and $1,977 in net unamortized premium, respectively. | 401,773 | 401,977 |
| 5.125% senior notes due 2027 | 300,000 | 300,000 |
| 3.875% senior notes due 2029 | 450,000 | 450,000 |
| Net debt issuance costs | (7,907) | (8,387) |
| Total | $ 1,143,866 | $ 1,143,590 |

The indentures for all of our senior notes contain non-financial covenants including, among others, limitations on the amount of secured debt we may incur, and limitations on sale and leaseback transactions and mergers. We were in compliance with all such covenants as of March 31, 2023.

Obligations to pay principal and interest on the senior notes are guaranteed by substantially all of our wholly-owned subsidiaries (each a “Guarantor” and, collectively, the “Guarantor Subsidiaries”), each of which is directly or indirectly 100% owned by Meritage Homes Corporation. Such guarantees are full and unconditional, and joint and several. In the event of a sale or other disposition of all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the equity interests of any Guarantor then held by Meritage and its subsidiaries, then that Guarantor may be released and relieved of any obligations under its note guarantee. There are no significant restrictions on our ability or the ability of any Guarantor to obtain funds from their respective subsidiaries, as applicable, by dividend or loan. We do not provide separate financial statements of the Guarantor Subsidiaries because Meritage (the parent company) has no independent assets or operations and the guarantees are full and unconditional and joint and several. Subsidiaries of Meritage Homes Corporation that are non-guarantor subsidiaries are, individually and in the aggregate, minor.

## NOTE 7 — FAIR VALUE DISCLOSURES

ASC 820-10, *Fair Value Measurement* ("ASC 820"), defines fair value, establishes a framework for measuring fair value and addresses required disclosures about fair value measurements. This standard establishes a three-level hierarchy for fair value measurements based upon the significant inputs used to determine fair value. Observable inputs are those which are obtained from market participants external to the Company while unobservable inputs are generally developed internally, utilizing management's estimates, assumptions and specific knowledge of the assets/liabilities and related markets. The three levels are defined as follows:

- Level 1 — Valuation is based on quoted prices in active markets for identical assets and liabilities.
- Level 2 — Valuation is determined from quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active, or by model-based techniques in which all significant inputs are observable in the market.
- Level 3 — Valuation is derived from model-based techniques in which at least one significant input is unobservable and based on the company's own estimates about the assumptions that market participants would use to value the asset or liability.

If the only observable inputs are from inactive markets or for transactions which the Company evaluates as "distressed", the use of Level 1 inputs should be modified by the Company to properly address these factors, or the reliance of such inputs may be limited, with a greater weight attributed to Level 3 inputs.

*Financial Instruments*: The fair value of our fixed-rate debt is derived from quoted market prices by independent dealers (Level 2 inputs as per the discussion above) and is as follows (in thousands):

| | As of | | | |
|---|---|---|---|---|
| | March 31, 2023 | | December 31, 2022 | |
| | Aggregate Principal | Estimated Fair Value | Aggregate Principal | Estimated Fair Value |
| 6.00% senior notes due 2025 | $ 400,000 | $ 402,000 | $ 400,000 | $ 397,520 |
| 5.125% senior notes due 2027 | $ 300,000 | $ 289,500 | $ 300,000 | $ 283,500 |
| 3.875% senior notes due 2029 | $ 450,000 | $ 398,250 | $ 450,000 | $ 380,610 |

Due to the short-term nature of other financial assets and liabilities, including our Loans payable and other borrowings, we consider the carrying amounts of our other short-term financial instruments to approximate fair value.

*Non-Financial Instruments:* Our Real estate assets are Level 3 instruments that are required to be recorded at fair value on non-recurring basis when events and circumstances indicate that the carrying value may not be recoverable. Refer to Note 1 for information regarding the valuation of these assets.

## NOTE 8 — EARNINGS PER SHARE

Basic and diluted earnings per common share were calculated as follows (in thousands, except per share amounts):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Basic weighted average number of shares outstanding | 36,664 | 36,996 |
| Effect of dilutive securities: | | |
| Unvested restricted stock | 457 | 531 |
| Diluted average shares outstanding | 37,121 | 37,527 |
| Net earnings | $ 131,301 | $ 217,254 |
| Basic earnings per share | $ 3.58 | $ 5.87 |
| Diluted earnings per share | $ 3.54 | $ 5.79 |

**NOTE 9 — ACQUISITIONS AND GOODWILL**

***Goodwill.*** In prior years, we have entered new markets through the acquisition of the homebuilding assets and operations of local/regional homebuilders in Georgia, South Carolina and Tennessee. As a result of these transactions, we recorded approximately $33.0 million of goodwill. Goodwill represents the excess purchase price of our acquisitions over the fair value of the net assets acquired. Our acquisitions were recorded in accordance with ASC 805, *Business Combinations*, and ASC 820, using the acquisition method of accounting. The purchase price for acquisitions was allocated based on estimated fair value of the assets and liabilities at the date of the acquisition. The combined excess purchase price of our acquisitions over the fair value of the net assets is classified as goodwill and is included in our unaudited consolidated balance sheets in Prepaids, other assets and goodwill. In accordance with ASC 350, we assess the recoverability of goodwill annually, or more frequently, if impairment indicators are present.

A summary of the carrying amount of goodwill follows (in thousands):

| | West | Central | East | Financial Services | Corporate | Total |
|---|---|---|---|---|---|---|
| Balance at December 31, 2022 | $ — | $ — | $ 32,962 | $ — | $ — | $ 32,962 |
| Additions | — | — | — | — | — | — |
| Balance at March 31, 2023 | $ — | $ — | $ 32,962 | $ — | $ — | $ 32,962 |

**NOTE 10 — STOCKHOLDERS' EQUITY**

A summary of changes in stockholders' equity is presented below (in thousands):

| | Three Months Ended March 31, 2023 (In thousands) | | | | |
|---|---|---|---|---|---|
| | **Number of Shares** | **Common Stock** | **Additional Paid-In Capital** | **Retained Earnings** | **Total** |
| Balance at December 31, 2022 | 36,571 | $ 366 | $ 327,878 | $ 3,621,367 | $ 3,949,611 |
| Net earnings | — | — | — | 131,301 | 131,301 |
| Stock-based compensation expense | — | — | 6,225 | — | 6,225 |
| Issuance of stock | 287 | 3 | (3) | — | — |
| Dividends declared | — | — | — | (9,927) | (9,927) |
| Repurchase of shares | (93) | (1) | (9,999) | — | (10,000) |
| Balance at March 31, 2023 | 36,765 | $ 368 | $ 324,101 | $ 3,742,741 | $ 4,067,210 |

| | Three Months Ended March 31, 2022 (In thousands) | | | | |
|---|---|---|---|---|---|
| | **Number of Shares** | **Common Stock** | **Additional Paid-In Capital** | **Retained Earnings** | **Total** |
| Balance at December 31, 2021 | 37,341 | $ 373 | $ 414,841 | $ 2,629,175 | $ 3,044,389 |
| Net earnings | — | — | — | 217,254 | 217,254 |
| Stock-based compensation expense | — | — | 5,975 | — | 5,975 |
| Issuance of stock | 392 | 4 | (4) | — | — |
| Repurchase of shares | (1,038) | (10) | (99,293) | — | (99,303) |
| Balance at March 31, 2022 | 36,695 | $ 367 | $ 321,519 | $ 2,846,429 | $ 3,168,315 |

On February 16, 2023, our Board of Directors approved the initiation of a recurring quarterly cash dividend on common stock of $0.27 per share. The first dividend was paid on March 31, 2023 to shareholders of record as of the close of trading on March 15, 2023.

**NOTE 11 — STOCK BASED AND DEFERRED COMPENSATION**

We have a stock compensation plan, the Meritage Homes Corporation 2018 Stock Incentive Plan (the “2018 Plan"), that was approved by our Board of Directors and our stockholders and adopted in May 2018. The 2018 Plan is administered by our Board of Directors and allows for the grant of stock appreciation rights, restricted stock awards, restricted stock units, performance share awards and performance-based awards in addition to non-qualified and incentive stock options. All available shares from expired, terminated, or forfeited awards that remained under prior plans were merged into and became available for grant under the 2018 Plan. The 2018 Plan authorizes awards to officers, key employees, non-employee directors and consultants. The 2018 Plan authorizes 6,600,000 shares of stock to be awarded, of which487,809 shares remain available for grant at March 31, 2023. We believe that such awards provide a means of performance-based compensation to attract and retain qualified employees and better align the interests of our employees with those of our stockholders. Non-vested stock awards are usually granted with a five-year ratable vesting period for employees, a three-year cliff vesting for both restricted stock and performance-based awards granted to senior executive officers and either a three-year cliff vesting or one-year vesting for non-employee directors, dependent on their start date.

Compensation cost related to time-based restricted stock awards is measured as of the closing price on the date of grant and is expensed, less forfeitures, on a straight-line basis over the vesting period of the award. Compensation cost related to performance-based restricted stock awards is also measured as of the closing price on the date of grant but is expensed in accordance with ASC 718-10-25-20, *Compensation – Stock Compensation* ("ASC 718"), which requires an assessment of probability of attainment of the performance target. As our performance targets are dependent on performance over a specified measurement period, once we determine that the performance target outcome is probable, the cumulative expense is recorded immediately with the remaining expense recorded on a straight-line basis through the end of the award vesting period. A portion of the performance-based restricted stock awards granted to our executive officers contain market conditions as defined by ASC 718. ASC 718 requires that compensation expense for stock awards with market conditions be expensed based on a derived grant date fair value and expensed over the service period. We engage a third party to perform a valuation analysis on the awards containing market conditions and our associated expense with those awards is based on the derived fair value from that analysis and is expensed straight-line over the service period of the awards. Below is a summary of stock-based compensation expense and stock award activity (dollars in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | **2023** | **2022** |
| Stock-based compensation expense | $ 6,225 | $ 5,975 |
| Non-vested shares granted | 178,312 | 264,862 |
| Performance-based non-vested shares granted | 42,964 | 40,004 |
| Performance-based shares issued in excess of target shares granted (1) | 26,167 | 37,146 |
| Restricted stock awards vested (includes performance-based awards) | 287,171 | 392,160 |

(1) Performance-based shares that vested and were issued as a result of performance achievement exceeding the originally established targeted number of shares related to respective performance metrics.

The following table includes additional information regarding our stock compensation plan (dollars in thousands):

| | As of | |
|---|---|---|
| | **March 31, 2023** | **December 31, 2022** |
| Unrecognized stock-based compensation cost | $ 42,820 | $ 29,187 |
| Weighted average years expense recognition period | 2.24 | 1.98 |
| Total equity awards outstanding (1) | 760,194 | 803,769 |

(1) Includes unvested restricted stock awards, restricted stock units and performance-based awards (assuming100%/target payout).

We also offer a non-qualified deferred compensation plan ("deferred compensation plan") to highly compensated employees in order to allow them additional pre-tax income deferrals above and beyond the limits that qualified plans, such as 401(k) plans, impose on highly compensated employees. We do not currently offer a contribution match on the deferred compensation plan. All contributions to the plan to date have been funded by the employees and, therefore, we have no associated expense related to the deferred compensation plan for the three months ended March 31, 2023 or 2022, other than minor administrative costs.

**NOTE 12 — INCOME TAXES**

Components of the income tax provision are as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Federal | $ 26,440 | $ 56,345 |
| State | 7,562 | 12,284 |
| Total | $ 34,002 | $ 68,629 |

The effective tax rate for the three months ended March 31, 2023 and 2022 was 20.6% and 24.0%, respectively. The lower tax rate for the three months ended March 31, 2023 reflects the increased §45L energy-efficient homes federal tax credit on qualifying homes under the Internal Revenue Code ("IRC") enacted in the Inflation Reduction Act ("IRA") in August 2022. There were no such credits available in the first three months of 2022.

The IRA retroactively extended the IRC §45L energy-efficient homes federal tax credit to homes delivered from January 1, 2022 through December 31, 2032, modified the energy standards required to qualify for the tax credit and increased the per-home credit amount starting in 2023. Among other provisions, the IRA also created a 15% corporate alternative minimum tax on certain profits and a 1% excise tax on net stock repurchases. The alternative minimum tax and excise tax were effective for us on January 1, 2023 and did not have a material impact on our consolidated financial statements for the three months ended March 31, 2023.

At March 31, 2023 and December 31, 2022, we have no unrecognized tax benefits. We believe our current income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change. Our policy is to accrue interest and penalties on unrecognized tax benefits and include them in the provision for income taxes.

We determine our deferred tax assets and liabilities in accordance with ASC 740, *Income Taxes*. We evaluate our deferred tax assets, including the benefit from net operating losses ("NOLs"), by jurisdiction to determine if a valuation allowance is required. This evaluation considers, among other matters, the nature, frequency and severity of cumulative losses, forecasts of future profitability, the length of statutory carry forward periods, experiences with operating losses and experiences of utilizing tax credit carry forwards and tax planning alternatives. We have no NOLs or credit carryovers, and determined that no valuation allowance on our deferred tax assets is necessary at March 31, 2023.

At March 31, 2023, we have $45.4 million in income taxes payable and no income taxes receivable. The income taxes payable primarily consists of current federal and state tax accruals, net of current energy tax credits and estimated tax payments and is recorded in Accrued liabilities on the accompanying unaudited consolidated balance sheets at March 31, 2023.

We conduct business and are subject to tax in the U.S. both federally and in several states. With few exceptions, we are no longer subject to U.S. federal, state, or local income tax examinations by taxing authorities for years prior to 2018. We have no federal or state income tax examinations being conducted at this time.

**NOTE 13 — SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

The following table presents certain supplemental cash flow information (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Cash paid during the year for: | | |
| Interest, net of interest capitalized | $ (14,706) | $ (15,035) |
| Income taxes paid | $ 1 | $ 3 |
| Non-cash operating activities: | | |
| Real estate acquired through notes payable | $ — | $ 9,589 |

## NOTE 14 — OPERATING AND REPORTING SEGMENTS

We operate with two principal business segments: homebuilding and financial services. As defined in ASC 280-10, *Segment Reporting*, we have ten homebuilding operating segments. The homebuilding segments are engaged in the business of acquiring and developing land, constructing homes, marketing and selling those homes and providing warranty and customer services. We aggregate our homebuilding operating segments into reporting segments based on similar long-term economic characteristics and geographical proximity. Our current reportable homebuilding segments are as follows:

| | |
|---|---|
| *West:* | Arizona, California, Colorado and Utah |
| *Central:* | Texas |
| *East:* | Florida, Georgia, North Carolina, South Carolina and Tennessee |

Management's evaluation of segment performance is based on segment operating income, which we define as home and land closing revenue less cost of home and land closings, including land development and other land sales costs, commissions and other sales costs, and other general and administrative costs incurred by or allocated to each segment, including impairments. Each reportable segment follows the same accounting policies described in Note 1, "Organization and Basis of Presentation." Operating results for each segment may not be indicative of the results for such segment had it been an independent, stand-alone entity for the periods presented.

The following segment information is in thousands:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2023** | **2022** |
| Homebuilding revenue (1): | | |
| West | $ 434,137 | $ 494,506 |
| Central | 425,450 | 355,624 |
| East | 419,721 | 436,804 |
| Consolidated total | $ 1,279,308 | $ 1,286,934 |
| Homebuilding segment operating income: | | |
| West | $ 38,809 | $ 120,856 |
| Central | 65,291 | 75,260 |
| East | 60,876 | 93,548 |
| Total homebuilding segment operating income | 164,976 | 289,664 |
| Financial services segment profit | 2,923 | 3,334 |
| Corporate and unallocated costs (2) | (11,440) | (6,757) |
| Interest expense | — | (41) |
| Other income/(expense), net | 8,844 | (317) |
| Earnings before income taxes | $ 165,303 | $ 285,883 |

(1) Homebuilding revenue includes the following land closing revenue, by segment:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2023** | **2022** |
| d closing revenue: | | |
| West | $ 16,815 | $ 31,082 |
| Central | 570 | 7,796 |
| East | — | 2,600 |
| Total | $ 17,385 | $ 41,478 |

(2) Balance consists primarily of corporate costs and shared service functions such as finance and treasury that are not allocated to the homebuilding or financial services reporting segments.

| | At March 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | West | Central | East | Financial Services | Corporate and Unallocated | Total |
| sits on real estate under option or contract | $ 16,577 | $ 8,445 | $ 40,819 | $ — | $ — | $ 65,841 |
| estate | 1,741,746 | 1,239,666 | 1,373,766 | — | — | 4,355,178 |
| tments in unconsolidated entities | 79 | 2,852 | 7,460 | — | 889 | 11,280 |
| r assets | 62,422 (1) | 232,602 (2) | 105,626 (3) | 1,499 | 1,036,698 (4) | 1,438,847 |
| assets | $ 1,820,824 | $ 1,483,565 | $ 1,527,671 | $ 1,499 | $ 1,037,587 | $ 5,871,146 |

(1) Balance consists primarily of cash and cash equivalents, prepaids and other assets and property and equipment, net

(2) Balance consists primarily of cash and cash equivalents, development reimbursements from local municipalities and prepaids and other assets.

