As filed with Securities and Exchange Commission on May 6, 2003

Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Meritage Corporation

Co-registrants are listed on the following page

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**1531**	**86-0611231**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

8501 East Princess Drive, Suite 290

Scottsdale, Arizona 85255
(480) 609-3330
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Larry W. Seay
Chief Financial Officer and
Vice President — Finance
8501 East Princess Drive, Suite 290
Scottsdale, Arizona
(480) 609-3330
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:
Steven D. Pidgeon
Jeffrey E. Beck
Snell & Wilmer L.L.P.
One Arizona Center
400 East Van Buren Street
Phoenix, Arizona 85004
(602) 382-6000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the exchange offer pursuant to the registration rights agreement described in the enclosed prospectus have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Senior Notes due 2011	$50,000,000	103.25%	$51,625,000	$4,176.46
Guarantees of 9.75% Senior Notes due 2011	$50,000,000	(2)	(2)	(2)

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f) under the Securities Act of 1933.

(2) In accordance with Rule 457(m), no separate fee for the registration of the guarantees is required.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Co-Registrants(1)

Name of Each Co-Registrant as Specified in Its Charter	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
Monterey Homes Arizona, Inc.	Arizona	86-0861526
Meritage Paseo Crossing, LLC	Arizona	86-1006497
Monterey Homes Construction, Inc.	Arizona	86-0863537
Meritage Paseo Construction, LLC	Arizona	86-0863537
Meritage Homes of Arizona, Inc.	Arizona	86-1013006
Meritage Homes Construction, Inc.	Arizona	86-1021464
MTH-Texas GP, Inc.	Arizona	86-0875148
MTH-Texas LP, Inc.	Arizona	86-0875147
Legacy/ Monterey Homes L.P.	Arizona	91-1832213
Meritage Homes of Northern California, Inc.	California	86-0917765
Hancock-MTH Builders, Inc.	Arizona	86-1028847
Hancock-MTH Communities, Inc.	Arizona	86-1028848
Legacy Operating Company, L.P.	Texas	75-2929259
MTH-Texas GP II, Inc.	Arizona	04-3685852
MTH-Texas LP II, Inc.	Arizona	01-0716144
MTH-Homes Nevada, Inc.	Arizona	43-1976353
Meritage Holdings, L.L.C.	Texas	N/A
Hulen Park Venture, LLC	Texas	75-2771799
MTH Homes-Texas, L.P.	Texas	02-0618083
MTH-Cavalier, LLC	Arizona	N/A

(1) The address, including zip code, and telephone number, including area code, of each co-registrant is 8501 East Princess Drive, Suite 290, Scottsdale, Arizona 85255, (480) 609-3330.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED MAY 6, 2003

PROSPECTUS

(MERITAGE LOGO)

OFFER TO EXCHANGE $50,000,000 REGISTERED 9.75% SENIOR NOTES

DUE 2011 OF MERITAGE CORPORATION
UNDER THE SECURITIES ACT
FOR
$50,000,000 UNREGISTERED 9.75% SENIOR NOTES
DUE 2011 OF MERITAGE CORPORATION

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,

NEW YORK CITY TIME, ON , 2003, UNLESS EXTENDED.

We are offering to exchange up to $50,000,000 of our 9.75% senior notes due 2011 (the "exchange notes"), which have been registered under the Securities Act of 1933, as amended, for the identical principal amount of our outstanding unregistered 9.75% senior notes due 2011 (the "outstanding notes"). The aggregate principal amount at maturity of the outstanding notes, and therefore, the principal amount at maturity of exchange notes which would be issued if all the outstanding notes were exchanged, is $50,000,000. The terms of the exchange notes will be identical with the terms of the outstanding notes, except that the issuance of the exchange notes is being registered under the Securities Act of 1933, and therefore the exchange notes will not be subject to the restrictions on transfer which apply to the outstanding notes.

The outstanding notes were issued in transactions which were exempt from the registration requirements of the Securities Act solely to qualified institutional buyers, as that term is defined in Rule 144A under the Securities Act, or outside the United States in compliance with Regulation S under the Securities Act. The exchange offer is being made in accordance with a registration rights agreement dated February 21, 2003 among us, the guarantors named in the agreement, Deutsche Bank Securities Inc., UBS Warburg LLC, Banc One Capital Markets, Inc. and Fleet Securities, Inc. Based on interpretations by the staff of the Securities and Exchange Commission, we believe a holder (other than a broker-dealer who acquired outstanding notes directly from us for resale or an affiliate of ours) may offer and sell exchange notes issued in exchange for outstanding notes without registration under the Securities Act and without the need to deliver a prospectus, if the holder acquired the exchange notes in the ordinary course of its business and the holder has no arrangement to participate, and is not otherwise engaged, in a distribution of the exchange notes.

Prior to the exchange offer, there has been no public market for the exchange notes. We do not currently intend to list the exchange notes on a securities exchange or seek approval for quotation of the exchange notes on an automated quotation system. Therefore, it is unlikely that an active trading market for the exchange notes will develop.

The exchange agent for the exchange offer is Wells Fargo Bank, National Association.

See "Risk Factors," which begin on 11, for a discussion of certain factors that should be considered in evaluating the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is May , 2003.

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ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about us that is not included in or delivered with the document. This information is available without charge to security holders upon written or oral request. You may request a copy of this information, at no cost, by calling us or by writing to us at our principal executive offices in Arizona at the following address: Meritage Corporation, 8501 East Princess Drive, Suite 290, Scottsdale, Arizona 85255, Attention: Investor Relations. Our telephone number is (480) 609-3330. **In order to obtain timely delivery, you must make your request no later than five business days before the expiration of the exchange offer**. The exchange offer will expire on , 2003, unless extended.

Our obligations under the Exchange Act to file periodic reports and other information with the SEC may be suspended, under certain circumstances, if our common stock and exchange notes are each hold of record by fewer than 300 holders at the beginning of any fiscal year and are not listed on a national securities exchange. We have agreed that, whether or not we are required to do so by the rules and regulations of the SEC, for so long as any of the exchange notes remain outstanding we will furnish to the holders of the exchange notes, and if required by the Exchange Act, file with the SEC, all annual, quarterly and current reports that we are or would be required to file with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act. In addition, we have agreed that, as long as any of the outstanding notes remain outstanding, we will make the information required by Rule 144A(d)(4) under the Securities Act available to any prospective purchaser of outstanding notes or beneficial owner of outstanding notes in connection with a sale of them.

No person has been authorized to give any information or to make any representations, other than those contained in this prospectus. If given or made, that information or those representations may not be relied upon as having been authorized by us. This prospectus does not constitute an offer to or solicitation of any person in any jurisdiction in which such an offer or solicitation would be unlawful.

FORWARD-LOOKING STATEMENTS

This prospectus includes “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, business trends and other information that is not historical information and, in particular, appear under the heading “Prospectus Summary” and in the documents incorporated by reference. When used in this prospectus, the words “estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “forecasts” and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management’s expectations, beliefs and projections will result or be achieved.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this prospectus are set forth in this prospectus, including under the heading “Risk Factors.”

MARKET DATA

Market data and other statistical information used throughout this prospectus are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

PROSPECTUS SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus and may not contain all of the information that is important to you. This summary is not complete and does not contain all of the information that you should consider before investing in the notes. For a more complete understanding of this exchange offer, we encourage you to read this entire document (including the documents incorporated herein by reference) and the documents to which we have referred you. Unless otherwise indicated in this prospectus, the terms "Meritage", the "Company", "we", "our" and "us' refer to Meritage Corporation and its subsidiaries and predecessors as a combined entity. All references to the "notes" include both the outstanding notes and the exchange notes. All operating data and other operating ratios are unaudited.

The Company

We are a leading designer and builder of single-family homes in the rapidly growing Sunbelt states of Texas, Arizona, California and Nevada. We focus on providing a broad range of first-time, move-up and luxury homes to our targeted customer base. We and our predecessors have operated in Arizona since 1985, in Texas since 1987, in Northern California since 1989 and in Nevada since 1993.

We believe that the relatively strong population, job and income growth as well as the favorable migration characteristics of our markets will continue to provide significant growth opportunities for us. According to U.S. Housing Markets, a leading real estate and homebuilding publication of the Meyers Group, six of our nine markets, Dallas/ Ft. Worth and Houston, Texas, Phoenix/ Scottsdale, Arizona, Sacramento and East San Francisco Bay (East Bay), California and Las Vegas, Nevada, are among or part of the top 20 national housing markets based on annual housing permits issued in 2002, with Dallas/ Ft. Worth, Houston and Phoenix/ Scottsdale comprising three of the top six single-family housing markets. The other three markets that we operate in are Austin and San Antonio, Texas and Tucson, Arizona.

At March 31, 2003, we were actively selling homes in 125 communities, with base prices ranging from $88,000 to over $910,000. We develop a design and marketing concept tailored to each community, which includes determination of the size, style and price range of homes, street layout, size and layout of individual lots and overall community design. The home designs offered in a particular community also depend upon such factors as the housing generally available in the area, the consumer demands of a particular market and our lot costs for the project.

In general, we focus on minimizing land risk by purchasing property only after full entitlements have been obtained and typically begin development or construction immediately after close. We acquire land primarily through rolling option contracts, allowing us to purchase individual lots as our building needs dictate. These arrangements allow us to control lot inventory typically on a non-recourse basis without incurring the risks of land ownership or financial commitments other than relatively small non-refundable deposits. At March 31, 2003, we owned or had options to acquire 26,854 housing lots, of which 81% were under rolling option and land purchase contracts. We believe that the lots we own or have the right to acquire represent approximately a four year supply.

The tables provided below show comparative operating and financial data regarding our homebuilding activities.

	Year Ended December 31,						Three Months Ended March 31,			
	2002		2001		2000		2003		2002	
	Homes	$	Homes	$	Homes	$	Homes	$	Homes	$
					(Unaudited) (Dollars in thousands)					
Homes Closed:										
Texas(1)	2,090	387,264	1,518	259,725	1,239	214,472	606	121,503	363	62,042
Arizona	1,735	445,275	1,343	325,918	623	175,674	250	67,125	285	64,726
California	594	245,640	409	156,933	365	125,282	158	67,303	110	42,963
Nevada(2)	155	34,260	n/a	n/a	n/a	n/a	122	27,479	n/a	n/a
Total	4,574	1,112,439	3,270	742,576	2,227	515,428	1,136	283,410	758	169,731
Homes Ordered:										
Texas(1)	2,134	417,158	1,516	255,811	1,368	240,054	791	161,135	472	85,984
Arizona	1,425	383,445	1,165	309,170	643	196,567	447	123,653	456	116,603
California	794	329,252	335	135,123	469	167,823	180	89,775	232	90,495
Nevada(2)	151	32,044	n/a	n/a	n/a	n/a	164	38,301	n/a	n/a
Total	4,504	1,161,899	3,016	700,104	2,480	604,444	1,582	412,864	1,160	293,082
Order Backlog:										
Texas	1,085	218,899	693	115,651	695	119,564	1,270	258,531	802	139,593
Arizona	466	144,155	776	205,985	344	115,211	663	200,683	947	257,863
California	333	136,927	133	53,315	207	75,126	355	159,399	255	100,846
Nevada(2)	186	37,783	n/a	n/a	n/a	n/a	228	48,605	n/a	n/a
Total	2,070	537,764	1,602	374,951	1,246	309,901	2,516	667,218	2,004	498,302

(1) 2002 amounts include 466 homes ordered and 442 homes closed for the period from July 1, 2002 to December 31, 2002 by Hammonds Homes, which we acquired effective July 1, 2002. The three months ended March 31, 2003 include 251 homes ordered and 220 homes closed for Hammonds Homes.