(3) Balance consists primarily of cash and cash equivalents, goodwill (see Note 9), prepaids and other assets and property and equipment, net.

(4) Balance consists primarily of cash and cash equivalents, deferred tax assets and prepaids and other assets.

| | At December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | West | Central | East | Financial Services | Corporate and Unallocated | Total |
| Deposits on real estate under option or contract | $ 21,599 | $ 8,992 | $ 46,138 | $ — | $ — | $ 76,729 |
| Real estate | 1,775,879 | 1,298,455 | 1,283,929 | — | — | 4,358,263 |
| Investments in unconsolidated entities | 110 | 2,866 | 7,503 | — | 1,274 | 11,753 |
| Other assets | 99,267 (1) | 241,470 (2) | 132,181 (3) | 1,536 | 850,902 (4) | 1,325,356 |
| Total assets | $ 1,896,855 | $ 1,551,783 | $ 1,469,751 | $ 1,536 | $ 852,176 | $ 5,772,101 |

(1) Balance consists primarily of cash and cash equivalents, development reimbursements from local municipalities and property and equipment, net.

(2) Balance consists primarily of cash and cash equivalents, development reimbursements from local municipalities and prepaids and other assets

(3) Balance consists primarily of cash and cash equivalents, goodwill, prepaids and other assets and property and equipment, net

(4) Balance consists primarily of cash and cash equivalents, deferred tax assets and prepaids and other assets

## NOTE 15 — COMMITMENTS AND CONTINGENCIES

We are involved in various routine legal and regulatory proceedings, including, without limitation, claims and litigation alleging construction defects. In general, the proceedings are incidental to our business, and most exposure is subject to and should be covered by warranty and indemnity obligations of our consultants and subcontractors. Additionally, some such claims are also covered by insurance. With respect to the majority of pending litigation matters, our ultimate legal and financial responsibility, if any, cannot be estimated with certainty and, in most cases, any potential material losses related to these matters are not considered probable. Historically, most disputes regarding warranty claims are resolved prior to litigation. We believe there are no pending legal or warranty matters as of March 31, 2023 that could have a material adverse impact upon our consolidated financial condition, results of operations or cash flows that have not been sufficiently reserved.

As discussed in Note 1 under the heading “Warranty Reserves”, we have case specific reserves within our $37.1 million of total warranty reserves related to alleged stucco defects in certain homes we constructed predominantly between 2006 and 2017 and HVAC condensation issues in limited geographies for homes constructed and delivered in 2021 and the first half of 2022. Our review and handling of these matters is ongoing and our estimate of and reserves for resolving them is based on internal data, our judgment and various assumptions and estimates. Due to the degree of judgment and the potential for variability in our underlying assumptions and data, as we obtain additional information, we may revise our estimate and thus our related reserves. As of March 31, 2023, after considering potential recoveries from the consultants and contractors involved and their insurers and the potential recovery under our general liability insurance policies, we believe our reserves are sufficient to cover the above mentioned matter. See Note 1 for information related to our warranty obligations.

**Special Note of Caution Regarding Forward-Looking Statements**

In passing the Private Securities Litigation Reform Act of 1995 (“PSLRA”), Congress encouraged public companies to make “forward-looking statements” by creating a safe-harbor to protect companies from securities law liability in connection with forward-looking statements. We intend to qualify both our written and oral forward-looking statements for protection under the PSLRA.

The words “believe,” “expect,” “anticipate,” “forecast,” “plan,” “intend,” “may,” “will,” “should,” “could,” “estimate,” "target," and “project” and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. All statements we make other than statements of historical fact are forward-looking statements within the meaning of that term in Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements in this Annual Report include statements concerning our belief that we have ample liquidity; our goals, strategies and strategic initiatives including our all-spec strategy for entry-level homes and the anticipated benefits relating thereto; our intentions and the expected benefits and advantages of our product and land positioning strategies, including with respect to our focus on the first-time and first move-up buyer and housing demand for affordable homes; the benefits of and our intentions to use options to acquire land; our delivery of substantially all of our backlog existing as of period end; our positions and our expected outcome relating to litigation and regulatory proceedings in general; our intentions to pay quarterly dividends; that we may repurchase our debt and equity securities; our non-use of derivative financial instruments; expectations regarding our industry and our business for the remainder of 2023 and beyond, including our all-spec strategy for entry-level homes; the demand for and the pricing of our homes; our land and lot acquisition strategy (including that we will redeploy cash to acquire well-positioned finished lots and that we may participate in joint ventures or opportunities outside of our existing markets if opportunities arise and the benefits relating thereto); that we may expand into new markets; the availability of labor and materials for our operations; that we may seek additional debt or equity capital; our expectation that existing guarantees, letters of credit and performance and surety bonds will not be drawn on; the sufficiency of our insurance coverage and warranty reserves; the sufficiency of our capital resources to support our business strategy; the sufficiency of our land pipeline; the impact of new accounting standards and changes in accounting estimates; trends and expectations concerning future demand for homes, home construction cycle times, sales prices, sales orders, cancellations, construction and materials costs and availability, gross margins, land costs, community counts and profitability and future home supply and inventories; our future cash needs and sources; the impact of seasonality; and our future compliance with debt covenants.

Important factors that could cause actual results to differ materially from those in forward-looking statements, and that could negatively affect our business include, but are not limited to, the following: increases in mortgage interest rates and the availability and pricing of residential mortgages; inflation in the cost of materials used to develop communities and construct homes; cancellation rates; supply chain and labor constraints; the ability of our potential buyers to sell their existing homes; our ability to acquire and develop lots may be negatively impacted if we are unable to obtain performance and surety bonds; the adverse effect of slow absorption rates; legislation related to tariffs; impairments of our real estate inventory; competition; home warranty and construction defect claims; failures in health and safety performance; fluctuations in quarterly operating results; our level of indebtedness; our ability to obtain financing if our credit ratings are downgraded; our potential exposure to and impacts from natural disasters or severe weather conditions; the availability and cost of finished lots and undeveloped land; the success of our strategy to offer and market entry-level and first move-up homes; a change to the feasibility of projects under option or contract that could result in the write-down or write-off of earnest money or option deposits; our limited geographic diversification; the replication of our energy-efficient technologies by our competitors; shortages in the availability and cost of subcontract labor; our exposure to information technology failures and security breaches and the impact thereof; the loss of key personnel; changes in tax laws that adversely impact us or our homebuyers; our inability to prevail on contested tax positions; failure of our employees and representatives to comply with laws and regulations; our compliance with government regulations related to our financial services operations; negative publicity that affects our reputation; potential disruptions to our business by an epidemic or pandemic (such as COVID-19), and measures that federal, state and local governments and/or health authorities implement to address it; and other factors identified in documents filed by the Company with the Securities and Exchange Commission, including those set forth in our Form 10-K for the year ended December 31, 2022 under the caption "Risk Factors."

Forward-looking statements express expectations of future events. All forward-looking statements are inherently uncertain, as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties that could cause actual events or results to differ materially from those projected. Due to these inherent uncertainties, the investment community is urged not to place undue reliance on forward-looking statements. In addition, we disclaim and undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to projections over time, except as required by law.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*Overview and Outlook*

In the first quarter of 2023, housing demand was stronger than anticipated despite ongoing economic uncertainty, the regional banking turmoil and continuing volatility in interest rates. We saw demand stabilize as we entered the spring selling season as buyers acclimated to the current interest rate environment. Homebuyers are looking for quick move-in homes, which are increasingly difficult to find as the shortage of readily-available new inventory coupled with extremely limited resale inventory persists, especially in the markets where we operate. We expect the housing undersupply and favorable demographics to provide a strong long-term runway for future homebuying demand, and believe that our affordable, all-spec strategy with a focus on the largest buying segments of millennials and move-down buyers, provides us the opportunity to capitalize on that demand and continue to grow our market share.

Production costs and cycle times continue to be elevated due to the continuing labor and supply chain issues that first presented themselves in 2020; however, in the first quarter of 2023 our construction cycle was approximately a week shorter than the same period last year. We continue to carefully navigate this volatile and constrained operating environment by rebidding all costs with our vendors, expanding our vendor base and strengthening existing critical relationships. We expect that over time, with lower, normalized volume in the homebuilding market, costs will begin to decline and cycle times will continue to shorten.

*Summary Company Results*

We achieved our highest first quarter home closing revenue and volume of $1.3 billion on 2,897 homes in the first quarter of 2023, compared to $1.2 billion on 2,858 homes closed for the first quarter of 2022. The 1.3% increase in home closing revenue year-over-year was driven entirely by the 1.4% higher volume, as average sales price ("ASP") on closings was flat. First quarter home closing gross margin declined 790 basis points to 22.4%, for home closing gross profit of $282.5 million compared to $377.6 million in the first quarter of 2022. The margin deterioration is the combined effect of higher direct costs and increased incentives offered in response to the market slowdown that begin in the latter months of 2022. Commissions and other sales costs of $82.8 million increased $17.3 million due to higher spend on commissions and advertising costs. General and administrative expenses of $47.5 million in the three months ended March 31, 2023 increased due to severance-related costs and higher spend on technology and insurance, compared to $40.0 million in the prior year quarter. Earnings before income taxes for the first quarter of 2023 of $165.3 million decreased $120.6 million year over year from $285.9 million in 2022. The lower effective income tax rate of 20.6% compared to 24.0% in 2022 reflects the benefit from earned eligible energy tax credits on qualifying homes under the Inflation Reduction Act ("IRA") enacted in August 2022. The decrease in year-over-year profitability partially offset by a lower tax rate, resulted in net earnings of $131.3 million in the first quarter of 2023 versus $217.3 million in the first quarter of 2022.

Home orders of 3,487 for the quarter ended March 31, 2023 were 10.0% lower than the first quarter of 2022, which was our highest quarterly orders volume in Company history. Order volume declined despite a 4.2% increase in average active communities due to relatively softer demand, resulting in a 14.3% decline in orders pace to 4.2 per month compared to 4.9 per month in 2022. We exceeded our orders pace target of 3 - 4 homes per month in the first quarter of 2023 due to the availability of move-in ready homes and a combination of price cuts, mortgage interest rate locks and buy downs, and other incentives tailored to the customer expectations in each of our markets. Our cancellation rate declined to 15% sequentially in the first quarter of 2023 from 39% in the fourth quarter of 2022, returning to a normalized rate. Home order value decreased 14.8% year-over-year, to $1.5 billion during the three months ended March 31, 2023, versus $1.8 billion in the same period of 2022, due to the lower volume as well as a 5.3% decrease in ASP on orders. The lower ASP on orders was due to offering increased incentives to alleviate homebuyer concerns of affordability. We ended the first quarter of 2023 with 3,922 homes in backlog valued at $1.8 billion, a decrease in units and value of 41.4% and 42.0%, respectively, from March 31, 2022. The decrease in backlog units is due to an 86.9% backlog conversion rate combined with lower order volume in the first quarter of 2023.

We ended the first quarter of 2023 with 278 active communities, up from 268 at March 31, 2022 and up sequentially from 271 at December 31, 2022. We purchased approximately 2,100 lots for $89.1 million, spent $221.0 million on land development and started construction on 2,462 homes during the three months ended March 31, 2023.

In recognition of our ongoing efforts to improve the energy efficiency of our homes, we were awarded the 2023 ENERGY STAR® Partner of the Year for Sustained Excellence by the Environmental Protection Agency during the first quarter of 2023, making us a ten-time recipient of this award since 2013.

*Company Positioning*

We believe that the investments in our new communities designed for the first-time and first move-up homebuyer, our commitment to an all-spec strategy for our entry-level homes, our simplified first move-up design studio process, and industry-leading innovation in energy-efficient product offerings and automation, create a differentiated strategy that has aided us in our growth in the highly competitive new home market.

Our focus on growing our community count and market share includes the following strategic initiatives:

- Achieving or maintaining a position of at least 5% market share in all of our markets;
- Delivering affordable homes on a shorter timeline through simplification of production processes and maintaining market-appropriate levels of spec inventory;
- Continuously improving the overall home buying experience through simplification and innovation;
- Maintaining our home closing gross profit by growing closing volume, allowing us to better leverage our overhead;
- Leveraging and expanding on technological solutions through digital offerings to our customers, such as our virtual home tours, interactive maps, digital financial services offerings and online warranty portal; and
- Increasing homeowner satisfaction by offering healthier, energy-efficient homes that come equipped with a suite of home automation standard features.

In addition to these strategic initiatives, we also remain committed to the following:

- Carefully managing our liquidity and a strong balance sheet; we ended the first quarter with a 22.1% debt-to-capital ratio and a 4.5% net debt-to-capital ratio;
- Maximizing returns to our shareholders through improved financial performance, dividend payments and share repurchases;
- Managing construction efficiencies and costs through national and regional vendor relationships with a focus on timely, quality construction and warranty management;
- Promoting a positive environment for our employees through our commitment to foster diversity, equity, and inclusion ("DE&I") and providing market-competitive benefits in order to develop and motivate our employees and to minimize turnover and to maximize recruitment efforts;
- Maintaining a solid orders pace through the use of our consumer and market research to ensure that we build homes that offer our buyers their desired features and amenities; and
- Continuing to innovate and promote our energy efficiency program and our M.Connected® Automation Suite to create differentiation for the Meritage brand.

***Critical Accounting Estimates***

The critical accounting estimates that we deem to involve the most difficult, subjective or complex judgments include valuation of real estate and cost of home closings, warranty reserves and valuation of deferred tax assets. There have been no significant changes to our critical accounting estimates during the three months ended March 31, 2023 compared to those disclosed in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, included in our 2022 Annual Report on Form 10-K.

***Home Closing Revenue, Home Orders and Order Backlog***

The composition of our closings, home orders and backlog is constantly changing and is based on a changing mix of communities with various price points between periods as new projects open and existing projects wind down and close-out. Further, individual homes within a community can range significantly in price due to differing square footage, option selections, lot sizes and quality and location of lots (e.g. cul-de-sac, view lots, greenbelt lots). These variations result in a lack of meaningful comparability between our home orders, closings and backlog due to the changing mix between periods. The tables on the following pages present operating and financial data that we consider most critical to managing our operations (dollars in thousands):

| | Three Months Ended March 31, | | Quarter over Quarter | |
|---|---|---|---|---|
| | **2023** | **2022** | **Change $** | **Change %** |
| **Home Closing Revenue** | | | | |
| **Total** | | | | |
| Dollars | $ 1,261,923 | $ 1,245,456 | $ 16,467 | 1.3 % |
| Homes closed | 2,897 | 2,858 | 39 | 1.4 % |
| Average sales price | $ 435.6 | $ 435.8 | $ (0.2) | — % |
| **West Region** | | | | |
| Arizona | | | | |
| Dollars | $ 143,585 | $ 198,095 | $ (54,510) | (27.5) % |
| Homes closed | 355 | 458 | (103) | (22.5) % |
| Average sales price | $ 404.5 | $ 432.5 | $ (28.0) | (6.5) % |
| California | | | | |
| Dollars | $ 178,035 | $ 187,410 | $ (9,375) | (5.0) % |
| Homes closed | 270 | 275 | (5) | (1.8) % |
| Average sales price | $ 659.4 | $ 681.5 | $ (22.1) | (3.2) % |
| Colorado | | | | |
| Dollars | $ 95,702 | $ 77,919 | $ 17,783 | 22.8 % |
| Homes closed | 160 | 131 | 29 | 22.1 % |
| Average sales price | $ 598.1 | $ 594.8 | $ 3.3 | 0.6 % |
| ***West Region Totals*** | | | | |
| *Dollars* | $ 417,322 | $ 463,424 | $ (46,102) | (9.9) % |
| *Homes closed* | 785 | 864 | (79) | (9.1) % |
| *Average sales price* | $ 531.6 | $ 536.4 | $ (4.8) | (0.9) % |
| **Central Region - Texas** | | | | |
| ***Central Region Totals*** | | | | |
| *Dollars* | $ 424,880 | $ 347,828 | $ 77,052 | 22.2 % |
| *Homes closed* | 1,048 | 873 | 175 | 20.0 % |
| *Average sales price* | $ 405.4 | $ 398.4 | $ 7.0 | 1.8 % |
| **East Region** | | | | |
| Florida | | | | |
| Dollars | $ 170,856 | $ 168,075 | $ 2,781 | 1.7 % |
| Homes closed | 427 | 438 | (11) | (2.5) % |
| Average sales price | $ 400.1 | $ 383.7 | $ 16.4 | 4.3 % |
| Georgia | | | | |
| Dollars | $ 59,541 | $ 56,434 | $ 3,107 | 5.5 % |
| Homes closed | 142 | 127 | 15 | 11.8 % |
| Average sales price | $ 419.3 | $ 444.4 | $ (25.1) | (5.6) % |
| North Carolina | | | | |
| Dollars | $ 120,065 | $ 119,004 | $ 1,061 | 0.9 % |
| Homes closed | 309 | 297 | 12 | 4.0 % |
| Average sales price | $ 388.6 | $ 400.7 | $ (12.1) | (3.0) % |
| South Carolina | | | | |
| Dollars | $ 27,628 | $ 39,713 | $ (12,085) | (30.4) % |
| Homes closed | 87 | 121 | (34) | (28.1) % |
| Average sales price | $ 317.6 | $ 328.2 | $ (10.6) | (3.2) % |
| Tennessee | | | | |
| Dollars | $ 41,631 | $ 50,978 | $ (9,347) | (18.3) % |
| Homes closed | 99 | 138 | (39) | (28.3) % |
| Average sales price | $ 420.5 | $ 369.4 | $ 51.1 | 13.8 % |
| ***East Region Totals*** | | | | |
| *Dollars* | $ 419,721 | $ 434,204 | $ (14,483) | (3.3) % |
| *Homes closed* | 1,064 | 1,121 | (57) | (5.1) % |
| *Average sales price* | $ 394.5 | $ 387.3 | $ 7.2 | 1.9 % |

| | Three Months Ended March 31, 2023 | Three Months Ended March 31, 2022 | Quarter over Quarter Change $ | Quarter over Quarter Change % |
|---|---|---|---|---|
| **Home Orders** [1] | | | | |
| **Total** | | | | |
| Dollars | $ 1,506,893 | $ 1,767,710 | $ (260,817) | (14.8) % |
| Homes ordered | 3,487 | 3,874 | (387) | (10.0) % |
| Average sales price | $ 432.1 | $ 456.3 | $ (24.2) | (5.3) % |
| **West Region** | | | | |
| Arizona | | | | |
| Dollars | $ 268,238 | $ 240,007 | $ 28,231 | 11.8 % |
| Homes ordered | 704 | 550 | 154 | 28.0 % |
| Average sales price | $ 381.0 | $ 436.4 | $ (55.4) | (12.7) % |
| California | | | | |
| Dollars | $ 272,674 | $ 247,343 | $ 25,331 | 10.2 % |
| Homes ordered | 420 | 346 | 74 | 21.4 % |
| Average sales price | $ 649.2 | $ 714.9 | $ (65.7) | (9.2) % |
| Colorado | | | | |
| Dollars | $ 95,024 | $ 125,999 | $ (30,975) | (24.6) % |
| Homes ordered | 162 | 209 | (47) | (22.5) % |
| Average sales price | $ 586.6 | $ 602.9 | $ (16.3) | (2.7) % |
| ***West Region Totals*** | | | | |
| *Dollars* | $ 635,936 | $ 613,349 | $ 22,587 | 3.7 % |
| *Homes ordered* | 1,286 | 1,105 | 181 | 16.4 % |
| *Average sales price* | $ 494.5 | $ 555.1 | $ (60.6) | (10.9) % |
| **Central Region - Texas** | | | | |
| ***Central Region Totals*** | | | | |
| *Dollars* | $ 420,521 | $ 548,567 | $ (128,046) | (23.3) % |
| *Homes ordered* | 1,073 | 1,296 | (223) | (17.2) % |
| *Average sales price* | $ 391.9 | $ 423.3 | $ (31.4) | (7.4) % |
| **East Region** | | | | |
| Florida | | | | |
| Dollars | $ 156,787 | $ 226,914 | $ (70,127) | (30.9) % |
| Homes ordered | 376 | 572 | (196) | (34.3) % |
| Average sales price | $ 417.0 | $ 396.7 | $ 20.3 | 5.1 % |
| Georgia | | | | |
| Dollars | $ 82,760 | $ 100,891 | $ (18,131) | (18.0) % |
| Homes ordered | 195 | 220 | (25) | (11.4) % |
| Average sales price | $ 424.4 | $ 458.6 | $ (34.2) | (7.5) % |
| North Carolina | | | | |
| Dollars | $ 126,758 | $ 163,008 | $ (36,250) | (22.2) % |
| Homes ordered | 333 | 373 | (40) | (10.7) % |
| Average sales price | $ 380.7 | $ 437.0 | $ (56.3) | (12.9) % |
| South Carolina | | | | |
| Dollars | $ 35,473 | $ 52,656 | $ (17,183) | (32.6) % |
| Homes ordered | 106 | 154 | (48) | (31.2) % |
| Average sales price | $ 334.7 | $ 341.9 | $ (7.2) | (2.1) % |
| Tennessee | | | | |
| Dollars | $ 48,658 | $ 62,325 | $ (13,667) | (21.9) % |
| Homes ordered | 118 | 154 | (36) | (23.4) % |
| Average sales price | $ 412.4 | $ 404.7 | $ 7.7 | 1.9 % |
| ***East Region Totals*** | | | | |
| *Dollars* | $ 450,436 | $ 605,794 | $ (155,358) | (25.6) % |
| *Homes ordered* | 1,128 | 1,473 | (345) | (23.4) % |
| *Average sales price* | $ 399.3 | $ 411.3 | $ (12.0) | (2.9) % |

(1) Home orders for any period represent the aggregate sales price of all homes ordered, net of cancellations. We do not include orders contingent upon the sale of a customer's existing home or a mortgage pre-approval as a sales contract until the contingency is removed.

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Ending | Average | Ending | Average |
| ***Active Communities*** | | | | |
| **Total** | **278** | **274.5** | **268** | **263.5** |
| **West Region** | | | | |
| Arizona | 45 | 45.5 | 40 | 39.5 |
| California | 34 | 32.5 | 23 | 22.5 |
| Colorado | 17 | 17.0 | 18 | 17.5 |
| **West Region Totals** | **96** | **95.0** | **81** | **79.5** |
| **Central Region - Texas** | | | | |
| **Central Region Totals** | **82** | **81.5** | **75** | **74.0** |
| **East Region** | | | | |
| Florida | 32 | 30.5 | 41 | 41.0 |
| Georgia | 20 | 19.5 | 15 | 15.0 |
| North Carolina | 30 | 29.5 | 29 | 27.5 |
| South Carolina | 9 | 9.5 | 13 | 13.5 |
| Tennessee | 9 | 9.0 | 14 | 13.0 |
| **East Region Totals** | **100** | **98.0** | **112** | **110.0** |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Cancellation Rates (1)** | | |
| **Total** | **15 %** | **10 %** |
| **West Region** | | |
| Arizona | 13 % | 12 % |
| California | 13 % | 12 % |
| Colorado | 16 % | 9 % |
| **West Region Totals** | **13 %** | **12 %** |
| **Central Region - Texas** | | |
| **Central Region Totals** | **17 %** | **11 %** |
| **East Region** | | |
| Florida | 17 % | 4 % |
| Georgia | 18 % | 12 % |
| North Carolina | 16 % | 7 % |
| South Carolina | 11 % | 11 % |
| Tennessee | 7 % | 4 % |
| **East Region Totals** | **15 %** | **7 %** |

(1) Cancellation rates are computed as the number of canceled units for the period divided by the gross sales units for the same period.

| | At March 31, | | Quarter over Quarter | |
|---|---|---|---|---|
| | 2023 | 2022 | Change $ | Change % |
| **Order Backlog [1]** | | | | |
| **Total** | | | | |
| Dollars | $ 1,763,832 | $ 3,038,927 | $ (1,275,095) | (42.0) % |
| Homes in backlog | 3,922 | 6,695 | (2,773) | (41.4) % |
| Average sales price | $ 449.7 | $ 453.9 | $ (4.2) | (0.9) % |
| **West Region** | | | | |
| Arizona | | | | |
| Dollars | $ 328,996 | $ 535,586 | $ (206,590) | (38.6) % |
| Homes in backlog | 834 | 1,237 | (403) | (32.6) % |
| Average sales price | $ 394.5 | $ 433.0 | $ (38.5) | (8.9) % |
| California | | | | |
| Dollars | $ 272,550 | $ 331,321 | $ (58,771) | (17.7) % |
| Homes in backlog | 412 | 464 | (52) | (11.2) % |
| Average sales price | $ 661.5 | $ 714.1 | $ (52.6) | (7.4) % |
| Colorado | | | | |
| Dollars | $ 74,589 | $ 246,932 | $ (172,343) | (69.8) % |
| Homes in backlog | 127 | 406 | (279) | (68.7) % |
| Average sales price | $ 587.3 | $ 608.2 | $ (20.9) | (3.4) % |
| ***West Region Totals*** | | | | |
| *Dollars* | $ 676,135 | $ 1,113,839 | $ (437,704) | (39.3) % |
| *Homes in backlog* | 1,373 | 2,107 | (734) | (34.8) % |
| *Average sales price* | $ 492.5 | $ 528.6 | $ (36.1) | (6.8) % |
| **Central Region - Texas** | | | | |
| ***Central Region Totals*** | | | | |
| *Dollars* | $ 419,822 | $ 973,828 | $ (554,006) | (56.9) % |
| *Homes in backlog* | 988 | 2,301 | (1,313) | (57.1) % |
| *Average sales price* | $ 424.9 | $ 423.2 | $ 1.7 | 0.4 % |
| **East Region** | | | | |
| Florida | | | | |
| Dollars | $ 356,130 | $ 411,478 | $ (55,348) | (13.5) % |
| Homes in backlog | 781 | 1,002 | (221) | (22.1) % |
| Average sales price | $ 456.0 | $ 410.7 | $ 45.3 | 11.0 % |
| Georgia | | | | |
| Dollars | $ 107,070 | $ 136,266 | $ (29,196) | (21.4) % |
| Homes in backlog | 255 | 296 | (41) | (13.9) % |
| Average sales price | $ 419.9 | $ 460.4 | $ (40.5) | (8.8) % |
| North Carolina | | | | |
| Dollars | $ 142,034 | $ 269,898 | $ (127,864) | (47.4) % |
| Homes in backlog | 365 | 641 | (276) | (43.1) % |
| Average sales price | $ 389.1 | $ 421.1 | $ (32.0) | (7.6) % |
| South Carolina | | | | |
| Dollars | $ 26,939 | $ 57,643 | $ (30,704) | (53.3) % |
| Homes in backlog | 77 | 166 | (89) | (53.6) % |
| Average sales price | $ 349.9 | $ 347.2 | $ 2.7 | 0.8 % |
| Tennessee | | | | |
| Dollars | $ 35,702 | $ 75,975 | $ (40,273) | (53.0) % |
| Homes in backlog | 83 | 182 | (99) | (54.4) % |
| Average sales price | $ 430.1 | $ 417.4 | $ 12.7 | 3.0 % |
| ***East Region Totals*** | | | | |
| *Dollars* | $ 667,875 | $ 951,260 | $ (283,385) | (29.8) % |
| *Homes in backlog* | 1,561 | 2,287 | (726) | (31.7) % |
| *Average sales price* | $ 427.9 | $ 415.9 | $ 12.0 | 2.9 % |

(1) Our backlog represents net home orders that have not closed.

***Operating Results***

*Companywide*. In the first quarter of 2023, we achieved our highest first quarter home closing revenue and volume in Company history of 2,897 closings valued at $1.3 billion, compared to 2,858 closings valued at $1.2 billion in the prior year. Despite entering the 2023 first quarter with lower backlog than the prior period, home closing volume increased 1.4% over the first quarter of 2022 as we successfully sold and closed a high volume of homes in the same quarter, reflecting our availability of move-in ready inventory. The increase in volume translated to a 1.3% improvement in home closing revenue, as ASP on closings was flat year-over-year. Despite a 4.2% increase in average active communities, home order volume declined by 10.0% to 3,487 homes as compared to 3,874 homes in the first quarter of 2022. Home order value of $1.5 billion declined 14.8% from the first quarter of 2022, due to the decrease in order volume and a 5.3% lower ASP on orders. The first quarter 2023 orders pace of 4.2 per month exceeded our target orders pace of 3 - 4 homes per month, although down from 4.9 per month in the same period of 2022. Sequentially from the fourth quarter of 2022, orders pace increased notably in every market and returned to historical levels as homebuyers acclimated to the higher interest rates and we adjusted pricing and offered different types of incentives to find the market clearing price. Community count increased 3.7% year-over-year, ending the first quarter with 278 actively selling communities at March 31, 2023, up from 268 at March 31, 2022 and also up sequentially from 271 at December 31, 2022. We plan to return to a community count of 300 by the end of 2023. The quarter ended with 3,922 homes in backlog valued at $1.8 billion, compared to 6,695 units valued at $3.0 billion at March 31, 2022, due to the lower order volume and a high backlog conversion rate during the first quarter of 2023.

*West*. The West Region generated $417.3 million in home closing revenue on 785 homes in the first quarter of 2023, down from $463.4 million and 864 homes in the prior year period. The 9.1% decrease in volume was the mixed result of declines in Arizona and California, while Colorado grew closing volume. Colorado was the most impacted by the elevated cancellations in the last half of 2022, but experienced some stabilization in the first quarter of 2023. Home closing revenue decreased 9.9% due to the lower volume and a 0.9% decrease in ASP on closings. The West Region had the largest decline in ASP on closings in the Company, as it experienced some of the most significant price increases over the past few years and accordingly has required the steepest sales price adjustments to find the market. Home orders in the first quarter 2023 of 1,286 increased 16.4% over the prior year, driven entirely by the 19.5% increase in average active communities. The cancellation rate of 13% in the West Region is a return to historical normal levels, although Colorado continues to be slightly elevated. ASP on orders declined 10.9% as the West Region adjusted pricing to meet market demand. The increased volume and lower ASPs resulted in a 3.7% increase in home order value to $635.9 million in the first quarter of 2023, up from $613.3 million in the prior year. The West Region ended the first quarter of 2023 with 1,373 homes in backlog valued at $676.1 million, down from 2,107 units valued at $1.1 billion at March 31, 2022, due to a lower order volume and a 90.0% backlog conversion rate.

*Central*. The Central Region, made up of our Texas markets, was the only region to grow both home closing revenue and volume in the first quarter of 2023. With a 20.0% increase in volume to 1,048 homes, and a 1.8% increase in ASP on closings, home closing revenue grew 22.2% to $424.9 million, up from $347.8 million in 2022. Despite a 10.1% increase in average active communities, home order volume decreased 17.2% to 1,073 homes in the first quarter of 2023. The decline is partially due to the Region's slightly elevated cancellation rate of 17%, although sequentially it is down significantly from the fourth quarter 2022 rate of 43%. The lower demand caused a 24.1% decrease in orders pace to 4.4 homes per month, which is still well above our target pace of 3 to 4 homes. The lower order volume combined with a 7.4% decrease in ASP on orders drove a decrease in order value of 23.3%, to $420.5 million in the first quarter of 2023, from $548.6 million in the prior year quarter. The Central Region ended the quarter with 988 units in backlog valued at $419.8 million, down 57.1% and 56.9%, respectively, compared to March 31, 2022.

*East*. During the three months ended March 31, 2023, the East Region closed 1,064 homes for $419.7 million, compared to 1,121 closings and $434.2 million in home closing revenue in the comparable prior year period. The 5.1% decrease in volume was partially offset by a 1.9% increase in ASP on closings, resulting in a 3.3% decrease in home closing revenue. With 10.9% fewer average active communities and a 15.6% decline in orders pace to 3.8 per month, home orders fell 23.4% to 1,128 in the first quarter of 2023 from 1,473 in the prior year. The cancellation rate increased to 15% in the first quarter of 2023 from 7% in the first quarter of 2022, but is down significantly sequentially from 31% in the fourth quarter of 2022. Home order value of $450.4 million decreased 25.6% from $605.8 million in the prior year period due to the decreased volume and a 2.9% reduction in ASPs. The East Region ended the quarter with 31.7% fewer units in backlog of 1,561 homes in backlog valued at $667.9 million compared to 2,287 homes valued at $951.3 million at March 31, 2022 due to the lower home order volume and a backlog conversion rate of 71.1% during the first quarter of 2023 as the result of a high number of spec homes being sold and closed in the first quarter of 2023.