(2) Perma-Bilt Homes was acquired effective October 1, 2002.

Issuance of the Outstanding Notes

The outstanding $50 million principal amount senior notes due 2011 were sold by us to Deutsche Bank Securities Inc., UBS Warburg LLC, Banc One Capital Markets, Inc. and Fleet Securities, Inc., as initial purchasers, on February 21, 2003 pursuant to a purchase agreement, dated May 13, 2003, between the initial purchasers and us. The initial purchasers subsequently resold the outstanding notes in reliance on Rule 144A and Regulation S under the Securities Act. We and the initial purchasers also entered into a registration rights agreement pursuant to which we agreed to offer to exchange the exchange notes registered under the Securities Act for the outstanding notes and also granted holders of outstanding notes rights under some circumstances to have resales of outstanding notes registered under the Securities Act. The exchange offer is intended to satisfy certain of our obligations under the registration rights agreement. See “The Exchange Offer — Purposes and Effects.”

The outstanding notes were issued under an indenture dated as of May 30, 2001, between Meritage Corporation, its subsidiary guarantors and Wells Fargo Bank, National Association, as trustee. The exchange notes also are being issued under the indenture and are entitled to the benefits of the indenture. The form and terms of the exchange notes will be identical in all material respects with the form and terms of the outstanding notes, except that (1) the exchange notes will have been registered under the

Securities Act and, therefore, will not bear legends describing restrictions on transferring them, and (2) holders of exchange notes will not be, and upon the completion of the exchange offer, holders of outstanding notes will no longer be, entitled to certain rights under the registration rights agreement intended for the holders of unregistered securities. The exchange offer will be deemed completed upon the delivery by us to the exchange agent under the indenture of exchange notes in the same aggregate principal amount as the aggregate principal amount of outstanding notes that are validly tendered and not withdrawn by holders of them in response to the exchange offer. See "The Exchange Offer — Termination of Certain Rights" and "— Procedures for Tendering" and "Description of the Exchange Notes."

The proceeds we received from the issuance of the outstanding notes were used for general corporate purposes, including repayment of a portion of our senior unsecured credit facility. We will receive no proceeds from completion of the exchange offer.

Our principal executive office in Arizona is located at 8501 East Princess Drive, Suite 290, Scottsdale, Arizona 85255, and our telephone number there is (480) 609-3330. Our principal executive office in Texas is located at 4050 West Park Boulevard, Plano, Texas 75093, and our telephone number there is (800) 210-6004.

The Exchange Offer

The Exchange Offer	We are offering to exchange $50,000,000 of our 9.75% senior registered notes due 2011 for identical principal amounts of our outstanding unregistered 9.75% senior notes due 2011. At the date of this prospectus, $50 million principal amount at maturity of outstanding notes are outstanding. See "The Exchange Offer — Terms of the Exchange Offer."
Expiration of the Exchange Offer	5:00 p.m., New York, time, on , 2003, unless the exchange offer is extended (the day on which the exchange offer expires being the expiration date). See "The Exchange Offer — Expiration Date; Extension; Termination; Amendments."
Conditions of the Exchange Offer	The exchange offer is not conditioned upon any minimum principal amount of outstanding notes being tendered for exchange. However, the exchange offer is subject to certain customary conditions, which we may waive. See "The Exchange Offer — Conditions of the Exchange Offer."
Accrued Interest on the Outstanding Notes	The exchange notes will bear interest at the rate of 9.75% per annum from and including their date of issuance. When the first interest payment is made with regard to the exchange notes, we will also pay interest on the outstanding notes which are exchanged, from the date they were issued or the most recent interest date on which interest had been paid (if applicable) to, but not including, the day the exchange notes are issued. Interest on the outstanding notes which are exchanged will cease to accrue on the day prior to the day on which the exchange notes are issued. The interest rate on the outstanding notes may increase under certain circumstances if we are not in compliance with our obligations under the registration rights agreement. See "Description of the Exchange Notes."
Procedures for Tendering the Outstanding Notes	A holder of outstanding notes who wishes to accept the exchange offer must complete, sign and date a letter of transmittal, or a

	facsimile of one, in accordance with the instructions contained under the "The Exchange Offer — Procedures for Tendering" and in the letter of transmittal, and deliver the letter of transmittal, or facsimile, together with the outstanding notes and any other required documentation to the exchange agent at the address set forth in "The Exchange Offer — Exchange Agent." Outstanding notes may be delivered physically or by confirmation of book-entry delivery of the outstanding notes to the exchange agent's account at The Depository Trust Company. By executing a letter of transmittal, a holder will represent to us that, among other things, the person acquiring the outstanding notes will be doing so in the ordinary course of the person's business, whether or not the person is the holder, that neither the holder nor any other person is engaged in, or intends to engage in, or has an arrangement or understanding with any person to participate in, the distribution of the exchange notes and that neither the holder nor any such other person is an "affiliate," as defined under Rule 405 of the Securities Act, of ours. Each broker or dealer that receives exchange notes for its own account in exchange for outstanding notes which were acquired by the broker or dealer as a result of market-making activities or other trade activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See "The Exchange Offer — Procedures for Tendering."
Guaranteed Delivery Procedures	Eligible holders of outstanding notes who wish to tender their outstanding notes and (1) whose outstanding notes are not immediately available or (2) who cannot deliver their outstanding notes or any other documents required by the letter of transmittal to the exchange agent prior to the expiration date (or complete the procedure for book-entry transfer on a timely basis), may tender their outstanding notes according to the guaranteed delivery procedures described in the letter of transmittal. See "The Exchange Offer — Guaranteed Delivery Procedures."
Acceptance of the Outstanding Notes and Deliver of the Exchange Notes	Upon satisfaction or waiver of all conditions to the exchange offer, we will accept any and all outstanding notes that are properly tendered in response to the exchange offer prior to 5:00 p.m., New York Time, on the expiration date. The exchange notes issued pursuant to the exchange offer will be delivered promptly after acceptance of the outstanding notes. See "The Exchange Offer — Procedures for Tendering."
Withdrawal Rights	Tenders of outstanding notes may be withdrawn at any time prior to 5:00 p.m., New York Time, on the expiration date. See "The Exchange Offer — Withdrawal of Tenders."
The Exchange Agent	Wells Fargo Bank, National Association is the exchange agent. The address and telephone number of the exchange agent are set forth in "The Exchange Offer — Exchange Agent."
Fees and Expenses	We will bear all expenses incident to our consummation of the exchange offer and compliance with the registration rights

	agreement. We will also pay any transfer taxes which are applicable to the exchange offer (but not transfer taxes due to transfers of outstanding notes or exchange notes by the holder). See "The Exchange Offer — Fees and Expenses."
Resales of the Exchange Notes	Based on interpretations by the staff of the SEC set forth in no-action letters issued to persons unrelated to us, we believe exchange notes issued pursuant to the exchange offer in exchange for outstanding notes may be offered for resale, resold and otherwise transferred by the holder (other than (1) a broker-dealer who purchased the outstanding notes directly from us for resale pursuant to Rule 144A under the Securities Act or another exemption under the Securities Act or (2) a person that is an affiliate of ours, as that term is defined in Rule 405 under the Securities Act), without registration or the need to deliver a prospectus under the Securities Act, provided that the holder is acquiring the exchange notes in the ordinary course of business and is not participating, and has no arrangement or understanding with any person to participate, in a distribution of the exchange notes. Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes which outstanding notes were acquired by the broker as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See "The Exchange Offer — Purposes and Effects."
Federal Income Tax Consequences	The exchange offer is not expected to be treated as a taxable event for United States federal income tax purposes. See "Certain United States Federal Income Tax Considerations."

The Exchange Notes

The exchange notes will evidence the same debt as the outstanding notes and will be entitled to the benefits of the indenture under which both the outstanding notes were, and the exchange notes will be, issued. The following summary is not intended to be complete. For a more detailed description of the notes, see "Description of the Exchange Notes."

Issuer	Meritage Corporation.
Securities Offered	$50,000,000 aggregate principal amount of 9.75% Senior Notes due 2011 that have been registered under the Securities Act. The form and term of the exchange notes are identical in all material respects to the form and terms of the outstanding notes for which they may be exchanged pursuant to the exchange offer, except for certain transfer restrictions and registration rights relating to the outstanding notes and except for certain provisions providing for an increase in the interest rate on the outstanding notes under circumstances relating to the exchange offer. On May 30, 2001, we issued $165 million aggregate principal amount of our 9.75% Senior Notes due 2011 (the "initial notes"), $10.0 million of which have been repurchased by us. The notes offered by this prospectus are part of the same series of debt securities under the indenture governing the initial notes that we issued on May 30, 2001. As of the date of this

	prospectus, we have $205 million aggregate principal amount of our 9.75% Senior Notes due 2011 outstanding. Unless the context otherwise requires, the outstanding notes, the exchange notes and the initial notes are sometimes referred to in this prospectus as the "notes."
Maturity Date	June 1, 2011.
Interest	The exchange notes will accrue interest from June 1, 2003 at the rate of 9.75% per year. Interest on the exchange notes will be payable semi-annually in arrears on each June 1 and December 1.
Sinking Fund	None.
Optional Redemption	We may redeem the notes, in whole or in part, at any time on or after June 1, 2006, at a redemption price equal to the principal amount plus a premium declining ratably to par, plus accrued interest. In addition, at any time prior to June 1, 2004, we may redeem up to 35% of the aggregate principal amount of the notes issued under the indenture with the net cash proceeds of one or more qualified equity offerings at a redemption price equal to 109.750% of the principal amount thereof, plus accrued interest, *provided* that: • at least 65% of the aggregate principal amount of the notes issued under the indenture remains outstanding immediately after the occurrence of such redemption; and • such redemption occurs within 90 days of the date of the closing of any such equity offering.
Change of Control	If we experience a change of control, we may be required to offer to purchase the notes and any other additional notes we may issue in the future pursuant to the indenture governing the notes at a purchase price equal to 101% of the principal amount, plus accrued interest.
Ranking and Guarantees	The outstanding notes are, and the exchange notes will be, our senior unsecured obligations. All of our existing subsidiaries (other than our two mortgage broker subsidiaries) and certain of our future subsidiaries will guarantee the exchange notes on a senior unsecured basis. The notes will rank equally with all of our and our guarantors' existing and future senior unsecured debt. The exchange notes will rank senior to all of our and our guarantors' debt that is expressly subordinated to the exchange notes, but will be effectively subordinated to all of our and our guarantors' senior secured indebtedness to the extent of the value of the assets securing that indebtedness.
Consolidated Tangible Net Worth	If our consolidated tangible net worth falls below $60.0 million for any two consecutive fiscal quarters, we will be required to make an offer to purchase up to 10% of the notes then

	outstanding at a purchase price equal to 100% of the principal amount, plus accrued interest.
Restrictive Covenants	The indenture governing the notes contains covenants that, among other things, limit our ability and the ability of our subsidiaries to: • incur additional indebtedness or liens; • pay dividends or make other distributions or repurchase or redeem our stock; • make investments; • sell assets; • enter into agreements restricting our subsidiaries' ability to pay dividends; • enter into transactions with affiliates; and • consolidate, merge or sell all or substantially all of our assets. These covenants are subject to important exceptions and qualifications, which are described under the heading "Description of the Exchange Notes" in this offering memorandum.
Absence of a Public Market	The exchange notes will be a new issue of securities and there is currently no established market for them. The exchange notes, when issued, will generally be freely transferable (subject to restrictions discussed elsewhere herein) but will be a new issue of securities for which there will not initially be a market. Accordingly, there can be no assurance as to the development or liquidity of any market for the outstanding notes or, when issued, the exchange notes. The outstanding notes are eligible for trading in The PORTAL Market.
Use of Proceeds	We will receive no proceeds from the exchange of the exchange notes for the outstanding notes pursuant to the exchange offer. The net proceeds we received from the outstanding notes were used for general corporate purposes, including repayment of a portion of our senior unsecured credit facility.
Trustee	Wells Fargo Bank, National Association.