### *Land Closing Revenue and Gross Profit*

From time to time, we may sell certain lots or land parcels to other homebuilders, developers or investors if we feel the sale will provide a greater economic benefit to us than continuing home construction or where we are looking to diversify our land positions in a specific geography or divest of assets that no longer align with our strategy. As a result of such sales, we recognized land closing revenue of $17.4 million and $41.5 million for the three months ending March 31, 2023 and 2022, respectively, and profit of $1.4 million and $10.8 million for the three months ending March 31, 2023 and 2022, respectively.

### *Other Operating Information (dollars in thousands)*

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Dollars | Percent of Home Closing Revenue | Dollars | Percent of Home Closing Revenue |
| **Home Closing Gross Profit** [(1)] | | | | |
| **Total** | $ 282,461 | 22.4 % | $ 377,649 | 30.3 % |
| **West** | $ 74,087 | 17.8 % | $ 143,759 | 31.0 % |
| **Central** | $ 105,710 | 24.9 % | $ 104,405 | 30.0 % |
| **East** | $ 102,664 | 24.5 % | $ 129,485 | 29.8 % |

(1) Home closing gross profit represents home closing revenue less cost of home closings, including impairments, if any. Cost of home closings includes land and associated development costs, direct home construction costs, an allocation of common community costs (such as architectural, legal and zoning costs), interest, sales tax, impact fees, warranty, construction overhead and closing costs.

*Companywide.* Gross profit for the first quarter of 2023 was $282.5 million, with a margin of 22.4%. This is a 790 basis point decline compared to 30.3% in the first quarter of 2022 resulting from the combined impact of increased sales incentives and continued elevated direct costs, including interest rate locks and buy-downs. Our use of mortgage rate locks and buy-downs did not begin to impact our home closing gross margins until the back half of 2022.

*West.* The West Region delivered home closing gross margin of 17.8% for the first quarter of 2023 versus 31.0% in the first quarter of 2022. As previously discussed, the West Region experienced steep price appreciation over the past few years, causing significant levels of homebuyer hesitancy when interest rates rose. To find the market clearing price, the West Region offered significant price cuts and incentives. These aggressive sales incentives combined with a shift in product mix and the continued elevated direct costs led to the West Region's decline in home closing gross margin year-over-year.

*Central.* In the first quarter of 2023, the Central Region's home closing gross margin of 24.9% declined 510 basis points from 30.0% in the prior year quarter. The Central Region's gross margin was negatively impacted by sales incentives that largely began in the second half of 2022, combined with persistent elevated direct costs.

*East.* The East Region home closing gross margin of 24.5% in the first quarter of 2023 declined 530 basis points from 29.8% for the comparable 2022 period. Similar to the other Regions, the home closing gross margin deterioration is due to the increased sales incentives and continued elevated direct costs that have impacted the homebuilding industry nationwide.

### *Financial Services Profit (in thousands)*

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Financial services profit | $ 2,923 | $ 3,334 |

Financial services profit represents the net profit of our financial services operations, including the operating profit generated by our wholly-owned title and insurance companies, Carefree Title Agency, Inc. and Meritage Homes Insurance Agency, respectively, as well as our portion of earnings from a mortgage joint venture. Financial services profit was $2.9 million and $3.3 million for the three months ended March 31, 2023 and 2022, respectively.

***Selling, General and Administrative Expenses and Other Expenses (dollars in thousands)***

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Commissions and other sales costs** | $ (82,846) | $ (65,540) |
| Percent of home closing revenue | 6.6 % | 5.3 % |
| **General and administrative expenses** | $ (47,519) | $ (39,995) |
| Percent of home closing revenue | 3.8 % | 3.2 % |
| **Interest expense** | $ — | $ (41) |
| **Other income/(expense), net** | $ 8,844 | $ (317) |
| **Provision for income taxes** | $ (34,002) | $ (68,629) |

***Commissions and Other Sales Costs.*** Commissions and other sales costs are comprised of internal and external commissions and related sales and marketing expenses such as advertising and sales office costs. These costs increased $17.3 million to $82.8 million in the three months ended March 31, 2023, primarily resulting from higher commissions as well as increased advertising activities, reflecting the current market dynamics. Commissions and other sales costs were 6.6% of home closing revenue in the first quarter of 2023, up 130 basis points from 5.3% as home closing revenue was relatively flat year-over-year.

***General and Administrative Expenses.*** General and administrative expenses represent corporate and divisional overhead expenses such as salaries and bonuses, occupancy, insurance and travel expenses. For the three months ended March 31, 2023, general and administrative expenses were $47.5 million, $7.5 million higher than the 2022 period, due primarily to severance-related expenses and increased spending on technology and insurance. As a percentage of home closing revenue, general and administrative expenses increased 60 basis points to 3.8% in the first quarter of 2023.

***Interest Expense.*** Interest expense is comprised of interest incurred, but not capitalized, on our senior notes, other borrowings, and our Credit Facility. We recognized no interest expense for the three months ended March 31, 2023 as all interest was capitalized. Interest expense was $41,000 for the same period in 2022.

***Other Income/(Expense), Net.*** Other income, net, primarily consists of (i) sublease income, (ii) interest earned on our cash and cash equivalents, (iii) payments and awards related to legal settlements and (iv) our portion of pre-tax income or loss from non-financial services joint ventures. Other income, net of $8.8 million for the three ended March 31, 2023 increased from an expense of $0.3 million in the prior year, primarily due to a higher interest rate on a higher cash balance.

***Income Taxes.*** Our effective tax rate was 20.6% and 24.0% for the three months ended March 31, 2023 and 2022, respectively. The lower tax rate for the three months ended March 31, 2023 reflects energy-efficient homes tax credits on qualifying homes under the Internal Revenue Code ("IRC") §45L energy-efficient homes federal tax credit from the IRA that was enacted in August 2022. There were no such credits available in the first quarter of 2022.

***Liquidity and Capital Resources***

*Overview*

We have historically generated cash and funded our operations primarily from cash flows from operating activities. Additional sources of funds may include additional debt or equity financing and borrowing capacity under our Credit Facility. We exercise strict controls and believe we have a prudent strategy for Company-wide cash management, including those related to cash outlays for land acquisition and development and spec home construction. Our principal uses of cash include acquisition and development of land and lots, home construction, operating expenses, share repurchases and the payment of interest, routine liabilities and dividends. We also opportunistically repurchase our common stock and, from time to time, our senior notes.

Cash flows for each of our communities depend on their stage of the development cycle, and can differ substantially from reported earnings. Early stages of development or expansion require significant cash outlays for land acquisitions, zoning plat and other approvals, community and lot development, and construction of model homes, roads, utilities, landscape and other amenities. Because these costs are a component of our inventory and are not recognized in our income statement until a home closes, we incur significant cash outlays prior to recognition of earnings. In the later stages of a community, cash inflows may significantly exceed earnings reported for financial statement purposes, as the cash outflow associated with home and land construction was previously incurred. Similarly, in times of community count growth, we incur significant outlays of cash through the land purchase, development and community opening stages whereas in in times of community count stability, these cash outlays are incurred in a more even-flow cadence with cash inflows from actively selling communities that are contributing closing volume and home closing revenue. Conversely, in a down turn environment, cash outlays for land and community count growth may be scaled back.

*Short-term Liquidity and Capital Resources*

Over the course of the next twelve months, we expect that our primary demand for funds will be for the construction of homes, as well as acquisition and development of both new and existing lots, operating expenses, including general and administrative expenses, interest and dividend payments and common stock repurchases. We expect to meet these short-term liquidity requirements primarily through our cash and cash equivalents on hand and the net cash flows provided by our operations.

Between our cash and cash equivalents on hand combined with the availability of liquidity from our Credit Facility, we believe that we currently have sufficient liquidity. Nevertheless, we may seek additional capital to strengthen our liquidity position, enable us to acquire additional land inventory in anticipation of improving market conditions, and/or strengthen our long-term capital structure.

*Long-term Liquidity and Capital Resources*

Beyond the next twelve months, our principal demands for funds will be for the construction of homes, land acquisition and development activities needed to maintain our lot supply and active community count, payments of principal and interest on our senior notes as they become due or mature, payments of dividends and common stock repurchases. We expect our existing and future generated cash will be adequate to fund our ongoing operating activities as well as providing capital for investment in future land purchases and related development activities. To the extent the sources of capital described above are insufficient to meet our long-term cash needs, we may also conduct additional public offerings of our securities, refinance or secure new debt or dispose of certain assets to fund our operating activities. There can be no assurances that we would be able to obtain such additional capital on terms acceptable to us, if at all, and such additional equity or debt financing could dilute the interests of our existing stockholders or increase our interest costs.

*Material Cash Requirements*

We are a party to many contractual obligations involving commitments to make payments to third parties. These obligations impact both short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on our unaudited consolidated balance sheets as of March 31, 2023, while others are considered future commitments for materials or services not yet provided. Our contractual obligations primarily consist of principal and interest payments on our senior notes, loans payable and other borrowings, including our Credit Facility, letters of credit and surety bonds and operating leases. We have no debt maturities until 2025. We also have requirements for certain short-term lease commitments, funding working capital needs of our existing unconsolidated joint ventures and other purchase obligations in the normal course of business. Other material cash requirements include land acquisition and development costs, home construction costs and operating expenses, including our selling, general and administrative expenses, as previously discussed. We plan to fund these commitments primarily with cash flows generated by operations, but may also utilize additional debt or equity financing and borrowing capacity under our Credit Facility. Our maximum exposure to loss on our purchase and option agreements is generally limited to non-refundable deposits and capitalized or committed pre-acquisition costs.

For information about our loans payable and other borrowings, including our Credit Facility, and senior notes, reference is made to Notes 5 and 6 in the notes to our unaudited consolidated financial statements included in this report and are incorporated by reference herein. For information about our lease obligations, reference is made to Note 4 in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2022.

Reference is made to Notes 1, 3, 4, and 15 in the notes to our unaudited consolidated financial statements included in this report and are incorporated by reference herein. These Notes discuss our off-balance sheet arrangements with respect to land acquisition contracts and option agreements, and land development joint ventures, including the nature and amounts of financial obligations relating to these items. In addition, these Notes discuss the nature and amounts of certain types of commitments that arise in connection with the ordinary course of our land development and homebuilding operations, including commitments of land development joint ventures for which we might be obligated, if any.

We do not engage in commodity trading or other similar activities. We had no derivative financial instruments at March 31, 2023 or December 31, 2022.

*Operating Cash Flow Activities*

During the three months ended March 31, 2023 and 2022, net cash provided by operating activities totaled $124.5 million and $12.2 million, respectively. Operating cash flows in the first quarter of 2023 benefited from cash generated by net earnings of $131.3 million. Operating cash flows in the first quarter of 2022 benefited from cash generated by net earnings of $217.3 million and an increase in accounts payable and accrued liabilities of $115.9 million due to timing of payments for routine transactions, offset by a $283.9 million increase in real estate assets and a $52.1 million increase in other receivables, prepaids and other assets due to the purchase of fixed rate interest locks for eligible buyers in our backlog.

*Investing Cash Flow Activities*

During the three months ended March 31, 2023 and 2022, net cash used in investing activities totaled $8.7 million and $6.2 million, respectively. Cash used in investing activities for both periods is mainly attributable to the purchases of property and equipment.

*Financing Cash Flow Activities*

During the three months ended March 31, 2023 and 2022, net cash used in financing activities totaled $20.1 million and $103.9 million, respectively. The net cash used in financing activities in 2023 includes $9.9 million of dividends paid and $10.0 million in share repurchases. The net cash used in financing activities in 2022 primarily reflects $99.3 million in share repurchases. See 'Part II, Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds' for more information about our authorized share repurchase program.

We believe that our leverage ratios provide useful information to the users of our financial statements regarding our financial position and cash and debt management. Debt-to-capital and net debt-to-capital are calculated as follows (dollars in thousands):

| | As of | |
|---|---|---|
| | **March 31, 2023** | **December 31, 2022** |
| Senior notes, net, loans payable and other borrowings | $ 1,150,755 | $ 1,150,647 |
| Stockholders' equity | 4,067,210 | 3,949,611 |
| Total capital | $ 5,217,965 | $ 5,100,258 |
| Debt-to-capital [(1)] | 22.1 % | 22.6 % |
| Senior notes, net, loans payable and other borrowings | $ 1,150,755 | $ 1,150,647 |
| Less: cash and cash equivalents | (957,210) | (861,561) |
| Net debt | 193,545 | 289,086 |
| Stockholders' equity | 4,067,210 | 3,949,611 |
| Total net capital | $ 4,260,755 | $ 4,238,697 |
| Net debt-to-capital [(2)] | 4.5 % | 6.8 % |

(1) Debt-to-capital is computed as senior notes, net and loans payable and other borrowings divided by the aggregate of total senior notes, net, loans payable and other borrowings and stockholders' equity.

(2) Net debt-to-capital is considered a non-GAAP financial measure, and is computed as net debt divided by the aggregate of net debt and stockholders' equity. Net debt is comprised of total senior notes, net and loans payable and other borrowings, less cash and cash equivalents. The most directly comparable GAAP financial measure is the ratio of debt-to-capital. We believe the ratio of net debt-to-capital is a relevant financial measure for investors to understand the leverage employed in our operations and as an indicator of our ability to obtain financing.

On February 16, 2023, our Board of Directors approved the initiation of a recurring quarterly cash dividend on common stock of $0.27 per share. The first dividend was paid on March 31, 2023 to shareholders of record as of the close of trading on March 15, 2023.

*Credit Facility Covenants*

Borrowings under the Credit Facility are unsecured, but availability is subject to, among other things, a borrowing base. The Credit Facility also contains certain financial covenants, including (a) a minimum tangible net worth requirement of $1.9 billion (which amount is subject to increase over time based on subsequent earnings and proceeds from equity offerings), and (b) a maximum leverage covenant that prohibits the leverage ratio (as defined therein) from exceeding 60%. In addition, we are required to maintain either (i) an interest coverage ratio (EBITDA to interest expense, as defined therein) of at least 1.50 to 1.00 or (ii) liquidity (as defined therein) of an amount not less than our consolidated interest incurred during the trailing 12 months. We were in compliance with all Credit Facility covenants as of March 31, 2023. Our actual financial covenant calculations as of March 31, 2023 are reflected in the table below.

| Financial Covenant (dollars in thousands): | Covenant Requirement | Actual |
|---|---|---|
| Minimum Tangible Net Worth | > $2,630,039 | $4,025,200 |
| Leverage Ratio | < 60% | 3.8% |
| Interest Coverage Ratio (1) | > 1.50 | 21.33 |
| Minimum Liquidity (1) | > $60,416 | $1,687,724 |
| Investments other than defined permitted investments | < $1,207,560 | $11,280 |

(1) We are required to meet either the Interest Coverage Ratio or Minimum Liquidity, but not both.

***Seasonality***

Historically, we have experienced seasonal variations in our quarterly operating results and capital requirements. We typically sell more homes in the first half of the fiscal year than in the second half, which creates additional working capital requirements in the second and third quarters to build our inventories to satisfy the deliveries in the second half of the year. We typically benefit from the cash generated from home closings more in the third and fourth quarters than in the first and second quarters. During 2020, historical cycles were impacted by COVID-19 and since then have been further impacted by increased demand and supply chain and labor constraints. Historical seasonality returned in 2022 and we expect it to continue over the long term, although it may, from time to time, be affected by short-term volatility in the homebuilding industry and in the overall economy.

***Recent Issued Accounting Pronouncements***

See Note 1 to our unaudited consolidated financial statements included in this report for discussion of recently issued accounting pronouncements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our fixed rate debt is made up primarily of $1.2 billion in principal of our senior notes. Except in limited circumstances, we do not have an obligation to prepay our fixed-rate debt prior to maturity and, as a result, interest rate risk and changes in fair value should not have a significant impact on our fixed rate borrowings until we would be required to repay such debt and access the capital markets to issue new debt. Our Credit Facility is subject to interest rate changes as the borrowing rates are based on SOFR or Prime (see Note 5 to our unaudited consolidated financial statements included in this report).

Our operations are interest rate sensitive. As overall housing demand is adversely affected by increases in interest rates, a significant increase in mortgage interest rates may negatively affect the ability of homebuyers to secure adequate financing or cause potential homebuyers with existing mortgages to choose to stay in their lower interest rate homes. Higher interest rates and/or rapidly increasing interest rates could adversely affect our revenue, gross margins, earnings and cancellation rates and would also increase our variable rate borrowing costs on our Credit Facility, if any. We do not enter into, or intend to enter into, derivative interest rate swap financial instruments for trading or speculative purposes.

## Item 4. Controls and Procedures

In order to ensure that the information we must disclose in our filings with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported on a timely basis, we have developed and implemented disclosure controls and procedures. Our management, with the participation of our CEO and CFO, has reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of March 31, 2023 (the "Evaluation Date"). Based on such evaluation, our management has concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective at a reasonable assurance level in ensuring that information that is required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

During the fiscal quarter covered by this Form 10-Q, there has not been any change in our internal control over financial reporting that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

See Note 15 to our unaudited consolidated financial statements in this report for a discussion of our legal proceedings.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item IA "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may eventually prove to materially adversely affect our business, financial condition and/or operating results. There have been no material changes in our risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

***Issuer Purchases of Equity Securities***

On February 13, 2019, our Board of Directors authorized a new stock repurchase program, authorizing the expenditure of up to $100.0 million to repurchase shares of our common stock. On November 13, 2020, the Board of Directors authorized the expenditure of an additional $100.0 million to repurchase shares of our common stock under this program. On August 12, 2021, the Board of Directors authorized the expenditure of an additional $100.0 million to repurchase shares of our common stock under this program, which was announced on August 17, 2021. On May 19, 2022, the Board of Directors authorized the expenditure of an additional $200.0 million to repurchase shares of our common stock under this program, which was announced on May 25, 2022. There is no stated expiration for this program. The repurchases of the Company's shares may be made in the open market, in privately negotiated transactions, or otherwise. The timing and amount of repurchases, if any, will be determined by the Company's management at its discretion and be based on a variety of factors such as the market price of the Company's common stock, corporate and contractual requirements, prevailing market and economic conditions and legal requirements. The share repurchase program may be modified, suspended or discontinued at any time. As of March 31, 2023 there was $234.1 million available under this program to repurchase shares. We purchased 93,297 shares under the program during the three months ended March 31, 2023.

| Period | Total Number of Shares Purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Approximate dollar value of shares that may yet be purchased under the plans or programs |
|---|---|---|---|---|
| January 1, 2023 - January 31, 2023 | 93,297 | $ 107.18 | 93,297 | $ 234,077,454 |
| February 1, 2023 - February 28, 2023 | — | $ — | — | $ 234,077,454 |
| March 1, 2023 - March 31, 2023 | — | $ — | — | $ 234,077,454 |
| **Total** | 93,297 | | 93,297 | |

## Item 6. Exhibits

| Exhibit Number | Description | Page or Method of Filing |
|---|---|---|
| 3.1 | Restated Articles of Incorporation of Meritage Homes Corporation | Incorporated by reference to Exhibit 3 of Form 8-K dated June 20, 2002 |
| 3.1.1 | Amendment to Articles of Incorporation of Meritage Homes Corporation | Incorporated by reference to Exhibit 3.1 of Form 10-Q for the quarter ended September 30, 1998 |
| 3.1.2 | Amendment to Articles of Incorporation of Meritage Homes Corporation | Incorporated by reference to Exhibit 3.1 of Form 8-K dated September 15, 2004 |
| 3.1.3 | Amendment to Articles of Incorporation of Meritage Homes Corporation | Incorporated by reference to Appendix A of the Definitive Proxy Statement for the 2006 Annual Meeting of Stockholders filed on April 10, 2006 |
| 3.1.4 | Amendment to Articles of Incorporation of Meritage Homes Corporation | Incorporated by reference to Appendix B of the Definitive Proxy Statement for the 2008 Annual Meeting of Stockholders filed on April 1, 2008 |
| 3.1.5 | Amendment to Articles of Incorporation of Meritage Homes Corporation | Incorporated by reference to Appendix A of the Definitive Proxy Statement filed on January 9, 2009 |
| 3.2 | Amended and Restated Bylaws of Meritage Homes Corporation | Incorporated by reference to Exhibit 3.1 of Form 8-K dated August 12, 2022 |
| 10.1 | Meritage Homes Corporation Executive Severance Plan * | Filed herewith |
| 10.2 | Phillippe Lord - Notice of Approved 2023 Compensation* | Incorporated by reference to Exhibit 10.1 of Form 8-K dated February 20, 2023 |
| 10.3 | Hilla Sferruzza - Notice of Approved 2023 Compensation* | Incorporated by reference to Exhibit 10.2 of Form 8-K dated February 20, 2023 |
| 10.4 | Clint Szubinski - Notice of Approved 2023 Compensation* | Incorporated by reference to Exhibit 10.3 of Form 8-K dated February 20, 2023 |
| 10.5 | Javier Feliciano - Notice of Approved 2023 Compensation* | Incorporated by reference to Exhibit 10.4 of Form 8-K dated February 20, 2023 |
| 10.6 | Malissia Clinton - Notice of Approved 2023 Compensation* | Incorporated by reference to Exhibit 10.5 of Form 8-K dated February 20, 2023 |
| 22 | List of Guarantor Subsidiaries | Incorporated by reference to Exhibit 22 of Form 10-K for the year ended December 31, 2022 |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Phillippe Lord, Chief Executive Officer | Filed herewith |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Hilla Sferruzza, Chief Financial Officer | Filed herewith |
| 32.1 | Section 1350 Certification of Chief Executive Officer and Chief Financial Officer | Furnished herewith |
| 101.0 | The following financial statements from the Meritage Homes Corporation Quarterly Report on Form 10-Q as of and for the three months ended March 31, 2023 were formatted in Inline XBRL (Extensible Business Reporting Language); (i) Unaudited Consolidated Balance Sheets, (ii) Unaudited Consolidated Income Statements, (iii) Unaudited Consolidated Statements of Cash Flows, and (iv) Notes to Unaudited Consolidated Financial Statements. | |
| 104.0 | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in Inline XBRL and contained in exhibit 101. | |

* Indicates a management contract or compensation plan.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERITAGE HOMES CORPORATION,
a Maryland corporation

By: /s/ HILLA SFERRUZZA

Hilla Sferruzza
*Executive Vice President and Chief Financial Officer*
*(Duly Authorized Officer and Principal Financial Officer)*

Date: April 28, 2023

## INDEX OF EXHIBITS

| | |
|---|---|
| 3.1 | Restated Articles of Incorporation of Meritage Homes Corporation |
| 3.1.1 | Amendment to Articles of Incorporation of Meritage Homes Corporation |
| 3.1.2 | Amendment to Articles of Incorporation of Meritage Homes Corporation |
| 3.1.3 | Amendment to Articles of Incorporation of Meritage Homes Corporation |
| 3.1.4 | Amendment to Articles of Incorporation of Meritage Homes Corporation |
| 3.1.5 | Amendment to Articles of Incorporation of Meritage Homes Corporation |
| 3.2 | Amended and Restated Bylaws of Meritage Homes Corporation |
| 10.1 | Meritage Homes Corporation Executive Severance Plan * |
| 10.2 | Phillippe Lord - Notice of Approved 2023 Compensation* |
| 10.3 | Hilla Sferruzza - Notice of Approved 2023 Compensation* |
| 10.4 | Clint Szubinski - Notice of Approved 2023 Compensation* |
| 10.5 | Javier Feliciano - Notice of Approved 2023 Compensation* |
| 10.6 | Malissia Clinton - Notice of Approved 2023 Compensation* |
| 22 | List of Guarantor Subsidiaries |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Phillippe Lord, Chief Executive Officer |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Hilla Sferruzza, Chief Financial Officer |
| 32.1 | Section 1350 Certification of Chief Executive Officer and Chief Financial Officer |
| 101.0 | The following financial statements from the Meritage Homes Corporation Quarterly Report on Form 10-Q as of and for the three months ended March 31, 2023 were formatted in Inline XBRL (Extensible Business Reporting Language); (i) Unaudited Consolidated Balance Sheets, (ii) Unaudited Consolidated Income Statements, (iii) Unaudited Consolidated Statements of Cash Flows, and (iv) Notes to Unaudited Consolidated Financial Statements. |
| 104.0 | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in Inline XBRL and contained in exhibit 101. |

* Indicates a management contract or compensation plan.

**Exhibit 10.1**

# MERITAGE HOMES CORPORATION

# EXECUTIVE SEVERANCE PLAN

**(April 18, 2022 Restatement)**

**Effective April 18, 2022**

**MERITAGE HOMES CORPORATION**
**EXECUTIVE SEVERANCE PLAN**
**(April 18, 2022 Restatement)**

**TABLE OF CONTENTS**

**ARTICLE 5**
**ADMINISTRATION OF THE PLAN**



**ARTICLE 6**
**AMENDMENT OR TERMINATION OF THE PLAN**



**ARTICLE 7**
**GENERAL PROVISIONS AND LIMITATIONS**



**EXHIBITS**

**MERITAGE HOMES CORPORATION**
**EXECUTIVE SEVERANCE PLAN**
**(April 18, 2022 Restatement)**

**PREAMBLE**

Meritage Homes Corporation (the "Company") previously established and adopted this Meritage Homes Corporation Executive Severance Plan (the "Plan"), effective as of January 1, 2017 (the "Effective Date"), to further the economic interests of the Company by providing severance benefits to selected Executives. The Company hereby amends and restates this Plan effective as of April 18, 2022 (the "Restated Effective Date").

The Compensation Committee "Compensation Committee") of the Company's Board of Directors (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the resultant uncertainty as to an Executive's responsibilities, compensation, or continued employment, may result in the departure or distraction of the Executive, which may be detrimental to the financial performance of the Company.

The Compensation Committee believes that it is in the best interests of the Company and its stockholders to (i) assure that the Company will have the continued dedication and objectivity of selected Executives, notwithstanding the possibility, threat, or occurrence of a Change in Control, and (ii) provide selected Executives with an incentive to continue their employment prior to a Change in Control and to motivate them to maximize the value of the Company upon a Change in Control for the benefit of its stockholders.

The Compensation Committee also believes that it is important to the interest of the Company and its stockholders to provide selected Executives with certain severance benefits upon their termination of employment under certain non-Change in Control circumstances.

The Plan is a "top-hat" plan within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. As such, this Plan is subject to limited ERISA reporting and disclosure requirements, and is exempt from most other ERISA requirements. Distributions required or contemplated by this Plan or actions required to be taken under this Plan shall not be construed as creating a trust of any kind or a fiduciary relationship between the Company and any Executive, Participant, employee, or any other person.

**ARTICLE 1**
**REFERENCES AND DEFINITIONS**

Whenever used herein and capitalized, the following terms have the respective meanings indicated unless the context clearly requires otherwise.

**1.1** **"Accrued Obligations"** means all of a Participant's accrued but unpaid vacation, expense reimbursements, wages, and other benefits due to the Participant under any Company-provided plans, policies, or arrangements as of the Participant's termination date.

**1.2** **"Base Salary"** means a Participant's total annual base rate of pay as in effect immediately prior to the Participant's termination of employment or, in the event of a termination during the Change in Control Period, if greater, at the level in effect immediately prior to the Change in Control. Base Salary shall not be reduced for any salary reduction contributions: (a) to cash or deferred arrangements under Code Section 401(k), (b) to a cafeteria plan under Code Section 125, or (c) to a nonqualified deferred compensation plan. Base Salary shall not take into account any bonuses, commissions, reimbursed expenses, employer credits or contributions to a nonqualified deferred compensation plan (other than salary reduction contributions as described above), or any additional cash compensation or compensation payable in a form other than cash.

**1.3 "Board"** means the board of directors of Meritage Homes Corporation.

**1.4 "Cause"** means:

(a) a Participant's malfeasance, willful, or gross misconduct, or willful dishonesty that materially harms the Company or its stockholders;

(b) a Participant's conviction of a felony that is materially detrimental to the Company or its stockholders;

(c) a Participant's conviction of, or entry of a plea *nolo contendere* to a felony that materially damages the Company's financial condition or reputation or to a crime involving fraud;

(d) a Participant's material violation of the Company's Code of Ethics, including breach of duty of loyalty in connection with the Company's business;

(e) a Participant's willful failure to perform duties under the Participant's Employment Agreement (if one exists) after notice by the Board and an opportunity to cure;

(f) a Participant's failure to reasonably cooperate with, or a Participant's impedance or interference with, an investigation authorized by the Board;

(g) a Participant's failure to follow a legal and proper Board directive, after notice by the Board and a 30 (thirty) day opportunity to cure; or

(h) a Participant's willful misconduct or gross negligence pursuant to the Sarbanes-Oxley Act, if and to the extent such conduct triggers a restatement of the Company's financial results.

The determination as to whether a Participant is being terminated for Cause will be made in good faith by the Committee and will be final and binding on all interested parties. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's employment relationship at any time.

**1.5 "Change in Control**" means the occurrence of any of the following events:

(a) The acquisition of beneficial ownership, directly or indirectly, of securities having 35% or more of the combined voting power of the Company's then outstanding securities by any "Unrelated Person" or "Unrelated Persons" acting in concert with one another. For "Change of Control" purposes, the term "Person" shall mean and include any individual, partnership, joint venture, association, trust, corporation, or other entity (including a "group" as referred to in Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Act")). For "Change of Control" purposes, the term "Unrelated Person" shall mean and include any Person other than the Company, or an employee benefit plan of the Company, or any officer, director, or 10% or more shareholder of the Company as of the date of this Agreement;

(b) A sale, transfer, or other disposition through a single transaction or a series of transactions of all or substantially all of the assets of the Company to an Unrelated Person or Unrelated Persons acting in concert with one another;

(c) Any consolidation or merger of the Company with or into an Unrelated Person, unless immediately after the consolidation or merger the holders of the Company's common stock immediately prior to the consolidation or merger are the Beneficial Owners of securities of the surviving corporation representing at least 50% of the combined voting power of the surviving corporation's then outstanding securities; or

(d) A change during any period of two (2) consecutive years of a majority of the members of the Company's Board of Directors for any reason, unless the election, or the nomination for election by the Company's shareholders, of each director was approved by the vote of a majority of the directors then still in office who were directors at the beginning of the period.

**1.6** **"Change in Control Period"** means the period beginning ninety (90) days prior to, and ending twenty-four (24) months following, a Change in Control.

**1.7** **"Code"** means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. All citations to sections of the Code and related Treasury Regulations are to such sections as they may from time to time be amended or renumbered.

**1.8** **"Committee"** means the Compensation Committee of the Board.

**1.9** **"Company"** means Meritage Homes Corporation, and will be interpreted to include any subsidiary, parent or affiliate, if applicable, or any successor company thereafter.

**1.10** **"Disability"** has the meaning prescribed to such terms under the Participant's Employment Agreement, if one exists, and if none exists, means that a Participant is receiving income replacement benefits for a period of not less than six (6) months under an accident or health plan established by the Company for its employees, by reason of any medically determinable physical or mental impairment which actually hinders Participant's ability to perform his or her job responsibilities, and which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

**1.11** **"Effective Date"** means the original effective date of the Plan, which was January 1, 2017.

**1.12** **"Employment Agreement"** means a written agreement, if any, between the Company and the Executive governing the terms and conditions of Executive's employment with the Company.

**1.13** **"Equity Awards"** means a Participant's outstanding stock options, stock appreciation rights, restricted stock units, performance shares, performance stock units and any other Company equity compensation awards.

**1.14** **"ERISA"** means the Employee Retirement Income Security Act of 1974, as now in effect or as hereafter amended. All citations to sections of ERISA are to such sections as they may from time to time be amended or renumbered.

**1.15** **"Executive"** means an individual who is employed by the Company in one of the following positions: (i) Chief Executive Officer, (ii) Chief Financial Officer, (iii) Chief Operating Officer, (iv) Chief People Officer, and (v) Executive Chairman.

**1.16** **"Good Reason"** means a Participant's voluntary termination, within thirty (30) days following the expiration of the Company cure period (discussed below) on account of the occurrence of one or more of the following, without the Participant's consent:

(a) the Company assigns Participant duties that are materially inconsistent with, or constitute a material reduction of powers or functions associated with, Participant's position, duties, or responsibilities with the Company as in effect immediately prior to such assignment;

(b) a material, adverse change in Participant's titles, authority, or reporting responsibilities as in effect immediately prior to such change;

(c) a material adverse change in the conditions of Participant's employment as in effect immediately prior to such change;

(d) the Company requires the Participant to relocate employment to an employment location that is more than fifty (50) miles from the Participant's employment location as in effect immediately prior to such change;

(e) except in cases where the Compensation Committee reduces the base salaries for all or substantially all of the Company's Executives on account of what the Compensation Committee, in its sole and complete discretion, determines to be a significant downturn in the Company's financial performance that necessitates such action, a reduction by the Company of the Participant's annual Base Salary in excess of fifteen percent (15%) of the annual Base Salary as in effect immediately prior to such reduction;

(f) the Compensation Committee exercises its discretion to grant Annual Awards to the Participant for a calendar year on terms and conditions that are not consistent with those on which awards are made to other Executives and, as a result, there is a material reduction in amounts payable to the Participant under those Annual Awards when compared to the awards granted to other Executives for that calendar year;

(g) a breach by the Company of its obligations under this Plan or under any Employment Agreement governing the Participant's employment with the Company; or

(h) the failure of the Company to obtain assumption of this Plan by any successor; or

(i) the failure of the Company to obtain assumption of any Employment Agreement governing the Participant's employment with the Company.