Risk Factors

You should consider carefully the information set forth in the section of this prospectus entitled "Risk Factors" beginning on page 11 and all the other information provided to you in this prospectus in deciding whether to invest in the notes.

Summary Historical Financial Information

The financial information below should be read in conjunction with the historical consolidated financial statements and related notes contained in the annual, quarterly and other reports filed by us with the SEC, which we have incorporated herein by reference. The data below includes the operations of Hancock Communities since its date of acquisition, effective June 1, 2001, Hammonds Homes since its date of acquisition, effective July 1, 2002 and Perma-Bilt Homes since its date of acquisition, effective October 1, 2002.

	Years Ended December 31,			Three Months Ended March 31,	
	2002	2001	2000	2003	2002
			(Dollars in thousands)	(Unaudited)	
Statement of Earnings Data:					
Total sales revenue	$1,119,817	$ 744,174	$ 520,467	$ 283,410	$ 169,731
Total cost of sales	(904,921)	(586,914)	(415,649)	(227,056)	(138,095)
Gross profit	214,896	157,260	104,818	56,354	31,636
Other income, net	5,435	2,884	1,847	1,209	1,168
Commissions and other sales costs	(65,291)	(41,085)	(28,680)	(19,745)	(11,296)
General and administrative expenses	(41,496)	(35,723)	(21,215)	(12,212)	(7,465)
Interest expense	—	—	(8)	—	—
Earnings before income taxes and extraordinary items	113,544	83,336	56,762	25,606	14,043
Income taxes	(43,607)	(32,444)	(21,000)	(9,833)	(5,477)
Extraordinary items, net of tax(1)	—	(233)	—	—	—
Net earnings	$ 69,937	$ 50,659	$ 35,762	$ 15,773	$ 8,566
Other Data:					
Gross profit margin(2)	19.2%	21.1%	20.1%	19.9%	18.6%
Ratio of earnings to fixed charges(2)(3)	5.82x	5.39x	5.80x	4.50x	3.39x

	At December 31,			At March 31,
	2002	2001	2000	2003
		(Dollars in thousands)		(Unaudited)
Balance Sheet Data:				
Cash and cash equivalents	$ 6,600	$ 3,383	$ 4,397	$ 21,962
Real estate	484,970	330,238	211,307	543,278
Total assets	691,788	436,715	267,075	774,431
Total debt	264,927	177,561	86,152	318,075
Stockholders' equity	317,308	176,587	121,099	327,978

(1) Reflects the net effect of extraordinary items from early extinguishments of long-term debt.

(2) Operating data is unaudited.

(3) For purposes of computing the ratio of earnings to fixed charges, "earnings" consist of income before income taxes and extraordinary items plus fixed charges and amortization of capitalized interest less interest capitalized. "Fixed charges" consist of interest expense including amortization of deferred debt expense, one-half of rent expense, which is deemed to be representative of an interest factor, and capitalized interest. See Exhibit 12.1 for calculation of ratio of earnings to fixed charges for all periods presented.

The tables provided below show operating and financial data regarding our homebuilding activities.

	Years Ended December 31,			Three Months Ended March 31,	
	2002	2001	2000	2003	2002
	(Unaudited, except total home sales revenue dollar amounts) (Dollars in thousands)				
Home Sales Revenue					
Total					
Dollars	$1,112,439	$742,576	$515,428	$283,410	$169,731
Homes closed	4,574	3,270	2,227	1,136	758
Average sales price	$ 243.2	$ 227.1	$ 231.4	$ 249.5	$ 223.9
Texas					
Dollars	$ 387,264	$259,725	$214,472	$121,503	$ 62,042
Homes closed	2,090	1,518	1,239	606	363
Average sales price	$ 185.3	$ 171.1	$ 173.1	$ 200.5	$ 170.9
Arizona					
Dollars	$ 445,275	$325,918	$175,674	$ 67,125	$ 64,726
Homes closed	1,735	1,343	623	250	285
Average sales price	$ 256.6	$ 242.7	$ 282.0	$ 268.5	$ 227.1
California					
Dollars	$ 245,640	$156,933	$125,282	$ 67,303	$ 42,963
Homes closed	594	409	365	158	110
Average sales price	$ 413.5	$ 383.7	$ 343.2	$ 426.0	$ 390.6
Nevada					
Dollars	$ 34,260	$ —	$ —	$ 27,479	$ —
Homes closed	155	—	—	122	—
Average sales price	$ 221.0	$ —	$ —	$ 225.2	$ —

	Years Ended December 31,			Three Months Ended March 31,	
	2002	2001	2000	2003	2002
			(Unaudited) (Dollars in thousands)		
Sales Contracts					
Total					
Dollars	$1,161,899	$700,104	$604,444	$412,864	$293,082
Homes ordered	4,504	3,016	2,480	1,582	1,160
Average sales price	$ 258.0	$ 232.1	$ 243.7	$ 261.0	$ 252.7
Texas					
Dollars	$ 417,158	$255,811	$240,054	$161,135	$ 85,984
Homes ordered	2,134	1,516	1,368	791	472
Average sales price	$ 195.5	$ 168.7	$ 175.5	$ 203.7	$ 182.2
Arizona					
Dollars	$ 383,445	$309,170	$196,567	$123,653	$116,603
Homes ordered	1,425	1,165	643	447	456
Average sales price	$ 269.1	$ 265.4	$ 305.7	$ 276.6	$ 255.7

	Years Ended December 31,			Three Months Ended March 31,	
	2002	2001	2000	2003	2002
			(Unaudited) (Dollars in thousands)		
California					
Dollars	$329,252	$135,123	$167,823	$89,775	$90,495
Homes ordered	794	335	469	180	232
Average sales price	$ 414.7	$ 403.4	$ 357.8	$ 498.8	$ 390.1
Nevada					
Dollars	$ 32,044	$ —	$ —	$38,301	$ —
Homes ordered	151	—	—	164	—
Average sales price	$ 212.2	$ —	$ —	$ 233.5	$ —

	At December 31,			At March 31,	
	2002	2001	2000	2003	2002
			(Unaudited) (Dollars in thousands)		
Net Sales Backlog					
Total					
Dollars	$537,764	$374,951	$309,901	$667,218	$498,302
Homes in backlog	2,070	1,602	1,246	2,516	2,004
Average sales price	$ 259.8	$ 234.1	$ 248.7	$ 265.2	$ 248.7
Texas					
Dollars	$218,899	$115,651	$119,564	$258,531	$139,593
Homes in backlog	1,085	693	695	1,270	802
Average sales price	$ 201.8	$ 166.9	$ 172.0	$ 203.6	$ 174.1
Arizona					
Dollars	$144,155	$205,985	$115,211	$200,683	$257,863
Homes in backlog	466	776	344	663	947
Average sales price	$ 309.3	$ 265.4	$ 334.9	$ 302.7	$ 272.3
California					
Dollars	$136,927	$ 53,315	$ 75,126	$159,399	$100,846
Homes in backlog	333	133	207	355	255
Average sales price	$ 411.2	$ 400.9	$ 362.9	$ 449.0	$ 395.5
Nevada					
Dollars	$ 37,783	$ —	—	$ 48,605	$ —
Homes in backlog	186	—	—	228	—
Average sales price	$ 203.1	$ —	—	$ 213.2	$ —

RISK FACTORS

You should consider carefully the information set forth in this section along with all the other information provided to you or incorporated by reference in this prospectus in deciding whether to invest in the notes.

Risks Relating to Meritage

As a participant in the homebuilding industry we are subject to its fluctuating cycles and other risks that can negatively affect the demand for, cost of, and pricing of our homes.

The homebuilding industry is cyclical and is significantly affected by changes in economic and other conditions, such as employment levels, availability of financing, interest rates, and consumer confidence. These factors can negatively affect the demand for and pricing of our homes. The occurrence or continuation of any of the above items and the items described below could have a negative impact on our business and adversely affect the value of the notes. We are also subject to various risks, many of which are outside of our control, including delays in construction schedules, cost overruns, changes in governmental regulations (such as no- or slow-growth initiatives), increases in real estate taxes and other local government fees, and raw materials and labor costs.

We are also subject to the potential for significant variability and fluctuations in the cost and availability of real estate. Write-downs of our land inventories could occur if market conditions deteriorate and these write-downs could be material in amount. Although historically we have generally developed parcels ranging from 100 to 300 lots, in order to achieve and maintain an adequate inventory of lots, we are beginning to purchase larger parcels, in some cases with a joint venture partner. Write-downs may also occur if we purchase land at higher prices during stronger economic periods and the value of that land subsequently declines during slower economic periods.

We are subject to construction defect and home warranty claims arising in the ordinary course of business which could lead to additional reserves or expenses that may adversely affect our business.

Construction defect and home warranty claims are common in the homebuilding industry and can be costly. While we maintain product liability insurance and generally require our subcontractors and design professionals to indemnify us for liabilities arising from their work, we cannot assure you that these insurance rights and indemnities will be adequate to cover all construction defect and warranty claims for which we may be liable. For example, we may be responsible for applicable self-insured retentions, which have increased recently, and certain claims may not be covered by insurance or may exceed applicable coverage limits.

We face reduced coverages and increased costs of insurance.

Recently, lawsuits have been filed against builders asserting claims of personal injury and property damage caused by the presence of mold in residential dwellings. Some of these lawsuits have resulted in substantial monetary judgments or settlements. We believe that we have maintained adequate insurance coverage to insure against these types of claims. We believe that it is possible that in the future insurance carriers may exclude claims from future policies arising from the presence of mold or such coverage may become prohibitively expensive. If we are unable to obtain adequate insurance coverage, a material adverse effect on our business, financial condition and results of operations could result if we are exposed to claims arising from the presence of mold in the homes that we sell.

Partially as a result of the September 11 terrorist attacks, the cost of insurance has risen, deductibles or retentions have increased and the availability of insurance has diminished. Significant increases in our cost of insurance coverage or retentions could have a material adverse effect on our business, financial condition and results of operations.

We experience fluctuations and variability in our operating results on a quarterly basis and, as a result, our historical performance may not be a meaningful indicator of future results.

We historically have experienced, and expect to continue to experience, variability in home sales and net earnings on a quarterly basis. As a result of such variability, our historical performance may not be a meaningful indicator of future results. Fluctuations in our results could cause the value of the notes to decline. Factors that contribute to this variability include:

- timing of home deliveries and land sales;
- our ability to acquire additional land or options for additional land on acceptable terms;
- conditions of the real estate market in areas where we operate and of the general economy;
- the cyclical nature of the homebuilding industry, changes in prevailing interest rates and the availability of mortgage financing;
- costs and availability of materials and labor; and
- delays in construction schedules due to strikes, adverse weather, acts of God, reduced subcontractor availability and governmental restrictions.

Increases in interest rates and the unavailability of mortgage financing can adversely affect housing demand.

In general, housing demand is adversely affected by increases in interest rates and housing costs and the unavailability of mortgage financing. Most of our buyers finance their home purchases through third-party lenders providing mortgage financing. If mortgage interest rates increase and, consequently, the ability of prospective buyers to finance home purchases is adversely affected, home sales, gross margins and cash flow may also be adversely affected and the impact may be material. Interest rates are currently at historically low levels and, while it is impossible to predict future increases or decreases in market interest rates, we do not expect rates to remain indefinitely at their current levels. In addition, homebuilding activities depend upon the availability and costs of mortgage financing for buyers of homes owned by potential customers, as those customers (move-up buyers) often need to sell their residences before they purchase our homes. Any reduction of financing availability could adversely affect home sales.

If we are unable to successfully compete in the highly competitive homebuilding industry, our financial results and growth could suffer.

The homebuilding industry is highly competitive. We compete for sales in each of our markets with national, regional and local developers and homebuilders, existing home resales and, to a lesser extent, condominiums and available rental housing. If we are unable to successfully compete, our financial results and growth could suffer and the value of, or our ability to service, the notes could be adversely affected. Some of our competitors have significantly greater financial resources or lower costs than we do. Competition among both small and large residential homebuilders is based on a number of interrelated factors, including location, reputation, amenities, design, quality and price. Competition is expected to continue and become more intense, and there may be new entrants in the markets in which we currently operate and in markets we may enter in the future.

Our lack of geographic diversification could adversely affect us if the homebuilding industry in our current markets should decline.

We have operations in Texas, Arizona, Northern California and Nevada. Our lack of geographic diversification could adversely impact us if the homebuilding business in our current markets should decline, since there may not be a balancing opportunity in a stronger market in other geographic regions.

We are subject to extensive government regulation that could cause us to incur significant liabilities or restrict our business activities.

Regulatory requirements could cause us to incur significant liabilities and costs and could restrict our business activities. We are subject to local, state, and federal statutes and rules regulating certain development matters, as well as building and site design. We are subject to various fees and charges of government authorities designed to defray the cost of providing certain governmental services and improvements. We may be subject to additional costs and delays or may be precluded entirely from building projects because of "no-growth" or "slow-growth" initiatives, building permit ordinances, building moratoriums, or similar government regulations that could be imposed in the future due to health, safety, welfare, or environmental concerns. We must also obtain licenses, permits, and approvals from government agencies to engage in certain activities, the granting or receipt of which are beyond our control.

We are also subject to a variety of local, state, and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. Environmental laws or permit restrictions may result in project delays, may cause substantial compliance and other costs and may prohibit or severely restrict development in certain environmentally sensitive regions or geographic areas. Environmental regulations can also have an adverse impact on the availability and price of certain raw materials, such as lumber.

We continue to consider growth or expansion of our operations which could have a material adverse effect on our cash flows or profitability.

We may continue to consider growth or expansion of our operations in our current markets or in other areas of the country. Our expansion into new or existing markets could have a material adverse effect on our cash flows or profitability. The magnitude, timing and nature of any future expansion will depend on a number of factors, including suitable acquisition candidates, the negotiation of acceptable terms, our financial capabilities and general economic and business conditions. New acquisitions may result in the incurrence of additional debt, some of which could be secured, and therefore, structurally senior to the notes. Acquisitions also involve numerous risks, including difficulties in the assimilation of the acquired company's operations, the incurrence of unanticipated liabilities or expenses, the diversion of management's attention from other business concerns, risks of entering markets in which we have limited or no direct experience, and the potential loss of key employees of the acquired company.

During 2002 we acquired Hammonds Homes and Perma-Bilt Homes and we cannot assure you that:

- the Hammonds and Perma-Bilt businesses will be successfully integrated with our existing business;
- the market and financial synergies we anticipate will be achieved in our expected time frame, or at all;
- the acquisitions will be accretive to earnings due to unexpected expenses, contingencies or liabilities, or due to the financial performance of the Hammonds and Perma-Bilt businesses;
- the combined companies will not lose key employees, management, suppliers or subcontractors; and
- we can successfully manage new housing lines that were previously managed by Hammonds and Perma-Bilt or new lines planned for the future.

We are dependent on the services of certain key employees and the loss of their services could harm our business.

Our success largely depends on the continuing services of certain key employees, including our Co-Chief Executive Officers, Steven J. Hilton and John R. Landon, and our continued favorable development depends on our ability to attract and retain qualified personnel. The loss of the services of key employees could harm our business.

We depend on the continued availability and satisfactory performance of our subcontractors which, if unavailable, could have a material adverse effect on our business.

We conduct our construction operations only as a general contractor. Virtually all architectural and construction work is performed by unaffiliated third-party subcontractors. As a consequence, we depend on the continued availability of and satisfactory performance by these subcontractors for the design and construction of our homes. We cannot assure you that there will be sufficient availability of and satisfactory performance by these unaffiliated third-party subcontractors. In addition, inadequate subcontractor resources could have a material adverse affect on our business.

Our future operating results may be adversely impacted by high inflation.

We, like other homebuilders, may be adversely affected during periods of high inflation, mainly because of higher land and construction costs. Also, higher mortgage interest rates may significantly affect the affordability of mortgage financing to prospective buyers. Inflation also increases our cost of financing, materials and labor and could cause our financial results or growth to decline, which could impact the value of the notes and the cash flow available to service the notes. We attempt to pass cost increases on to our customers through higher sales prices. To date, inflation has not had a material adverse effect on our results of operations; however, inflation could impact our future operating results.

Our business and operating results could be adversely affected by natural disasters.

We have significant homebuilding operations in Texas and Northern California. Some of our markets in Texas occasionally experience severe weather conditions, such as tornadoes or hurricanes. Northern California has experienced a significant number of earthquakes, flooding, landslides and other natural disasters in recent years. We do not insure against some of these risks. These occurrences could damage or destroy some of our homes under construction or our building lots, which may result in losses that exceed our insurance coverage. We could also suffer significant construction delays or substantial fluctuations in the pricing or availability of building materials. Any of these events could cause a decrease in our revenue, cash flows and earnings.

There are a number of laws, regulations and accounting pronouncements, recently adopted or proposed, that could affect our corporate governance or accounting practices.

In the past several months, a number of new laws, governmental and stock exchange regulations, as well as accounting policies, principles or practices, have been adopted or proposed, many of which could, depending on their ultimate outcome or interpretations, affect our corporate governance or accounting methods. As an example, the accounting profession recently adopted new standards for whether certain transactions should be accounted for as on- or off-balance sheet transactions. We have the right to acquire a substantial amount of lot inventory through rolling options with third parties and, to a lesser extent, joint ventures. At the present time, we do not believe that these pronouncements, and other current proposals, will materially affect us; however, we cannot assure you that the ultimate interpretation or implementation of new and proposed laws and other pronouncements will not produce such an effect.

Acts of war may seriously harm our business.

Acts of war or any outbreak or escalation of hostilities between the United States and any foreign power, including the armed conflict with Iraq, may cause disruption to the economy, our company, our employees and our customers, which could impact our revenue, cost and expenses, and financial condition.

Risks Associated with the Notes

Our substantial level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations on the notes.

We will have substantial indebtedness after this offering. As of March 31, 2003, we had approximately $318.1 million of indebtedness. In addition, subject to restrictions in the indenture for the notes we are offering and the agreement for our senior unsecured credit facility, we may incur additional indebtedness. The high level of our indebtedness could have important consequences to you, including the following:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- we must use a substantial portion of our cash flow from operations to pay interest and principal on the notes and other indebtedness, which will reduce the funds available to us for other purposes such as capital expenditures;
- we have a higher level of indebtedness than some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in planning for, or responding to, changing conditions in our industry, including increased competition; and
- we are more vulnerable to economic downturns and adverse developments in our business.

We expect to obtain the money to pay our expenses and to pay the principal and interest on the notes, our senior unsecured credit facility and other debt from cash flow from our operations. Our ability to meet our expenses thus depends on our future performance, which will be affected by financial, business, economic and other factors. We will not be able to control many of these factors, such as economic conditions in the markets where we operate and pressure from competitors. We cannot be certain that our cash flow will be sufficient to allow us to pay principal and interest on our debt, including the notes, and meet our other obligations. If we do not have sufficient funds, we may be required to refinance all or part of our existing debt, including the notes, sell assets or borrow more money. We cannot guarantee that we will be able to do so on terms acceptable to us, if at all. In addition, the terms of existing or future debt agreements, including our senior unsecured credit facility and the indenture, may restrict us from pursuing any of these alternatives.

The indenture for the notes we are offering and our senior unsecured credit facility impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities and taking some corporate actions.

The indenture for the notes and the agreement for our senior unsecured credit facility impose significant operating and financial restrictions on us. These restrictions limit the ability of us and our subsidiaries, among other things, to:

- incur additional indebtedness or liens;
- pay dividends or make other distributions;
- repurchase our stock;
- make investments;
- sell assets;
- enter into agreements restricting our subsidiaries' ability to pay dividends;
- enter into transactions with affiliates; and
- consolidate, merge or sell all or substantially all of our assets.

In addition, the indenture for the notes requires us to maintain a minimum consolidated tangible net worth and our senior unsecured credit facility requires us to maintain other specified financial ratios. We

cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities. A breach of any of these covenants or our inability to maintain the required financial ratios could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable.

We may not be able to satisfy our obligations to holders of the notes upon a change of control or a decline in our consolidated tangible net worth.

Upon the occurrence of a "change of control," as defined in the indenture, each holder of the notes and any other additional notes we may issue in the future pursuant to the indenture governing the notes will have the right to require us to purchase the notes at a price equal to 101% of the principal amount, together with any accrued interest and liquidated damages, if any, to the date of purchase. Our failure to purchase, or give notice of purchase of, the notes would be a default under the indenture, which would in turn be a default under our senior unsecured credit facility. In addition, a change of control may constitute an event of default under our senior unsecured credit facility. A default under our senior unsecured credit facility could result in an event of default under the indenture if the lenders accelerate the debt under our credit facility.