For Good Reason purposes, the term "Annual Awards" has the meaning prescribed to such term under the Participant's employment agreement (if one exists).

Notwithstanding the foregoing, an event described in this Section shall not constitute Good Reason unless it is communicated by the Executive to the Company in writing within ninety (90) days of the initial existence of such event and is not corrected by the Company in a manner which is reasonably satisfactory to such Participant within thirty (30) days of the Company's receipt of such written notice. If the purported Good Reason condition is not cured within the 30-day period described in the preceding sentence, Participant may submit a written notice of termination to the Chair of the Board specifying a termination date that is no more than sixty (60) days following the final day of the Company's cure period. Participant will be deemed to have accepted the condition(s), or the Company's correction of such condition(s), that may have given rise to the existence of Good Reason if she fails to provide such written notice or fails to terminate her employment within the 60-day period described in the preceding sentence.

**1.17 "Participant"** means any Executive who commenced participation in the Plan as provided in Article 2.

**1.18** **"Plan"** means the Meritage Homes Corporation Executive Severance Plan, as contained herein and as it may be amended from time to time hereafter.

**1.19** **"Restated Effective Date"** means the effective date of this amended and restated plan, which is April 18, 2022.

**1.20** **"Retirement**" means a Participant's voluntary termination with the Company without Good Reason, after the Participant's completion of at least fifteen (15) cumulative years of service as an Executive and/ or a member of the Board, or as provided in Section 3.1(g), an election by a Participant who involuntarily terminates employment without Cause who has the requisite 15 years of service to receive a benefit under Section 3.4 instead of Section 3.1.

## ARTICLE 2
## ELIGIBILITY AND PARTICIPATION

**2.1** **Eligibility.** An Executive shall be eligible to become a Participant in the Plan if the Executive:

(a) is a member of the Company's "select group of management or highly compensated employees," as defined in ERISA Sections 201(2), 301(a)(3), and 401(a)(1);

(b) is designated in writing by the Committee as eligible to participate in the Plan; and

(c) except where the Executive's employment is subject to an Employment Agreement that includes non-compete, non-solicitation and confidentiality provisions ("Restrictive Covenants"), the Executive is required to execute a Non-Compete, Non-Solicitation and Confidentiality Agreement pursuant to Section 2.5 below (to the extent the Participant has not already executed one previously).

**2.2** **Participation.** An Executive who is eligible to become a Participant under Section 2.1 shall become a Participant as of the later of (a) the date designated by the Committee, or, if applicable, (b) the date the Executive executes a Non-Compete, Non-Solicitation and Confidentiality Agreement pursuant to Section 2.5 below.

**2.3** **Duration of Participation.** A Participant shall cease to be a Participant on the date the Participant is no longer eligible for or entitled to a benefit under this Plan.

**2.4** **Reemployment.** If a Participant who has incurred a termination of employment again becomes an Executive, the Executive may again become a Participant in accordance with Section 2.1 at the sole discretion of the Committee, but such reemployment shall not change, suspend, delay, or otherwise affect payment of any benefit otherwise payable to the Participant under the terms of the Plan.

**2.5** **Non-Compete, Non-Solicitation and Confidentiality Agreement.** Eligibility to participate in this Plan and the receipt of any severance payments or benefits (other than the Accrued Obligations) pursuant to this Plan is subject to and conditioned on either (i) the Restrictive Covenants included within the Participant's Employment Agreement or (ii) where no such Restrictive Covenants exist, Executive executing the Non-Compete, Non-Solicitation and Confidentiality Agreement in substantially the form attached hereto as Exhibit B.

## ARTICLE 3
## PLAN BENEFITS

**3.1** **Termination without Cause or for Good Reason, Unrelated to a Change in Control.** If the Company terminates a Participant's employment with the Company without Cause (excluding death or Disability) or if a Participant resigns from such employment for Good Reason, and, in each case, such termination occurs outside of the Change in Control Period, then subject to Article 4, and further subject to Section 3.1(g), each Participant other than the Executive Chairman, will receive the following:

(a) Accrued Obligations. The Company will pay the Participant all Accrued Obligations as soon as administratively feasible after termination.

(b) Severance Payment. The Participant will receive a lump-sum payment (less applicable withholding taxes) equal to the applicable percentage multiplier set forth in the Schedule of Benefits as attached hereto as Exhibit A based on the Participant's leadership level at the time of termination of employment times (A) the Participant's Base Salary plus (B) the Participant's target bonus in the year of termination of employment. Such lump-sum amount shall be payable upon the later of: (i) sixty (60) days following termination of employment, or (ii) such later date required by Section 4.3.

( c ) Bonus Payment. In addition to the severance payment described above, the Participant will receive a lump sum payment equal to Participant's pro-rata bonus based upon actual performance for the performance period in which termination occurs, determined in accordance the applicable written bonus program, and paid at such time as bonuses are paid to other executives, but not later than March 15 of the calendar year following the end of the performance period. This amount shall be calculated pro rata based on the portion of the performance period during which the Participant was an active employee of the Company.

( d ) Continuation Coverage. The Company shall pay Participant a single lump sum payment in an amount equal to 100% of the monthly COBRA premium payable for the coverage in effect on the date of Participant's termination date and, if applicable, the Participant's dependents under the Company's group health plan, multiplied by twenty-four (24.)

( e ) Forfeiture of Unvested Equity Awards. Other than as provided in Section 3.1(g), all outstanding unvested Equity Awards will be immediately forfeited upon the Participant's termination of employment.

(f) Post-Termination Exercise Period. Upon the Participant's termination of employment, the Participant's outstanding and vested stock options as of the Participant's termination of employment date will remain exercisable as provided in the applicable equity awards.

(g) Exception due to Retirement Eligibility. Notwithstanding anything in this Section 3.1 to the contrary, if a Participant whose employment is being terminated by the Company without Cause satisfies the service requirements for Retirement as set forth in Section 1.20, then the Participant may elect to receive the Plan benefits under Section 3.4 instead of this Section 3.1. This election must be made by the Participant in writing either prior to or within ten (10) business days following the Participant's termination date; the election, once made, cannot be changed. A Participant making this election shall, for Plan purposes, be deemed to have voluntarily resigned for Retirement. For the avoidance of doubt, the availability to make a Retirement election under this Section 3.1(g) shall apply to all Retirement-eligible Participants whose employment is being terminated by the Company without Cause, including without limitation the Executive Chairman, even though the Executive Chairman is not otherwise eligible for benefits or payments under this Section 3.1.

**3.2 Termination without Cause or for Good Reason, in Connection with a Change in Control.** If the Company terminates a Participant's employment with the Company without Cause (excluding death or Disability) or if a Participant resigns from such employment for Good Reason, and, in each case, such termination occurs during the Change in Control Period, then subject to Article 4, the Participant will receive the following:

(a) Accrued Obligations. The Company will pay the Participant the Accrued Obligations as soon as administratively feasible after termination.

(b) Severance Payment. The Participant will receive a lump-sum payment (less applicable withholding taxes) equal to the applicable percentage multiplier set forth in the Schedule of Benefits as attached hereto as Exhibit A based on the Participant's leadership level at the time of termination of employment times (A) the Participant's Base Salary plus (B) the Participant's target bonus in the year of termination of employment. Such lump-sum amount shall be payable upon the later of: (i) sixty (60) days following termination of employment, or (ii) such later date required by Section 4.3.

(c) Bonus Payment. In addition to the severance payment described above, the Participant will receive a lump-sum payment equal to one hundred percent (100%) of his or her target bonus as in effect for the fiscal year in which his or her termination of employment occurs calculated pro rata based on the portion of the performance period during which the Participant was an active employee of the Company. Such lump-sum amount shall be payable upon the later of: (i) sixty (60) days following termination of employment, or (ii) such later date required by Section 4.3.

(d) Continuation Coverage. The Company shall pay Participant a single lump sum payment in an amount equal to 100% of the monthly COBRA premium payable for the coverage in effect on the date of Participant's termination date and, if applicable, the Participant's dependents under the Company's group health plan, multiplied by twenty-four (24).

(e) Accelerated Vesting of Equity Awards . Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement:

(i) the Participant's then-outstanding and unvested time-based vesting stock options will become vested as of his or her termination of employment date, and the Participant's outstanding and vested stock options as of the Participant's termination of employment date will remain exercisable for the remainder or the original maximum term, but not later than the tenth ($10^{th}$) anniversary of the original date of grant;

(ii) one hundred percent (100%) of the Participant's then-outstanding and unvested performance shares will become vested in full; provided, however, that if an outstanding performance share is to vest and/or the amount of the award to vest is to be determined based on the achievement of performance criteria, then the performance share will vest as to one hundred percent (100%) of the amount of the performance share assuming the performance criteria had been achieved at target levels for the relevant performance period(s);

(iii) any and all service conditions imposed on the Participant's then-outstanding and unvested time-based restricted stock grants (or time-based restricted stock unit grants) will become vested in full on his or her termination date; such time-based restricted stock grants (or time-based restricted stock unit grants) will become unrestricted immediately following the end of the applicable performance period(s) for such grants based upon actual performance achieved during the applicable performance period(s). Amounts payable with respect to such time-based restricted stock grants (or time-based restricted stock unit grants), if any, will be paid or delivered following the end of the relevant performance period(s) in accordance with the provisions of any applicable equity compensation plan and/or individual award agreement, but not later than March 15 of the calendar year following the calendar year following the end of the applicable performance period for each such grant; and

(iv) any and all service conditions imposed on the Participant's then-outstanding and unvested performance restricted stock grants (or restricted stock units) will be waived as of his or her termination date; provided, however, that if an outstanding performance restricted stock grant (or restricted stock unit grant) is to vest and/or the amount of the award to vest is to be determined based on the achievement of performance criteria, then the performance restricted stock grant (or restricted stock unit grant) will vest as to one hundred percent (100%) of the amount of the performance restricted stock grant (or restricted stock unit grant) assuming the performance criteria had been achieved at target levels for the relevant performance period(s).

(f) No Duplication of Benefits. For the avoidance of doubt, if (i) the Participant incurred a termination prior to a Change in Control that qualifies the Participant for severance payments under Section 3.1, and (ii) a Change in Control occurs within the twelve (12)-month period following the Participant's termination of employment that qualifies the Participant for the superior benefits under this Section 3.2, then the Participant shall be entitled to the benefits calculated under this Section 3.2, less amounts already paid under Section 3.1.

**3.3 Voluntary Resignation (other than for Retirement or Good Reason); Termination for Cause.** If a Participant's employment with the Company terminates (i) voluntarily by the Participant (other than for Retirement or Good Reason), or (ii) for Cause by the Company, then the Participant will irrevocably forfeit the benefits under this Plan and will not be entitled to receive the severance or other benefits hereunder other than the Accrued Obligations. Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement, the following provisions shall apply with respect to grants of equity compensation upon such resignation or termination for Cause:

(a) Forfeiture of Equity Awards. All outstanding and unvested Equity Awards will be immediately forfeited upon the Participant's voluntary resignation or termination of employment for Cause.

(b) Post-Termination Exercise Period. Upon the Participant's resignation, the Participant's outstanding and vested stock options as of the Participant's termination of employment date will remain exercisable as provided in the applicable equity awards. Upon the Participant's termination for Cause, the Participant's outstanding and vested stock options shall not be exercisable as of the Participant's termination of employment date.

**3.4 Voluntary Resignation for Retirement.** To qualify for Plan benefits due to voluntary resignation for Retirement, the Participant must satisfy the service requirements set forth in Section 1.20 and either (i) provide at least sixty (60) days advance written notice of Participant's intention to voluntarily resign employment due to Retirement or (ii) be deemed to have voluntarily resigned employment due to Retirement pursuant to Section 3.1(g). If a Participant's employment with the Company terminates due to Retirement, then subject to Article 4, the Participant will receive the following:

(a) Accrued Obligations. The Company will pay the Participant all Accrued Obligations as soon as administratively feasible after termination.

(b) Bonus Payment. The Participant shall receive a pro-rata bonus based upon actual performance for the performance period in which termination occurs, determined in accordance the applicable written bonus program, and paid at such time as bonuses are paid to other executives, but not later than March 15 of the calendar year following the end of the performance period

(c) Accelerated Vesting of Equity Awards . Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement:

(i) the Participant's then-outstanding and unvested time-based vesting stock options will become vested as of his or her termination of employment date, and the Participant's outstanding and vested stock options as of the Participant's termination of employment date will remain exercisable for the remainder or the original maximum term, but not later than the tenth ($10^{th}$) anniversary of the original date of grant;

(ii) any and all service conditions imposed on the Participant's then-outstanding and unvested performance shares will be waived as of his or her termination date; such performance share awards will become unrestricted immediately following the end of the applicable performance period(s) for such awards based upon actual performance achieved during the applicable performance period(s). Amounts payable with respect to such performance share awards, if any, will be paid or delivered following the end of the relevant performance period(s) in accordance with the provisions of any applicable equity compensation plan and/or individual award agreement, but not later than March 15 of the calendar year following the calendar year following the end of the applicable performance period for each such award; and

(iii) any and all service conditions imposed on the Participant's then-outstanding and unvested time-based restricted stock grants (or time-based restricted stock unit grants) will become vested as of his or her termination date; such time-based restricted stock grants (or time-based restricted stock unit grants) will become unrestricted immediately following the end of the applicable performance period(s) for such grants based upon actual performance achieved during the applicable performance period(s). Amounts payable with respect to such time-based restricted stock grants (or time-based restricted stock unit grants), if any, will be paid or delivered following the end of the relevant performance period(s) in accordance with the provisions of any applicable equity compensation plan and/or individual award agreement, but not later than March 15 of the calendar year following the calendar year following the end of the applicable performance period for each such grant; and

(iv) any and all service conditions imposed on the Participant's then-outstanding and unvested performance restricted stock grants (or restricted stock unit grants) will be waived as of his or her termination date; such performance restricted stock grants (or restricted stock unit grants) will become unrestricted immediately following the end of the applicable performance period(s) for such awards based upon actual performance achieved during the applicable performance period(s). Amounts payable with respect to such performance restricted stock grants (or restricted stock unit grants), if any, will be paid or delivered following the end of the relevant performance period(s) in accordance with the provisions of any applicable equity compensation plan and/or individual award agreement, but not later than March 15 of the calendar year following the calendar year following the end of the applicable performance period for each such grant.

**3.5 Disability; Death.** No benefits or other Amounts are payable under this Plan to or with respect to a Participant if the Company terminates the Participant's employment as a result of the Participant's Disability, or the Participant's employment terminates due to the Participant's death. For the avoidance of doubt, nothing in this Section 3.5 affects amounts that may be payable to a Participant pursuant to an Employment Agreement in the event Participant's employment terminates due to death or Disability.

**3.6 Exclusive Remedy.** In the event of a termination of a Participant's employment as set forth in this Article 3, the provisions of Article 3 are intended to be and are exclusive and in lieu of any other rights to severance pay or remedies to which the Participant is entitled, whether at law, tort or contract, in equity, or under the Plan (other than the payment of the Accrued Obligations) as well as the payment of other items to which the Participant is or may be entitled under Participant's Employment Agreement (to the extent one exists)).

## ARTICLE 4
## CONDITIONS AND LIMITATIONS ON BENEFITS

**4.1 Release of Claims Agreement.** The receipt of any severance payments or benefits (other than the Accrued Obligations) pursuant to the Plan is subject to the Participant signing and not revoking a separation agreement and release of claims in substantially the form attached hereto as Exhibit C (the "Release"), which must become effective and irrevocable no later than the sixtieth (60$^{th}$) day following the Participant's termination of employment (the "Release Deadline"). If the Release does not become effective and irrevocable by the Release Deadline, the Participant will forfeit any right to severance payments and any other benefits under the Plan. In no event will severance payments or benefits be paid or provided until the Release actually becomes effective and irrevocable.