In addition, if our consolidated tangible net worth falls below $60.0 million for any two consecutive fiscal quarters, we are required to make an offer to purchase up to 10% of the notes then outstanding at a price equal to 100% of the principal amount, together with any accrued interest and liquidated damages, if any, to the date of purchase. As of March 31, 2003 our consolidated tangible net worth was approximately $253.9 million.

If either event occurs, we may not have enough assets to satisfy all obligations under our senior unsecured credit facility and the indenture. In order to satisfy our obligations we could seek to refinance the indebtedness under our senior unsecured credit facility and the notes or obtain a waiver from the lenders or you as a holder of the notes. We cannot assure you that we would be able to obtain a waiver or refinance our indebtedness on terms acceptable to us, if at all.

The guarantees may be voided under specific legal circumstances.

The outstanding notes are, and the exchange notes will be, guaranteed by all of our existing subsidiaries (other than our two mortgage broker subsidiaries) and certain future subsidiaries. The guarantees may be subject to review under U.S. federal bankruptcy law and comparable provisions of state fraudulent conveyance laws if a bankruptcy or reorganization case or lawsuit is commenced by or on behalf of our or one of a guarantor's unpaid creditors. Under these laws, if a court were to find in such a bankruptcy or reorganization case or lawsuit that, at the time any guarantor issued a guarantee of the notes:

- it issued the guarantee to delay, hinder or defraud present or future creditors; or
- it received less than reasonably equivalent value or fair consideration for issuing the guarantee at the time it issued the guarantee and:
  - it was insolvent or rendered insolvent by reason of issuing the guarantee; or
  - it was engaged, or about to engage, in a business or transaction for which its remaining unencumbered assets constituted unreasonably small capital to carry on its business; or
  - it intended to incur, or believed that it would incur, debts beyond its ability to pay as they mature;

then the court could void the obligations under the guarantee, subordinate the guarantee of the notes to that guarantor's other debt or take other action detrimental to holders of the notes and the guarantees of the notes.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the law of the jurisdiction that is being applied in any proceeding to determine whether a fraudulent transfer had occurred. Generally, however, a person would be considered insolvent if, at the time it incurred the debt:

- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

We cannot be sure as to the standard that a court would use to determine whether or not a guarantor was solvent at the relevant time, or, regardless of the standard that the court uses, that the issuance of the guarantees would not be voided or the guarantees would not be subordinated to the guarantors' other debt. If such a case were to occur, the guarantee could also be subject to the claim that, since the guarantee was incurred for our benefit, and only indirectly for the benefit of the guarantor, the obligations of the applicable guarantor were incurred for less than fair consideration.

Based upon financial and other information currently available to us, we believe that the debt evidenced by the guarantees is being incurred for proper purposes and in good faith. We believe that the guarantors:

- are solvent and will continue to be solvent after issuing the guarantees;
- will have sufficient capital for carrying on the business we intend to conduct after this offering is completed; and
- will be able to service their debts as they come due.

There is no established trading market for the exchange notes and you may not be able to sell the notes quickly or at the price that you paid.

We expect that there will be a limited trading market for the exchange notes, if any. Although the exchange notes will be registered, we do not intend to list the exchange notes on any securities exchange or to arrange for quotation on any automated dealer quotation systems. The initial purchasers have advised us that they intend to make a market in the outstanding notes and the exchange notes, but they are not obligated to do so. Each initial purchaser may discontinue any market making in the outstanding notes or exchange notes at any time, in its sole discretion. As a result, we cannot assure you as to the liquidity of any trading market for the exchange notes.

We also cannot assure you that you will be able to sell your exchange notes at a particular time or that the prices that you receive when you sell will be favorable. We also cannot assure you as to the level of liquidity of the trading market for the exchange notes or, in the case of any holders of outstanding notes that do not exchange them, the trading market for the notes following the offer to exchange the outstanding notes for exchange notes. Future trading prices of the outstanding notes and exchange notes will depend on many factors, including:

- our operating performance and financial condition;
- our ability to complete the offer to exchange the notes for the exchange notes;
- the interest of securities dealers in making a market; and
- the market for similar securities.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the outstanding notes and, if issued, the exchange notes will be subject to disruptions. Any disruptions may have a negative effect on noteholders, regardless of our prospects and financial performance.

There may be adverse consequences to holders of outstanding notes that do not tender their outstanding notes pursuant to the exchange offer.

If you fail to properly exchange your outstanding notes for exchange notes, you will continue to hold outstanding notes subject to transfer restrictions, and the liquidity of the trading market for any untendered outstanding notes may be substantially limited.

We will only issue exchange notes in exchange for outstanding notes that you timely and properly tender. You should allow sufficient time to ensure timely delivery of the outstanding notes, and you should carefully follow the instructions on how to tender your outstanding notes set forth under the "The Exchange Offer — Procedures for Tendering" and in the letter of transmittal that accompanies this prospectus. Neither we nor the exchange agent are required to notify you of any defects or irregularities relating to your tender of notes.

The holders of outstanding notes that do not exchange them pursuant to this exchange offer will continue to be subject to restrictions on the transfer of the outstanding notes because the issuance of the outstanding notes was not registered under the Securities Act or registered or qualified under any state securities laws. We do not currently anticipate that, except in certain limited circumstances, we will register the outstanding notes under the Securities Act. To the extent that we exchange outstanding notes a result of this exchange offer, the ability to trade untendered outstanding notes may be adversely affected.

USE OF PROCEEDS

We will receive no proceeds from the exchange of the exchange notes for the outstanding notes pursuant to the exchange offer. We used the gross proceeds of $51.6 million from the sale of the outstanding notes for general purposes, including repayment of a portion of our senior unsecured credit facility, and to pay fees, commissions and expenses relating to the sale of the outstanding notes. Of the gross proceeds, approximately $51.0 million was used to pay down our senior unsecured credit facility and $0.6 million was used to pay fees, commissions and other costs of the foregoing. See "Description of Certain Existing Indebtedness" for information regarding our existing debt.

SELECTED HISTORICAL FINANCIAL DATA

The following table presents selected historical consolidated financial and operating data of Meritage Corporation and subsidiaries as of and for each of the last five years ended December 31, 2002 and the three months ended March 31, 2003 and 2002. The financial data has been derived from our audited and unaudited consolidated financial statements and related notes. You should read this data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes contained in the annual, quarterly and other reports filed by us with the SEC, which we have incorporated by reference into this prospectus. The data below includes the operations of Meritage Homes of Northern California, Hancock Communities, Hammonds Homes and Perma-Bilt Homes since their respective dates of acquisition. Those dates are as follows: Meritage Homes of Northern California, effective July 1, 1998; Hancock Communities, effective June 1, 2001; Hammonds Homes, effective July 1, 2002 and Perma-Bilt Homes, effective October 1, 2002.

	Years Ended December 31,					Three Months Ended March 31,	
	2002	2001	2000	1999	1998	2003	2002
	(Dollars in thousands)					(Unaudited)	
Statement of Earnings Data:							
Total sales revenue	$1,119,817	$ 744,174	$ 520,467	$ 341,786	$ 257,113	$ 283,410	$ 169,731
Total cost of sales	(904,921)	(586,914)	(415,649)	(277,287)	(205,188)	(227,056)	(138,095)
Gross profit	214,896	157,260	104,818	64,499	51,925	56,354	31,636
Earnings from mortgage assets and other income, net(1)	5,435	2,884	1,847	2,064	3,961	1,209	1,168
Commissions and other sales costs	(65,291)	(41,085)	(28,680)	(19,243)	(14,292)	(19,745)	(11,296)
General and administrative expenses	(41,496)	(35,723)	(21,215)	(15,100)	(10,632)	(12,212)	(7,465)
Interest expense	—	—	(8)	(6)	(462)	—	—
Earnings before income taxes and extraordinary items	113,544	83,336	56,762	32,214	30,500	25,606	14,043
Income taxes(2)	(43,607)	(32,444)	(21,000)	(13,269)	(6,497)	(9,833)	(5,477)
Extraordinary items, net of tax(3)	—	(233)	—	—	—	—	—
Net earnings	$ 69,937	$ 50,659	$ 35,762	$ 18,945	$ 24,003	$ 15,773	$ 8,566
Net Earnings per common share(4)(5):							
Basic	$ 5.64	$ 4.78	$ 3.46	$ 1.75	$ 2.26	$ 1.21	$ 0.77
Diluted	$ 5.31	$ 4.30	$ 3.13	$ 1.57	$ 1.96	$ 1.15	$ 0.72
Other Financial and Operating Data(6):							
Gross profit margin	19.2%	21.1%	20.1%	18.9%	20.2%	19.9%	18.6%
Ratio of earnings to fixed charges(7)	5.82x	5.39x	5.80x	4.94x	7.42x	4.50x	3.39x
Homes closed	4,574	3,270	2,227	1,643	1,291	1,136	758
Homes ordered	4,504	3,016	2,480	1,840	1,466	1,582	1,160
Average sales price of homes closed	$ 243	$ 227	$ 231	$ 203	$ 198	$ 250	$ 224

	Years Ended December 31,					Three Months Ended March 31,	
	2002	2001	2000	1999	1998	2003	2002
	(Dollars in thousands)					(Unaudited)	
Average sales price of homes ordered	$ 258	$ 232	$ 244	$ 211	$ 194	$ 261	$ 253
Backlog at end of period	$537,764	$374,951	$309,901	$199,445	$145,294	$667,218	$498,302
Backlog at end of period (homes)	2,070	1,602	1,246	885	688	2,516	2,004

	At December 31,					At March 31,
	2002	2001	2000	1999	1998	2003
	(Dollars in thousands)					(Unaudited)
Balance Sheet Data:						
Real estate	$484,970	$330,238	$211,307	$171,012	$104,759	$ 543,278
Total assets	691,788	436,715	267,075	226,559	152,250	774,431
Total debt	264,927	177,561	86,152	85,937	37,205	318,075
Stockholders' equity	317,308	176,587	121,099	90,411	72,279	327,978

(1) Earnings from mortgage assets that were obtained from our predecessor and disposed of in 1998 are not applicable for 1999 to 2002.

(2) Due to the use of our net operating loss carryforward (NOL) obtained from our predecessor, we paid limited income taxes during 1998, until the NOL was fully utilized.

(3) Reflects the net effect of extraordinary items from early extinguishments of long-term debt.

(4) 2001 earnings per share are shown after a $0.02 loss from extraordinary items. Basic and diluted earnings per share before the extraordinary items were $4.80 and $4.32, respectively. We did not pay cash dividends in years 1998 through 2002.

(5) All amounts reflect a 2-for-1 stock split in the form of a stock dividend that occurred in April 2002.

(6) Operating data and operating ratios are unaudited.

(7) For purposes of computing the ratio of earnings to fixed charges, "earnings" consist of income before income taxes and extraordinary items plus fixed charges and amortization of capitalized interest less interest capitalized. "Fixed charges" consist of interest expense including amortization of deferred debt expense, one-half of rent expense, which is deemed to be representative of an interest factor, and capitalized interest. See Exhibit 12.1 for calculation of ratio of earnings to fixed charges for all periods presented.

DESCRIPTION OF CERTAIN EXISTING INDEBTEDNESS

The following is a summary of certain of our and our subsidiaries' indebtedness. The descriptions of the agreements set forth below are not complete and are qualified in their entirety by reference to the actual loan documents.

Senior Unsecured Credit Facility

In December 2002 we entered into a credit agreement which provides for a $250 million senior unsecured revolving credit facility, with a $40 million letter of credit sublimit. Guaranty Bank is the administrative agent for the facility, which matures on December 12, 2005, subject to extension provisions. This unsecured facility replaced our two secured credit facilities, which were repaid with the initial loan proceeds of the unsecured facility.

At March 31, 2003, $110.3 million of borrowings were outstanding under our senior unsecured revolving credit facility, and approximately $17.0 million was outstanding in letters of credit, leaving availability under the bank credit facility of approximately $122.7 million. Of the $122.7 million available under the bank credit facility, we currently have borrowing base assets sufficient to enable us to draw approximately $110.0 million of this amount.

The interest rate on this credit facility is based upon either the agent bank's quoted base rate or the eurodollar rate, plus an applicable margin that is determined by the level of a predefined financial leverage ratio. In addition, we incur commitment fees on the unused portion of the revolver that range from 0.275% to 0.50% per annum. The interest rate for outstanding balances under the bank credit facility at March 31, 2003 was at prime (4.25%) or at LIBOR (rate approximately 1.285%) plus two percent.

This credit facility contains certain financial and other covenants, including, without limitation, various covenants (i) requiring the maintenance of a minimum net worth, (ii) requiring the maintenance of a minimum interest coverage ratio, (iii) establishing a maximum permitted total leverage ratio, (iv) imposing limitations on the incurrence of additional indebtedness and liens, (v) imposing restrictions on investments, dividends and certain other payments, (vi) imposing restrictions on sale and leaseback transactions and the incurrence of off-balance sheet liabilities, (vii) imposing limitations on the maximum net book value of specified land holdings as a percentage of consolidated tangible net worth and (viii) imposing restrictions on our ability to amend, or alter by means of any waiver or consent, the terms of the notes or the indenture governing the notes.

Other Debt

We have other land acquisition and development seller carryback financing totaling approximately $1.2 million at March 31, 2003, secured by first deeds of trust on real estate. Interest on these facilities is payable at a fixed 15% per annum rate. Principal and interest payments are due upon the sale of individual properties to third parties.

DESCRIPTION OF THE EXCHANGE NOTES

As used below in this "Description of the Notes" section, the **"Issuer"** means Meritage Corporation, a Maryland corporation, and its successors, but not any of its subsidiaries. The Issuer will issue the exchange notes described in this prospectus under an Indenture, dated as of May 30, 2001 (the **"Indenture"**), among the Issuer, the Guarantors and Wells Fargo Bank, National Association, as trustee (the **"Trustee"**). The terms of the exchange notes include those set forth in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. You may obtain a copy of the Indenture from the Issuer at its address set forth elsewhere in this prospectus.

The following is a summary of the material terms and provisions of the exchange notes. As used in this "Description of the Exchange Notes", the terms "Notes" and "notes" mean the series of the Issuer's

senior debt securities issued under the Indenture designated as its 9.75% Senior Notes due 2011 (including the outstanding notes, the exchange notes, the initial notes and any other Additional Notes (as defined below) that the Issuer may issue from time to time in the future), in each case except as otherwise expressly provided or as the context otherwise requires. The following summary does not purport to be a complete description of the Notes and is subject to the detailed provisions of, and qualified in its entirety by reference to, the Indenture. You can find definitions of certain terms used in this description under the heading "— Certain Definitions."

Principal, Maturity and Interest

The Notes will mature on June 1, 2011. The Notes will bear interest at the rate shown on the cover page of this prospectus, payable on June 1 and December 1 of each year to Holders of record at the close of business on May 15 or November 15, as the case may be, immediately preceding the relevant interest payment date. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

The Notes will be issued in registered form, without coupons, and in denominations of $1,000 and integral multiples of $1,000.

An aggregate of up to $50.0 million principal amount of outstanding notes is being offered in the exchange offer. There are currently issued and outstanding under the Indenture $205.0 million in aggregate principal amount of 9.75% senior notes due 2011, which are subject to the same terms and conditions as the exchange notes and which consist of (i) the $50 million in aggregate principal amount of unregistered outstanding notes for which the registered exchange notes are offered in exchange pursuant to this prospectus and (ii) $155.0 million in aggregate principal amount of 9.75% senior notes due 2011 originally issued under the Indenture as of May 30, 2001, referred to in this section as the "Initial Notes". The Initial Notes, which will remain outstanding following the completion of this exchange offer, and the exchange notes will constitute part of the same series of securities and will vote together as a series on all matters. Except where the context otherwise requires, and any other Additional Notes (as defined below), all references to the exchange notes in this section includes the Initial Notes. An aggregate principal amount of $165.0 million of Initial Notes were issued under the Indenture on May 30, 2001, $10.0 million of which have been repurchased by us. Subject to the covenants described below under "Certain Covenants" and applicable law, the Issuer may subsequently issue Additional Notes from time to time in an aggregate principal amount not to exceed $75.0 million (after giving effect to the $50.0 million aggregate principal amount of the outstanding notes, which we issued on February 21, 2003). **"Additional Notes"** are Notes originally issued under the Indenture after May 30, 2001, which was the date on which the Initial Notes were originally issued. The outstanding notes and exchange notes constitute Additional Notes. The Initial Notes, the outstanding notes and the exchange notes offered by this prospectus and all other Additional Notes (if any) the Issuer may issue in the future will be a single series of senior debt securities under the Indenture and will vote on all matters as one class, including, without limitation, waivers, amendments, redemptions and offers to purchase.

Methods of Receiving Payments on the Notes

If a Holder has given wire transfer instructions to the Issuer at least ten Business Days prior to the applicable payment date, the Issuer will make all payments on such Holder's Notes in accordance with those instructions. Otherwise, payments on the Notes will be made at the office or agency of the paying agent (the **"Paying Agent"**) and registrar (the **"Registrar"**) for the Notes within the City and State of New York unless the Issuer elects to make interest payments by check mailed to the Holders at their addresses set forth in the register of Holders.

Ranking

The outstanding notes are, and the exchange notes will be, general unsecured obligations of the Issuer. The Notes will rank senior in right of payment to all future obligations of the Issuer that are, by their terms, expressly subordinated in right of payment to the Notes and *pari passu* in right of payment with all

existing and future unsecured obligations of the Issuer that are not so subordinated. Each Note Guarantee (as defined below) will be a general unsecured obligation of the Guarantor thereof and will rank senior in right of payment to all future obligations of such Guarantor that are, by their terms, expressly subordinated in right of payment to such Note Guarantee and *pari passu* in right of payment with all existing and future unsecured obligations of such Guarantor that are not so subordinated.

The Notes and each Note Guarantee will be effectively subordinated to secured Indebtedness of the Issuer and the applicable Guarantor to the extent of the value of the assets securing such Indebtedness. Although the Indenture contains limitations on the amount of additional secured Indebtedness that the Issuer and the Restricted Subsidiaries may incur, under certain circumstances, the amount of this Indebtedness could be substantial. See "— Certain Covenants — Limitations on Additional Indebtedness" and "— Limitations on Liens."

The Notes will also be effectively subordinated to all existing and future obligations, including Indebtedness, of any Unrestricted Subsidiaries. Claims of creditors of Unrestricted Subsidiaries, including trade creditors, will generally have priority as to the assets of these Subsidiaries over the claims of the Issuer and the holders of the Issuer's Indebtedness, including the Notes.

Note Guarantees

The Issuer's obligations under the Notes and the Indenture will be jointly and severally guaranteed (the **"Note Guarantees"**) by each Restricted Subsidiary.

Not all of our Subsidiaries will guarantee the Notes. Unrestricted Subsidiaries will not be Guarantors. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, these non-guarantor Subsidiaries will pay the holders of their debts and their trade creditors before they will be able to distribute any of their assets to us.

As of the date of this prospectus, all of our Subsidiaries, other than MTH Mortgage, LLC and Texas Home Mortgage Corporation, which conduct our mortgage broker business, will be "Restricted Subsidiaries," and all of our Restricted Subsidiaries will be Guarantors. However, under the circumstances described below under the subheading "— Certain Covenants — Limitations on Designation of Unrestricted Subsidiaries," the Issuer will be permitted to designate some of our other Subsidiaries as "Unrestricted Subsidiaries." The effect of designating a Subsidiary as an "Unrestricted Subsidiary" will be:

- an Unrestricted Subsidiary will not be subject to many of the restrictive covenants in the Indenture;
- a Subsidiary that has previously been a Guarantor and that is designated an Unrestricted Subsidiary will be released from its Note Guarantee; and
- the assets, income, cash flow and other financial results of an Unrestricted Subsidiary will not be consolidated with those of the Issuer for purposes of calculating compliance with the restrictive covenants contained in the Indenture.

The obligations of each Guarantor under its Note Guarantee will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor (including, without limitation, any guarantees under the Credit Facilities permitted under clause (1) of "— Certain Covenants — Limitations on Additional Indebtedness") and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Note Guarantee or pursuant to its contribution obligations under the Indenture, result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. Each Guarantor that makes a payment for distribution under its Note Guarantee is entitled to a contribution from each other Guarantor in a *pro rata* amount based on adjusted net assets of each Guarantor.

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 the Issuer and the Restricted Subsidiaries, then that Guarantor will be released and relieved

of any obligations under its Note Guarantee; *provided* that the Net Available Proceeds of such sale or other disposition shall be applied in accordance with the applicable provisions of the Indenture, to the extent required thereby. See "— Certain Covenants — Limitations on Asset Sales." In addition, the Indenture will provide that any Guarantor that is designated as an Unrestricted Subsidiary or that otherwise ceases to be a Guarantor, in each case in accordance with the provisions of the Indenture, will be released from its Note Guarantee upon effectiveness of such designation or when it first ceases to be a Restricted Subsidiary, as the case may be.

Optional Redemption

Except as set forth below, the Notes may not be redeemed prior to June 1, 2006. At any time on or after June 1, 2006, the Issuer, at its option, may redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, together with accrued and unpaid interest thereon, if any, to the redemption date, if redeemed during the 12-month period beginning June 1 of the years indicated:

Year	Optional Redemption Price
2006	104.875%
2007	103.250%
2008	101.625%
2009 and thereafter	100.000%

At any time prior to June 1, 2004, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more Qualified Equity Offerings at a redemption price equal to 109.750% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon, if any, to the date of redemption; *provided* that (1) at least 65% of the aggregate principal amount of Notes issued under the Indenture remains outstanding immediately after the occurrence of such redemption and (2) the redemption occurs within 90 days of the date of the closing of any such Qualified Equity Offering.

The Issuer may acquire Notes by means other than a redemption, whether pursuant to an issuer tender offer, open market purchase or otherwise, so long as the acquisition does not otherwise violate the terms of the Indenture.