**4.2 Adherence to Non-Compete, Non-Solicitation and Confidentiality Agreement.** The Participant's receipt of any severance payments or other benefits (other than the Accrued Obligations) pursuant to this Plan is subject to the Participant either (i) adhering to the Restrictive Covenant provisions of the Participant's Employment Agreement or (ii) where no such Restrictive Covenants exist, executing and adhering to the provisions of the Non-Compete, Non-Solicitation and Confidentiality Agreement (the "Non-Compete Agreement") in substantially the form attached hereto as Exhibit B. A Participant will forfeit any entitlement to the severance payments or other benefits (other than the Accrued Obligations) pursuant to this Plan upon the Participant's breach of (a) the Restrictive Covenants of the Participant's Employment Agreement or (b) the Non-Compete Agreement, whichever applies. To the extent permitted by law, if the Company determines that a Participant has breached the Restrictive Covenants or the Non-Compete Agreement, as applicable, the Company will immediately cease any further payments and benefits under the Plan, and it will have the right to seek repayment of any such payments or benefits that have already been provided, without prejudice to any other remedies that may be available to the Company.

**4.3 Code Section 409A.**

(a) Notwithstanding anything to the contrary in the Plan, no severance pay or benefits to be paid or provided to a Participant, if any, pursuant to the Plan that, when considered together with any other severance payments or separation benefits, are considered deferred compensation under Code Section 409A, and the final regulations and any guidance promulgated thereunder (together, the "Deferred Payments") will be paid or otherwise provided until the Participant incurs a "separation from service" within the meaning of Code Section 409A. Similarly, no severance payable to the Participant, if any, pursuant to the Plan that otherwise would be exempt from Code Section 409A will be payable until the Participant incurs a "separation from service" within the meaning of Code Section 409A.

(b) It is intended that, to the maximum extent permitted under Code Section 409A, none of the severance payments under the Plan will constitute Deferred Payments but rather will be exempt from Code Section 409A as a payment that would fall within the "short-term deferral period" as described in Section 4.3(d) below or resulting from an involuntary separation from service as described in Section 4.3(e) below. However, any severance payments or benefits under the Plan that would be considered Deferred Payments will be paid on, or, in the case of installments, will not commence until, the sixtieth (60th) day following the Participant's separation from service, or, if later, such time as required by Section 4.3(c). Except as required by Section 4.3(c), any installment payments that would have been made to the Participant during the sixty (60) day period immediately following the Participant's separation from service but for the preceding sentence will be paid to the Participant on the sixtieth (60th) day following the Participant's separation from service and the remaining payments will be made as provided in the Plan.

(c) Notwithstanding anything to the contrary in the Plan, if the Participant is a "specified employee" within the meaning of Code Section 409A at the time of the Participant's termination (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following the Participant's separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of the Participant's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Participant dies following his or her separation from service, but before the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this subsection will be payable in a lump sum as soon as administratively practicable after the date of the Participant's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under the Plan is intended to constitute a separate payment under Section 1.409A-2(b)(2) of the Treasury Regulations.

(d) Any amount paid under the Plan that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Payments for purposes of Section 4.3(a) above.

(e) Any amount paid under the Plan that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Code Section 409A Limit (as defined below) will not constitute Deferred Payments for purposes of Section 4.3(a) above. Code Section 409A Limit means two (2) times the lesser of: (i) a Participant's annualized compensation based upon the annual rate of pay paid to the Participant during the Participant's taxable year preceding the Participant's taxable year of his or her separation from service, and with such adjustments as are set forth in Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Code Section 401(a)(17) for the year in which the Participant's separation from service occurs.

(f) The foregoing provisions are intended to comply with the requirements of Code Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Code Section 409A, and any ambiguities herein will be interpreted to so comply.

**4.4 Limitation on Payments.** In the event that the severance and other benefits provided for under the Plan or otherwise payable to a Participant (i) constitute "parachute payments" within the meaning of Code Section 280G, and (ii) but for this Section 4.4, would be subject to the excise tax imposed by Code Section 4999, then the Participant's benefits under Article 3 will be either

(a) delivered in full, or

(b) delivered as to such lesser extent which would result in no portion of such benefits being subject to excise tax under Code Section 4999,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Code Section 4999, results in the receipt by the Participant on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Code Section 4999. If a reduction in severance and other benefits constituting "parachute payments" is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: (A) reduction of cash payments; (B) cancellation of awards granted "contingent on a change in ownership or control" (within the meaning of Code Section 280G), (C) cancellation of accelerated vesting of equity awards; (D) reduction of employee benefits. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of the Participant's equity awards.

Any determination required under this Section 4.4 will be made in writing by the Company's independent public accountants immediately prior to a Change in Control (the "Firm"), whose determination will be conclusive and binding upon all interested parties. For purposes of making the calculations required by this Section 4.4, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Code Sections 280G and 4999. The Company and the Participant will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section. The Company will bear all costs the Firm may incur in connection with any calculations contemplated by this Section 4.4.

## ARTICLE 5
## ADMINISTRATION OF THE PLAN

**5.1 Powers and Duties of the Committee.** The Committee shall have general responsibility for the administration of the Plan, including, but not limited to, complying with reporting and disclosure requirements, if any, and establishing and maintaining Plan records. The Committee may delegate to any Executive or other employee of the Company all or a portion of its authority to perform any act hereunder, including, without limitation, those matters involving the exercise of discretion, provided that such delegation shall be subject to revocation at any time at the discretion of the Committee. In the exercise of the Committee's sole and absolute discretion, the Committee shall interpret the Plan's provisions and determine the eligibility of individuals for benefits. The Committee shall have the maximum discretion permitted under law to interpret the Plan, and all decisions of the Committee shall be final and binding on all interested parties, subject to Section 5.3 below.

No individual serving as a Committee member or at the request of the Committee shall be entitled to act on or decide any matter relating solely to him or her or any of his or her rights or benefits under the Plan. In the event an individual is unable to act on any matter by reason of the foregoing restriction, the remaining Committee members shall act on such matter. The Committee shall not receive any special compensation for serving in the capacity of Committee but shall be reimbursed for any reasonable expenses incurred in connection herewith. Except as otherwise required by ERISA, no bond or other security shall be required of the Committee in any jurisdiction.

**5.2 Agents.** The Committee may engage such legal counsel, certified public accountants and other advisers and service providers, who may be advisers or service providers for the Company or an affiliate, and make use of such agents and clerical or other personnel, as it shall require or may deem advisable for purposes of the Plan. The Committee may rely upon the written opinion of any legal counsel or accountants engaged by the Committee, and may delegate to any such agent its authority to perform any act hereunder, including, without limitation, those matters involving the exercise of discretion, provided that such delegation shall be subject to revocation at any time at the discretion of the Committee.

**5.3 Claims for Benefits.** Any person claiming a benefit ("Claimant") under the Plan shall present the request in writing to the Committee.

(a) Initial Claim Review. If the claim is wholly or partially denied, the Committee will, within a reasonable period of time, and within ninety (90) days of the receipt of such claim, or if the claim is a claim on account of Disability, within forty-five (45) days of the receipt of such claim, provide the Claimant with written notice of the denial setting forth in a manner calculated to be understood by the Claimant:

(i) The specific reason or reasons for which the claim was denied;

(ii) Specific reference to pertinent provisions of the Plan, rules, procedures or protocols upon which the Committee relied to deny the claim;

(iii) A description of any additional material or information that the Claimant may file to perfect the claim and an explanation of why this material or information is necessary;

(iv) An explanation of the Plan's claims review procedure and the time limits applicable to such procedure and a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse determination upon review; and

(v) In the case of an adverse determination of a claim on account of Disability, the information to the Claimant shall include, to the extent necessary, the information set forth in Department of Labor Regulation Section 2560.503-1(g)(1)(v).

If special circumstances require the extension of the forty-five (45) day or ninety (90) day period described above, the Claimant will be notified before the end of the initial period of the circumstances requiring the extension and the date by which the Committee expects to reach a decision. Any extension for deciding a claim will not be for more than an additional ninety (90) day period, or if the claim is on account of Disability, for not more than two additional thirty (30) day periods.

(b) Review of Claim. If a claim for benefits is denied, in whole or in part, the Claimant may request to have the claim reviewed. The Claimant will have one hundred eighty (180) days in which to request a review of a claim regarding Disability, and will have sixty (60) days in which to request a review of all other claims. The request must be in writing and delivered to the Board, and the Board or its designee shall review the appeal ("appeal official"). If no such review is requested, the initial decision of the Committee will be considered final and binding.

The appeal official's decision on review shall be sent to the Claimant in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the Claimant, as well as specific references to the pertinent Plan provisions, rules, procedures or protocols upon which the appeal official relied to deny the appeal. The appeal official shall consider all information submitted by the Claimant, regardless of whether the information was part of the original claim. The decision shall also include a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

The appeal official's decision on review shall be made not later than sixty (60) days (forty-five (45) days in the case of a claim on account of Disability) after its receipt of the request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred and twenty (120) days (ninety (90) days in the case of a claim on account of Disability) after receipt of the request for review. This notice to the Claimant shall indicate the special circumstances requiring the extension and the date by which the appeal official expects to render a decision and will be provided to the Claimant prior to the expiration of the initial forty-five (45) day or sixty (60) day period.

Notwithstanding the foregoing, in the case of a claim on account of Disability:

(i) The review of the denied claim shall be conducted by a party who is neither the individual who made the benefit determination nor a subordinate of such person; and

(ii) No deference shall be given to the initial benefit determination. For issues involving medical judgment, the reviewing party must consult with an independent health care professional who may not be the health care professional who decided the initial claim.

(c) <u>Legal Proceedings Regarding Claims</u>. Claimants must follow the claims procedures included in this Section before taking action in any other forum regarding a claim. Any suit or legal action initiated by a Claimant must be brought by the Claimant no later than one (1) year following a final decision on the claim under these claims procedures. The one (1) year statute of limitations on suits for benefits shall apply in any forum where a Claimant initiates such suit or legal action. If a civil action is not filed within this period, the Claimant's claim will be deemed permanently waived and abandoned, and the Claimant will be precluded from reasserting it.

**5.4 Hold Harmless.** To the maximum extent permitted by law, the members of the Committee and the Board shall not be personally liable by reason of any contract or other instrument executed by such members or on such members' behalf in their capacity as the administrator of the Plan nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless, directly from its own assets (including the proceeds of any insurance policy the premiums of which are paid from the Company's own assets), the Committee and each other officer, employee, or director of the Company or an affiliate to whom any duty or power relating to the administration or interpretation of the Plan is delegated against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud, willful misconduct or bad faith.

**5.5 Service of Process.** The Committee or such other person designated by the Committee shall be the agent for service of process under the Plan.

## ARTICLE 6
## AMENDMENT OR TERMINATION OF THE PLAN

**6.1 Right to Amend or Terminate the Plan**

(a) Prior to a Change in Control, the Committee reserves the right at any time to amend or terminate the Plan, in whole or in part, and for any reason and without the consent of any Participant or other person. Following a Change in Control, the Plan may be amended or terminated only with the prior written consent of all Participants.

(b) In no event shall an amendment or termination modify, reduce, or otherwise affect the Company's obligations under the Plan made before the amendment or termination, as such obligations are defined under the provisions of the Plan existing immediately before such amendment or termination.

6.2 **Notice of Plan Amendment or Termination.** Notice of any amendment or termination of the Plan shall be given by the Committee to each Participant and any other person entitled to a benefit hereunder.

6.3 **Payment upon Plan Termination.** If the Plan is terminated, the Company may distribute all vested, accrued benefits under the Plan in a single lump sum payment after the date the Plan is terminated if and to the extent permitted under Code Section 409A and the related Treasury Regulations and other guidance issued thereunder. Accordingly, the Company may accelerate Deferred Payments hereunder in accordance with one of the following:

(a) the termination of the Plan within twelve (12) months of a corporate dissolution taxed under Code Section 331 or with the approval of a bankruptcy court pursuant to 11 U.S.C. 503(b)(1)(A), as provided in Treasury Regulation Section 1.409A-3(j)(4)(ix)(A); or

(b) the termination of the Plan, provided that the termination does not occur proximate to a downturn in the financial health of the Company, if all arrangements that would be aggregated with the Plan under Treasury Regulation Section 1.409A-1(c) are terminated, and no payments other than payments that would be payable under the terms of the Plan if the termination had not occurred are made within twelve (12) months of the Plan termination, and all payments are made within twenty-four (24) months of the Plan termination, and no new arrangement that would be aggregated with the Plan under Treasury Regulation Section 1.409A-1(c) is adopted within three (3) years following the Plan termination, as provided in Treasury Regulation Section 1.409A-3(j)(4)(ix)(C); or

(c) such other events and conditions as the IRS may prescribe in generally applicable published regulatory or other guidance under Code Section 409A.

## ARTICLE 7
## GENERAL PROVISIONS AND LIMITATIONS

7.1 **No Right to Continued Employment.** Nothing contained in the Plan shall give any person the right to be retained in the employment of the Company or affect the right of the Company to dismiss any employee. The adoption and maintenance of the Plan shall not constitute a contract between the Company and an Executive or consideration for, or an inducement to or condition of, the employment of any Executive.

7.2 **Payment on Behalf of Payee.** If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for such person's affairs because of illness or accident, or is a minor, or had died, then any payment due such person or such person's estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so elects, be paid to such person's spouse, a child, a relative, an institute maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment hereunder. Any such payment shall be a complete discharge of the liability of the Plan and the Company therefor.

7.3 **Nonalienation.** No interest, expectancy, benefit, payment, claim, or right of any Participant under the Plan shall be (a) subject in any manner to any claims of any creditor of the Participant or any other person; (b) subject to the debts, contracts, liabilities or torts of the Participant or any other person; or (c) subject to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge or encumbrance of any kind. If any person shall attempt to take any action contrary to this Section, such action shall be null and void and of no effect, and the Committee and the Company shall disregard such action and shall not in any manner be bound thereby and shall suffer no liability on account of its disregard thereof. If a Participant or any successor in interest hereunder shall become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right hereunder, then such right or benefit shall, in the discretion of the Committee, cease and terminate, and in such event the Committee may hold or apply the same or any part thereof for the benefit of the Participant or the spouse, children, or other dependents of the Participant, or any of them, in such manner and in such amounts and proportions as the Committee may deem proper.

7.4 **Missing Payee.** If the Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan (including the Participant, the Participant's estate or any beneficiary of the Participant), and if, after five (5) years from the date such payment is due, a notice of such payment due is mailed to the last known address of such person, as shown on the records of the Committee or the Company, and within three (3) months after such mailing such person has not made written claim therefor, the Committee may direct that such payment and all remaining payments otherwise due to such person be canceled on the records of the Plan and the amount thereof forfeited, and upon such cancellation, the Company shall have no further liability therefor, except that, in the event such person later notifies the Committee of such person's whereabouts and requests the payment or payments due to such person under the Plan, the amounts otherwise due but unpaid as of the date payment would have been made shall be paid to such person without interest or earnings accruals due to late payment.

7.5 **Required Information.** Each Participant shall file with the Committee such pertinent information concerning himself or herself, or such other person as the Committee may specify, and no Participant or any successor in interest shall have any rights or be entitled to any benefits under the Plan unless such information is filed by or with respect to the Participant.

7.6 **Binding Effect.** Obligations incurred by the Company pursuant to this Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Participant and any successor in interest of the Participant.

7.7 **Merger or Consolidation.** In the event of a merger or consolidation by the Company with another entity, or the acquisition of substantially all of the assets or outstanding ownership interests of the Company by another entity, the obligations and responsibilities of the Company under this Plan shall be assumed by any such successor or acquiring entity, and all of the rights, privileges, and benefits of the Participants hereunder shall continue.

7.8 **No Funding Created.** All payments provided under the Plan shall be paid from the general assets of the Company and no separate fund shall be established to secure payment. Notwithstanding the foregoing, the Company may establish a grantor trust to assist it in funding Plan obligations; provided, however, that such trust shall at all times remain located within the United States. Any payments made to a Participant or other person from any such trust shall relieve the Company from any further obligations under the Plan only to the extent of such payment. Nothing herein shall constitute the creation of a trust or other fiduciary relationship between the Company and any other person.

**7.9 Notices.**

(a) General. Notices and all other communications contemplated by the Plan will be in writing and will be deemed to have been duly given when sent electronically or personally delivered, when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid, or when delivered by a private courier service such as UPS, DHL or Federal Express that has tracking capability. In the case of a Participant, notices will be sent to the e-mail address or addressed to the Participant at the home address, in either case which the Participant most recently communicated to the Company in writing. In the case of the Company, electronic notices will be sent to the e-mail address of the Chief Executive Officer or the General Counsel and mailed notices will be addressed to its corporate headquarters, and all notices will be directed to the attention of its Chief Executive Officer or General Counsel.

(b) Notice of Termination. Any termination by the Company for Cause or by the Participant for Good Reason will be communicated by a notice of termination to the other party hereto given in accordance with Section 7.9(a). Such notice will indicate the specific termination provision under the Plan relied upon, will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and will specify the termination date.

**7.10 No Duty to Mitigate.** A Participant will not be required to mitigate the amount of any payment contemplated by the Plan, nor will any such payment be reduced by any earnings that the Participant may receive from any other source.