Selection and Notice of Redemption

In the event that less than all of the Notes are to be redeemed at any time pursuant to an optional redemption, selection of the Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not then listed on a national security exchange, on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate; *provided, however*, that no Notes of a principal amount of $1,000 or less shall be redeemed in part. In addition, if a partial redemption is made pursuant to the provisions described in the second paragraph under "— Optional Redemption," selection of the Notes or portions thereof for redemption shall be made by the Trustee only on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to the procedures of The Depository Trust Company), unless that method is otherwise prohibited.

Notice of redemption will be mailed by first-class mail at least 30 but not more than 60 days before the date of redemption to each Holder of Notes to be redeemed at its registered address. If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of the Note to be redeemed. A new Note in a principal amount equal to the unredeemed portion of the Note will be issued in the name of the Holder of the Note upon cancellation of the original Note. On and after the date of redemption, interest will cease to accrue on Notes or portions thereof called for redemption so long as the Issuer has deposited with the paying agent for the Notes funds in

satisfaction of the redemption price (including accrued and unpaid interest on the Notes to be redeemed) pursuant to the Indenture.

Change of Control

Upon the occurrence of any Change of Control, each Holder will have the right to require that the Issuer purchase that Holder's Notes for a cash price (the **"Change of Control Purchase Price"**) equal to 101% of the principal amount of the Notes to be purchased, plus accrued and unpaid interest thereon, if any, to the date of purchase.

Within 30 days following any Change of Control, the Issuer will mail, or caused to be mailed, to the Holders a notice:

(1) describing the transaction or transactions that constitute the Change of Control;

(2) offering to purchase, pursuant to the procedures required by the Indenture and described in the notice (a **"Change of Control Offer"**), on a date specified in the notice (which shall be a Business Day not earlier than 30 days nor later than 60 days from the date the notice is mailed) and for the Change of Control Purchase Price, all Notes properly tendered by such Holder pursuant to such Change of Control Offer; and

(3) describing the procedures that Holders must follow to accept the Change of Control Offer. The Change of Control Offer is required to remain open for at least 20 Business Days or for such longer period as is required by law.

The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the date of purchase.

If a Change of Control Offer is made, there can be no assurance that the Issuer will have available funds sufficient to pay for all or any of the Notes that might be delivered by Holders seeking to accept the Change of Control Offer. In addition, we cannot assure you that in the event of a Change of Control the Issuer will be able to obtain the consents necessary to consummate a Change of Control Offer from the lenders under agreements governing outstanding Indebtedness which may prohibit the offer.

The provisions described above that require us to make a Change of Control Offer following a Change of Control will be applicable regardless of whether any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Notes to require that the Issuer purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer's obligation to make a Change of Control Offer will be satisfied if a third party makes the Change of Control Offer in the manner and at the times and otherwise in compliance with the requirements applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

A "Change of Control" includes certain sales of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries. The phrase "all or substantially all" as used in the Indenture (including as set forth under "— Certain Covenants — Limitations on Mergers, Consolidations, Etc." below) varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under New York law (which governs the Indenture) and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer, and therefore it may be unclear as to whether a Change of Control has occurred and whether the Holders have the right to require the Issuer to purchase Notes.

The Issuer will comply with applicable tender offer rules, including the requirements of Rule 14e-l under the Exchange Act and any other applicable laws and regulations in connection with the purchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or

regulations conflict with the "Change of Control" provisions of the Indenture, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the "Change of Control" provisions of the Indenture by virtue of this compliance.

Certain Covenants

The Indenture contains, among others, the following covenants:

Limitations on Additional Indebtedness

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur any Indebtedness;*provided* that the Issuer or any Restricted Subsidiary may incur additional Indebtedness (including Acquired Indebtedness) if no Default shall have occurred and be continuing at the time of or as a consequence of the incurrence of the Indebtedness and if, after giving effect thereto, either (a) the Consolidated Fixed Charge Coverage Ratio would be at least 2.00 to 1.00 or (b) the ratio of Consolidated Indebtedness to Consolidated Tangible Net Worth would be less than 3.00 to 1.00 (either (a) or (b), the **"Ratio Exception"**).

Notwithstanding the above, so long as no Default shall have occurred and be continuing at the time of or as a consequence of the incurrence of the following Indebtedness, each of the following shall be permitted (the **"Permitted Indebtedness"**):

(1) Indebtedness of the Issuer and any Restricted Subsidiary under the Credit Facilities in an aggregate amount at any time outstanding (whether incurred under the Ratio Exception or as Permitted Indebtedness) not to exceed the greater of (x) $165.0 million and (y) the amount of the Borrowing Base as of the date of such incurrence;

(2) the Notes and the Note Guarantees issued on the Issue Date;

(3) Indebtedness of the Issuer and the Restricted Subsidiaries to the extent outstanding on the Issue Date (other than Indebtedness referred to in clauses (1) and (2) above, and after giving effect to the intended use of proceeds of the Notes);

(4) Indebtedness of the Issuer and the Restricted Subsidiaries under Hedging Obligations; *provided* that (a) such Hedging Obligations relate to payment obligations on Indebtedness otherwise permitted to be incurred by this covenant, and (b) the notional principal amount of such Hedging Obligations at the time incurred does not exceed the principal amount of the Indebtedness to which such Hedging Obligations relate;

(5) Indebtedness of the Issuer owed to a Restricted Subsidiary and Indebtedness of any Restricted Subsidiary owed to the Issuer or any other Restricted Subsidiary; *provided, however,* that (a) any Indebtedness of the Issuer owed to a Restricted Subsidiary is unsecured and subordinated, pursuant to a written agreement, to the Issuer's obligation, under the Indenture and the Notes and (b) upon any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or such Indebtedness being owed to any Person other than the Issuer or a Restricted Subsidiary, the Issuer or such Restricted Subsidiary, as applicable, shall be deemed to have incurred Indebtedness not permitted by this clause (5);

(6) Indebtedness in respect of bid, performance or surety bonds issued for the account of the Issuer or any Restricted Subsidiary in the ordinary course of business, including guarantees or obligations of the Issuer or any Restricted Subsidiary with respect to letters of credit supporting such bid, performance or surety obligations (in each case other than for an obligation for money borrowed);

(7) Purchase Money Indebtedness incurred by the Issuer or any Restricted Subsidiary, in an aggregate amount not to exceed at any time outstanding $15.0 million;

(8) Non-Recourse Indebtedness of the Issuer or any Restricted Subsidiary incurred for the acquisition, development and/or improvement of real property and secured by Liens only on such real property;

(9) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five Business Days of incurrence;

(10) Indebtedness arising in connection with endorsement of instruments for deposit in the ordinary course of business;

(11) Refinancing Indebtedness with respect to Indebtedness incurred pursuant to the Ratio Exception or clause (2) or (3) above; and

(12) Indebtedness of the Issuer or any Restricted Subsidiary in an aggregate amount not to exceed $15.0 million at any time outstanding.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (12) above or is entitled to be incurred pursuant to the Ratio Exception, the Issuer shall, in its sole discretion, classify such item of Indebtedness and may divide and classify such Indebtedness in more than one of the types of Indebtedness described, except that Indebtedness outstanding under the Credit Facilities on the Issue Date shall be deemed to have been incurred under clause (1) above.

Limitations on Layering Indebtedness

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) contractually subordinated to any other Indebtedness of the Issuer or of such Restricted Subsidiary, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) contractually made expressly subordinate to the Notes or the Note Guarantee of such Restricted Subsidiary, to the same extent and in the same manner as such Indebtedness is contractually subordinated to such other Indebtedness of the Issuer or such Restricted Subsidiary, as the case may be.

Limitations on Restricted Payments

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment if at the time of such Restricted Payment:

(1) a Default shall have occurred and be continuing or shall occur as a consequence thereof;

(2) the Issuer cannot incur $1.00 of additional Indebtedness pursuant to the Ratio Exception; or

(3) the amount of such Restricted Payment, when added to the aggregate amount of all other Restricted Payments made after the Issue Date (other than Restricted Payments made pursuant to clause (2), (3) or (5) of the next paragraph), exceeds the sum (the **"Restricted Payments Basket"**) of (without duplication):

(a) 50% of Consolidated Net Income for the period (taken as one accounting period) commencing on the first day of the first full fiscal quarter commencing after the Issue Date to and including the last day of the fiscal quarter ended immediately prior to the date of such calculation for which consolidated financial statements are available (or, if such Consolidated Net Income shall be a deficit, minus 100% of such aggregate deficit), *plus*

(b) 100% of the aggregate net cash proceeds or the Fair Market Value of any assets to be used in a Permitted Business (other than securities) received by the Issuer either (x) as contributions to the common equity of the Issuer after the Issue Date or (y) from the issuance

and sale of Qualified Equity Interests after the Issue Date, other than to the extent any such proceeds are used to redeem Notes in accordance with the second paragraph under "— Optional Redemption," *plus*

(c) the aggregate amount by which Indebtedness of the Issuer or any Restricted Subsidiary is reduced on the Issuer's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Issuer) subsequent to the Issue Date into Qualified Equity Interests (less the amount of any cash, or the fair value of assets, distributed by the Issuer or any Restricted Subsidiary upon such conversion or exchange), *plus*

(d) in the case of the disposition or repayment of or return on any Investment that was treated as a Restricted Payment made after the Issue Date, an amount (to the extent not included in the computation of Consolidated Net Income) equal to the lesser of (i) the return of capital with respect to such Investment and (ii) the amount of such Investment that was treated as a Restricted Payment, in either case, less the cost of the disposition of such Investment and net of taxes, *plus*

(e) upon a Redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, the lesser of (i) the Fair Market Value of the Issuer's proportionate interest in such Subsidiary immediately following such Redesignation, and (ii) the aggregate amount of the Issuer's Investments in such Subsidiary to the extent such Investments reduced the amount available for subsequent Restricted Payments under this clause (3) and were not previously repaid or otherwise reduced, *plus*

(f) $10.0 million.

The foregoing provisions will not prohibit:

(1) the payment by the Issuer or any Restricted Subsidiary of any dividend within 60 days after the date of declaration thereof, if on the date of declaration the payment would have complied with the provisions of the Indenture;

(2) so long as no Default shall have occurred and be continuing at the time of or as a consequence of such redemption, the redemption of any Equity Interests of the Issuer or any Restricted Subsidiary in exchange for, or out of the proceeds of the substantially concurrent issuance and sale of, Qualified Equity Interests;

(3) so long as no Default shall have occurred and be continuing at the time of or as a consequence of such redemption, the redemption of Subordinated Indebtedness of the Issuer or any Restricted Subsidiary (a) in exchange for, or out of the proceeds of the substantially concurrent issuance and sale of, Qualified Equity Interests or (b) in exchange for, or out of the proceeds of the substantially concurrent incurrence of, Refinancing Indebtedness permitted to be incurred under the "Limitations on Additional Indebtedness" covenant and the other terms of the Indenture;

(4) so long as no Default shall have occurred and be continuing at the time of or as a consequence of such redemption, the redemption of Equity Interests of the Issuer held by officers, directors or employees or former officers, directors or employees (or their transferees, estates or beneficiaries under their estates), upon their death, disability, retirement, severance or termination of employment or service; *provided* that the aggregate cash consideration paid for all such redemptions shall not exceed $2.0 million during any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years subject to a maximum of $4.0 million in any calendar year); or

(5) repurchases of Equity Interests deemed to occur upon the exercise of stock options if the Equity Interests represents a portion of the exercise price thereof;

provided that no issuance and sale of Qualified Equity Interests pursuant to clause (2) or (3) above shall increase the Restricted Payments Basket, except to the extent the proceeds thereof exceed the amounts used to effect the transactions described therein.