**7.11 Severability.** If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof; instead, each provision shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

**7.12 Entire Plan; Construction.** This document and any written amendments hereto (including any resolutions of the Company, the Committee or the Board) contain all the terms and provisions of the Plan and shall constitute the entire Plan, any other alleged terms or provisions being of no effect. Unless otherwise indicated, all references to Articles, Sections, and subsections shall be to the Plan as set forth in this document. The Article titles and the captions preceding Sections and subsections have been inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provision. When the context so requires, the masculine pronoun shall be deemed to include the feminine and neuter and the singular to include the plural, and vice versa in each instance, unless the context clearly indicates otherwise.

**7.13 Governing Law.** This Plan shall be governed by and construed under the laws of the State of Arizona, without regard to conflicts of law provisions, to the extent not preempted by ERISA or other applicable federal law.

**7.14 Tax Withholding; No Company Representation.** All payments made pursuant to this Plan will be subject to withholding of applicable income, employment and other taxes. The Company does not represent or guarantee that any particular federal, state or local income, payroll or other tax treatment will result from this Plan or the benefits provided hereunder. Each Participant, for himself or herself and his or her successors in interest, assumes full responsibility for all of his or her portion of federal, state and local taxes arising from the payments provided hereunder and by accepting benefits hereunder agrees to indemnify and hold the Committee, the Company and the Board harmless from any and all tax consequences, including interest and/or penalties, related to taxes owed and payable by the Participant or any successor in interest.

* * *

Approved by the Compensation Committee on the 18th day of April 2022, to be effective as of the Restated Effective Date.

**EXHIBIT A**

**SCHEDULE OF BENEFITS**

As of April 18, 2022

| Leadership Level | 3.1(b)(A) Base Salary Severance Payment Multiplier | 3.1(b)(B) Target Bonus Payment Multiplier | 3.2(b)(A) CIC Base Salary Severance Payment Multiplier | 3.2(b)(B) CIC Target Bonus Payment Multiplier |
|---|---|---|---|---|
| CEO | 200% | 200% | 300% | 300% |
| COO | 125% | 125% | 200% | 200% |
| CFO | 125% | 125% | 200% | 200% |
| CPO | 125% | 125% | 200% | 200% |
| Exec. Chair | 0% | 0% | 300% | 300% |
| GC | 125% | 125% | 200% | 200% |

**Minimum amounts payable under 3.1 (for CFO and CPO only):** Notwithstanding anything in the Plan or in the above Schedule to the contrary, the minimum amount payable to the CFO and CPO under Sections 3.1(b) and (c) will be $2,000,000 for the CFO, and $1,137,500 for the CPO (i.e., the amount payable to the CFO under 3.1(b) plus 3.1(c) is subject to a $2,000,000 minimum, and the amount payable to the CPO under 3.1(b) plus 3.1(c) is subject to a $1,137,500 minimum).

**EXHIBIT B**

**NON-COMPETE, NON-SOLICITATION AND CONFIDENTIALITY AGREEMENT**

***Agreements Not to Compete or Solicit Employees or Customers***.

As a condition of employment and to protect Company's Confidential Information and competitive position, Executive promises and agrees that during his employment and for a period of twelve (12) months, excluding the Executive Chairman whose period is twenty-four (24) months following his separation from the Company for any reason, Executive (whether as an employee, officer, director, partner, proprietor, investor, associate, consultant, advisor or otherwise) will not, directly or indirectly, either for his own benefit or the benefit of any other person or entity:

Engage, invest in, or establish, in any capacity as either as an employee, employer, contractor, consultant, agent, principal, partner, member, stockholder, investor, corporate officer, director, or in any other individual or representative capacity any business that is a Restricted Business. Notwithstanding the foregoing to the contrary, Executive may take a passive ownership interest in the publicly traded securities of a Restricted Business, but only to the extent specifically permitted by applicable Company policies, as may from time to time be amended. Executive further promises that during Executive's employment and for a period of twelve (12) months excluding the Executive Chairman whose period is twenty-four (24) months following Executive's termination of employment with Company, Executive will not give advice or lend credit, money or Executive's reputation to any person or entity engaged in or establishing the Restricted Business.

Solicit, recruit, induce, entice, encourage, hire, directly recruit, or in any way cause any officer or manager who is or was an employee of Company within the twelve (12) months prior to Executive's separation of employment, or after, to terminate his employment with Company. This restriction is limited to those employees with whom Executive worked, had business contact, or about whom Executive gained non-public or Confidential Information while employed with the Company.

Solicit, contact, or communicate with any person or company for the purpose of engaging in a business that is the same or similar to the Company's business at the time Executive's employment ends, who was a customer of the Company during the twelve (12) months preceding Executive's separation and whom Executive contacted, solicited, serviced, or sold services to as an Executive of the Company (either directly or indirectly as a supervisor) at any time during the twelve (12) months preceding the date of Executive's separation. Executive also agrees not to induce any customer, supplier or other person with whom the Company engaged in business, or to the knowledge of Executive planned or proposed to engage in business, during the twelve (12) months preceding the date of Executive's separation, to terminate any commercial relationship with the Company.

The effective time period of the restrictions set forth in this Agreement shall be tolled during any period of time a legal proceeding brought by the Company against Executive to enforce this Agreement is pending or during any period of time in which the Executive is in violation of this Agreement.

## ***Non-Disclosure of Intellectual Property, Trade Secrets, and Confidential Information.***

Executive agrees that, unless otherwise required by law, Executive will forever keep secret all Confidential Information of the Company, and Executive will not use it for Executive's own private benefit, or directly or indirectly for the benefit of others, and Executive will not disclose Confidential Information to any other person, directly or indirectly.

If Executive is legally compelled (by subpoena, interrogatory, request for documents, investigative demand or similar process) to disclose Confidential Information, Executive shall give Company prompt, prior written notice so Company can seek an appropriate remedy or waive compliance. Executive shall furnish only that portion of the Confidential Information required on advice of legal counsel, and shall exercise Executive's best efforts to obtain an order or assurance that any Confidential Information disclosed will be treated by others in a confidential manner.

The foregoing provisions notwithstanding, Company employees, contractors, and consultants may disclose trade secrets in confidence, either directly or indirectly, to a Federal, State, or local government official, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, Company employees, contractors, and consultants who file retaliation lawsuits for reporting a suspected violation of law may disclose related trade secrets to their attorney and use them in related court proceedings, as long as the individual files documents containing the trade secret under seal and does not otherwise disclose the trade Secret except pursuant to court order.

**EXHIBIT C**

**FORM OF RELEASE OF CLAIMS**

This Release of Claims ("Agreement") is made and entered into by ______________ ("Employee") on the date set forth below.

WHEREAS, Employee and Meritage Homes Corporation, Inc. (the "Company") entered into an Employment Agreement dated ____________ ("Employment Agreement"); and

WHEREAS, Employee is a participant in that certain Meritage Homes Corporation Executive Severance Plan (the "Severance Plan"); and

WHEREAS, pursuant to the terms of the Employment Agreement and the Severance Plan, Employee agreed to execute and deliver Company a written waiver and general release agreement as a condition precedent to his right to receive certain amounts under the Employment Agreement and/or Severance Plan;

NOW, THEREFORE, in consideration of the promises and payments set forth in the Employment Agreement and the Severance Plan, Employee agrees as follows:

1 . **Meaning of "Released Parties":** The term Released Parties, as used throughout this Agreement, includes the Company and all of its past, present, and future shareholders, parents, subsidiaries, and affiliates, joint venturers, and other current or former related entities thereof, and all of the past, present, and future officers, directors, employees, agents, insurers, legal counsel, and successors and assigns of said entities.

2. **Employee's Release of Claims:** Subject to Paragraph 4 of this Agreement, Employee, on behalf of himself, his spouse (if any), representatives, agents, heirs, trusts and assigns, hereby unconditionally and irrevocably releases Released Parties to the maximum extent permitted by law, from any and all claims, debts, obligations, demands, judgments, or causes of action of any kind whatsoever, whether known or unknown that Employee has or may have had prior to the Effective Date of this Agreement (as defined in Paragraph 3(f) below) for any action or omission by Released Parties and/or due to any matter whatsoever relating to Employee's employment or cessation of employment with the Company. Without limiting in any way the foregoing general release, this release specifically includes the following:

a. All claims and causes of action arising under the following laws, as amended: Section 1981 of the Civil Rights Act of 1866; Title VII of the Civil Rights Act; the Americans with Disabilities Act; the Federal Family and Medical Leave Act; the Worker Adjustment and Retraining Notification Act; the National Labor Relations Act; the Labor Management Relations Act; the Fair Credit Reporting Act; the Employee Retirement Income Security Act of 1974; the Genetic Information Nondiscrimination Act of 2008; the Health Insurance Portability and Accountability Act; the Occupational and Safety Health Act; the Equal Pay Act; Executive Orders 11246 and 11141; the Consolidated Omnibus Budget Reconciliation Act of 1986; the Rehabilitation Act of 1973; the Electronic Communications Privacy Act of 1986 (including the Stored Communications Act); the Arizona Wage Statute, A.R.S. § 23-350, *et seq*., the Arizona Civil Rights Act, the Arizona Employment Protection Act, and the Arizona Constitution; and

b. All claims and causes of action arising under any other federal, state or local law, regulation or ordinance, including for employment discrimination on any basis, hostile working environment, retaliation, wrongful discharge, retaliatory discharge, constructive discharge, unsafe working conditions, breach of express or implied contract, breach of collective bargaining agreement, breach of implied covenant of good faith and fair dealing, fraud, detrimental reliance, promissory estoppel, defamation, negligence, negligent or intentional misrepresentation, invasion of privacy, interference with economic gain or contractual relations, and intentional and negligent infliction of emotional distress or “outrage”; and

c. All claims and causes of action by the Employee that Released Parties have acted unlawfully or improperly in any manner whatsoever.

3. **Age Discrimination in Employment Act; Older Workers Benefit Protection Act of 1990:** In addition to the general release in Paragraph 2 of this Agreement, the Employee is waiving and releasing any and all claims against Released Parties under the Age Discrimination and Employment Act (“ADEA”) that arose at any time during the Employee’s employment with the Company, up to and including his last day of employment. This Agreement is subject to the terms of the Older Workers Benefit Protection Act of 1990 (“OWBPA”). The OWBPA provides that an individual cannot waive a right or claim under the ADEA unless the waiver is knowing and voluntary. Pursuant to the terms of the OWBPA, the Employee acknowledges and agrees that the Employee has been provided a copy of this Agreement, has signed this Agreement voluntarily, and with full knowledge of its consequences. In addition, the Employee hereby acknowledges and agrees as follows:

a. This Agreement has been written in a manner that is calculated to be understood, and is understood, by the Employee;

b. The release provisions of this Agreement apply to any rights the Employee may have under the ADEA up to the date of this Agreement;

c. The release provisions of this Agreement do not apply to any rights or claims the Employee may have under the ADEA that arise after the date he signs this Agreement;

d. The Employee has been advised that he should consult with an attorney prior to signing this Agreement;

e. The Employee has been provided a period of twenty-one (21) calendar days (the “Review Period”) from his last day of employment with the Company to consider this Agreement. The Employee may, but is not required to, accept and sign this Agreement before the expiration of the Review Period, but no earlier than his last day of employment with the Company. If the Employee signs this Agreement before the expiration of the Review Period, the Employee agrees that he is knowingly and expressly waiving the time-period;

f. For a period of seven (7) calendar days following his signing of this Agreement, the Employee may revoke this Agreement by providing written notice of any such revocation to [___________________], on or before the seventh day after the Employee signs the Agreement. This Agreement shall become “effective” on the eighth calendar day after the Employee signs it if it has not been revoked during the seven (7) day revocation period (the “Effective Date”);

g. Pursuant to the Severance Plan, payment of any severance benefits under the Severance Plan is conditioned on the execution of this Agreement within the Review Period and the running of the revocation period described in 3(f) (“Revocation Period”); and

h. The Employee may not sign this Agreement until after his last day of employment with the Company and the Agreement shall not be effective if the Employee executes the Agreement prior to such date.

4. **Protected Rights:** The Employee understands that nothing contained in this Agreement shall be construed to prohibit him from filing a charge with or participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission, the National Labor Relations Board, or any state or federal agency. The Employee understands that he has waived and

released any and all claims for money damages and equitable relief that the Employee may recover from Released Parties pursuant to the filing or prosecution of any administrative charge against Released Parties, or any resulting civil proceeding or lawsuit brought on his behalf for the recovery of such relief, and which arises out of the matters that are and may be released or waived by this Agreement. The Employee also understands, however, that this Agreement does not limit his ability to communicate with any government agencies or otherwise participate in any investigation or proceeding that may be conducted by any government agency, including providing documents or other information, without notice to the Company. This Agreement also does not limit The Employee's right to receive an award for information provided to any government agencies.

5. **Pension Plan:** This Agreement shall not affect any vested rights the Employee has under an ERISA pension benefit plan(s).

6. **Medicare:** The Employee affirms, covenants, and warrants he is not a Medicare beneficiary and is not currently receiving, has not received in the past, will not have received at the time of payment pursuant to this Agreement, is not entitled to, is not eligible for, and has not applied for or sought Social Security Disability or Medicare benefits. In the event any statement in the preceding sentence is incorrect (for example, but not limited to, if the Employee is a Medicare beneficiary, etc.), the following sentences (i.e., the remaining sentences of this paragraph) apply. The Employee affirms, covenants, and warrants he has made no claim for illness or injury against, nor is he aware of any facts supporting any claim against, the Released Parties under which Released Parties could be liable for medical expenses incurred by the Employee before or after the execution of this agreement. Furthermore, the Employee is aware of no medical expenses which Medicare has paid and for which Released Parties are or could be liable now or in the future. The Employee agrees and affirms that, to the best of his knowledge, no liens of any governmental entities, including those for Medicare conditional payments, exist. The Employee will indemnify, defend, and hold Released Parties harmless from Medicare claims, liens, damages, conditional payments, and rights to payment, if any, including attorneys' fees, and the Employee further agrees to waive any and all future private causes of action for damages pursuant to 42 U.S.C. § 1395y(b)(3)(A) et seq.

7. **Attorneys' Fees and Costs:** In any proceeding or action to enforce this Agreement or to recover damages arising out of its breach, the prevailing Party shall be awarded its reasonable attorneys' fees and costs.

8. **Governing Law and Venue:** This Agreement will be interpreted and construed in accordance with the laws of the State of Arizona, insofar as federal law does not control, and venue as to any dispute regarding this Agreement, or interpretation thereof, shall be in _______________, Arizona.

9. **Modification of Agreement:** This Agreement shall not be modified, amended, or terminated unless such modification, amendment, or termination is executed in writing by the Employee, and an authorized representative of the Company.

10. **The Employee's Representations:** The Employee warrants that the Employee is over the age of eighteen (18) and competent to sign this Agreement; that in signing this Agreement the Employee is not relying on any statement or representation by the Company that is not contained in this Agreement, but is relying upon the Employee's judgment and/or that of the Employee's legal counsel and/or tax advisor; that the Agreement was signed knowingly and voluntarily without duress or coercion in any form; and that the Employee fully understands the same is a FULL and FINAL SETTLEMENT of any and all claims against Released Parties which have been or could have been asserted or on account or arising out of the Employee's employment relationship with the Company or the actions of any of Released Parties. The Employee further represents and certifies that the Employee has been given a fair opportunity to review the terms of this Agreement and has determined that it is in the Employee's best interest to enter into this Agreement.

11. **Drafting and Construction:** This Agreement may not be construed in favor of or against either the Employee or the Company (each, a “Party”) on the grounds that said Party was less or more involved in the drafting process.

ACCEPTED AND AGREED:

___________________________________ _________________________________

[Employee Name] Date

**EXHIBIT 31.1**

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Phillippe Lord, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Meritage Homes Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 28, 2023

/s/ Phillippe Lord

Phillippe Lord
Chief Executive Officer
(Principal Executive Officer)

**EXHIBIT 31.2**

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Hilla Sferruzza, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Meritage Homes Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2023

/s/ Hilla Sferruzza

Hilla Sferruzza
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Meritage Homes Corporation (the “Company”) for the period ending March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, the undersigned, certify, to the best of our knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

MERITAGE HOMES CORPORATION,
a Maryland Corporation

By: /s/ Phillipe Lord

Phillippe Lord
*Chief Executive Officer*
*(Principal Executive Officer)*

April 28, 2023

By: /s/ Hilla Sferruzza

Hilla Sferruzza
*Executive Vice President and Chief Financial Officer (Principal Financial Officer)*

April 28, 2023