Maintenance of Consolidated Tangible Net Worth

If the Issuer's Consolidated Tangible Net Worth declines below $60.0 million (the **"Minimum Tangible Net Worth"**) at the end of any fiscal quarter, the Company must deliver an Officers' Certificate to the Trustee within 55 days after the end of that fiscal quarter (110 days after the end of any fiscal year) to notify the Trustee. If, on the last day of each of any two consecutive fiscal quarters (the last day of the second fiscal quarter being referred to as a **"Deficiency Date"**), the Issuer's Consolidated Tangible Net Worth is less than the Minimum Tangible Net Worth of the Issuer, then the Issuer must make an offer (a **"Net Worth Offer"**) to all Holders of Notes to purchase 10% of the aggregate principal amount of the Notes originally issued (the **"Net Worth Offer Amount"**) at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon, if any, to the date of purchase; *provided, however*, that no such Net Worth Offer shall be required if, after the Deficiency Date but prior to the date the Issuer is required to make the Net Worth Offer, capital in cash or Cash Equivalents is contributed for Qualified Equity Interests of the Issuer sufficient to increase the Issuer's Consolidated Tangible Net Worth after giving effect to such contribution to an amount equal to or above the Minimum Tangible Net Worth.

The Issuer must make the Net Worth Offer no later than 65 days after each Deficiency Date (120 days if such Deficiency Date is the last day of the Issuer's fiscal year). The Net Worth Offer is required to remain open for a period of 20 Business Days following its commencement or for such longer period as required by law. The Issuer is required to purchase the Net Worth Offer Amount of the Notes on a designated date no later than five Business Days after the termination of the Net Worth Offer, or if less than the Net Worth Offer Amount of Notes shall have been tendered, all Notes then tendered.

If the aggregate principal amount of Notes tendered exceeds the Net Worth Offer Amount, the Issuer is required to purchase the Notes tendered to it*pro rata* among the Notes tendered (with such adjustments as may be appropriate so that only Notes in denominations of $1,000 and integral multiples thereof shall be purchased).

In no event will the failure of the Issuer's Consolidated Tangible Net Worth to equal or exceed the Minimum Tangible Net Worth at the end of any fiscal quarter be counted toward the requirement to make more than one Net Worth Offer. The Issuer may reduce the principal amount of Notes to be purchased pursuant to the Net Worth Offer by subtracting 100% of the principal amount (excluding premium) of the Notes redeemed by the Issuer prior to the purchase (otherwise than under this provision). The Issuer, however, may not credit Notes that have been previously used as a credit against any obligation to repurchase Notes pursuant to this provision.

The Issuer will comply with applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act and any other applicable laws and regulations in connection with the purchase of Notes pursuant to a Net Worth Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Net Worth Offer" provisions of the Indenture, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the "Net Worth Offer" provisions of the Indenture by virtue of this compliance.

If a Net Worth Offer is made, there can be no assurance that the Issuer will have available funds sufficient to pay for all or any of the Notes that might be delivered by Holders seeking to accept the Net Worth Offer. In addition, we cannot assure you that the Issuer will be able to obtain the consents necessary to consummate a Net Worth Offer from the lenders under agreements governing outstanding Indebtedness which may prohibit the offer.

The Issuer's Consolidated Tangible Net Worth was approximately $253.9 million as of March 31, 2003.

Limitations on Dividend and Other Restrictions Affecting Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on or in respect of its Equity Interests;

(b) make loans or advances or pay any Indebtedness or other obligation owed to the Issuer or any other Restricted Subsidiary; or

(c) transfer any of its assets to the Issuer or any other Restricted Subsidiary; except for:

(1) encumbrances or restrictions existing under or by reason of applicable law;

(2) encumbrances or restrictions existing under the Indenture, the Notes and the Note Guarantees;

(3) non-assignment provisions of any contract or any lease entered into in the ordinary course of business;

(4) encumbrances or restrictions existing under agreements existing on the date of the Indenture (including, without limitation, the Credit Facilities) as in effect on that date;

(5) restrictions on the transfer of assets subject to any Lien permitted under the Indenture imposed by the holder of such Lien;

(6) restrictions on the transfer of assets imposed under any agreement to sell such assets permitted under the Indenture to any Person pending the closing of such sale;

(7) any instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the assets of any Person, other than the Person or the assets so acquired;

(8) encumbrances or restrictions arising in connection with Refinancing Indebtedness; *provided, however*, that any such encumbrances and restrictions are not materially more restrictive with respect to any Restricted Subsidiary than those in effect on the Issue Date with respect to that Restricted Subsidiary pursuant to the agreements creating or evidencing the Indebtedness being refinanced;

(9) customary provisions in leases, partnership agreements, limited liability company organizational governance documents, joint venture agreements and other similar agreements entered into in the ordinary course of business that restrict the transfer of leasehold interests or ownership interests in such partnership, limited liability company, joint venture or similar Person;

(10) Purchase Money Indebtedness incurred in compliance with the covenant described under "— Limitations on Additional Indebtedness" that impose restrictions of the nature described in clause (c) above on the assets acquired; and

(11) any encumbrances or restrictions imposed by any amendments or refinancings of the contracts, instruments or obligations referred to in clauses (1) through (10) above; *provided* that such amendments or refinancings are, in the good faith judgment of the Issuer's Board of Directors, no more materially restrictive with respect to such encumbrances and restrictions than those prior to such amendment or refinancing.

Limitations on Transactions with Affiliates

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, in one transaction or a series of related transactions, sell, lease, transfer or otherwise dispose of any of its assets to, or purchase any assets from, or enter into any contract, agreement, understanding, loan, advance or

guarantee with, or for the benefit of, any Affiliate involving aggregate consideration in excess of $60,000 (an **"Affiliate Transaction"**), unless:

(1) such Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that may have been obtained in a comparable transaction at such time on an arm's-length basis by the Issuer or that Restricted Subsidiary from a Person that is not an Affiliate of the Issuer or that Restricted Subsidiary; and

(2) the Issuer delivers to the Trustee:

(a) with respect to any Affiliate Transaction involving aggregate value of $1.0 million or more, an Officers' Certificate certifying that such Affiliate Transaction complies with clause (1) above;

(b) with respect to any Affiliate Transaction involving aggregate value in excess of $2.0 million, an Officers' Certificate certifying that such Affiliate Transaction complies with clause (1) above and a Secretary's Certificate which sets forth and authenticates a resolution that has been adopted by the Independent Directors approving such Affiliate Transaction; and

(c) with respect to any Affiliate Transaction involving aggregate value of $10.0 million or more, the certificates described in the preceding clause (b) and (x) a written opinion as to the fairness of such Affiliate Transaction to the Issuer or such Restricted Subsidiary from a financial point of view or (y) a written appraisal supporting the value of such Affiliate Transaction, in either case, issued by an Independent Financial Advisor.

The foregoing restrictions shall not apply to:

(1) transactions exclusively between or among (a) the Issuer and one or more Restricted Subsidiaries or (b) Restricted Subsidiaries; provided, in each case, that no Affiliate of the Issuer (other than another Restricted Subsidiary) owns Equity Interests of any such Restricted Subsidiary;

(2) reasonable director, officer, employee and consultant compensation (including bonuses) and other benefits (including retirement, health, stock and other benefit plans) and indemnification arrangements;

(3) loans and advances permitted by clause (3) of the definition of "Permitted Investments";

(4) any agreement as in effect as of the Issue Date (including the Wells Fargo Credit Agreement) or any extension, amendment or modification thereto (so long as any such extension, amendment or modification satisfies the requirements set forth in clause (1) of the first paragraph of this covenant) or any transaction contemplated thereby;

(5) Restricted Payments of the type described in clause (1), (2) or (4) of the definition of "Restricted Payment" and which are made in accordance with the covenant described under "— Limitations on Restricted Payments"; or

(6) sales of Qualified Equity Interests for cash by the Issuer to an Affiliate.

Limitations on Liens

The Issuer shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or permit or suffer to exist any Lien of any nature whatsoever against (other than Permitted Liens) any assets of the Issuer or any Restricted Subsidiary (including Equity Interests of a Restricted Subsidiary), whether owned at the Issue Date or thereafter acquired, or any proceeds therefrom, or assign or otherwise convey any right to receive income or profits therefrom, which Lien secures Indebtedness or trade payables, unless contemporaneously therewith:

(1) in the case of any Lien securing an obligation that ranks *pari passu* with the Notes or a Note Guarantee, effective provision is made to secure the Notes or such Note Guarantee, as the case

may be, at least equally and ratably with or prior to such obligation with a Lien on the same collateral; and

(2) in the case of any Lien securing an obligation that is subordinated in right of payment to the Notes or a Note Guarantee, effective provision is made to secure the Notes or such Note Guarantee, as the case may be, with a Lien on the same collateral that is prior to the Lien securing such subordinated obligation,

in each case, for so long as such obligation is secured by such Lien.

Limitations on Asset Sales

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Sale unless:

(1) the Issuer or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets included in such Asset Sale; and

(2) at least 75% of the total consideration received in such Asset Sale or series of related Asset Sales consists of cash or Cash Equivalents.

For purposes of clause (2), the following shall be deemed to be cash:

(a) the amount (without duplication) of any Indebtedness (other than Subordinated Indebtedness) of the Issuer or such Restricted Subsidiary that is expressly assumed by the transferee in such Asset Sale and with respect to which the Issuer or such Restricted Subsidiary, as the case may be, is unconditionally released by the holder of such Indebtedness,

(b) the amount of any obligations received from such transferee that are within 30 days converted by the Issuer or such Restricted Subsidiary to cash (to the extent of the cash actually so received), and

(c) the Fair Market Value of any assets (other than securities, unless such securities represent Equity Interests in an entity engaged solely in a Permitted Business, such entity becomes a Restricted Subsidiary and the Issuer or a Restricted Subsidiary acquires voting and management control of such entity) received by the Issuer or any Restricted Subsidiary to be used by it in the Permitted Business.

If at any time any non-cash consideration received by the Issuer or any Restricted Subsidiary of the Issuer, as the case may be, in connection with any Asset Sale is repaid or converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration), then the date of such repayment, conversion or disposition shall be deemed to constitute the date of an Asset Sale hereunder and the Net Available Proceeds thereof shall be applied in accordance with this covenant.

If the Issuer or any Restricted Subsidiary engages in an Asset Sale, the Issuer or such Restricted Subsidiary shall, no later than one year following the consummation thereof, apply all or any of the Net Available Proceeds therefrom to:

(1) repay any Indebtedness under the Credit Facilities;

(2) repay any Indebtedness which was secured by the assets sold in such Asset Sale; and/or

(3) invest all or any part of the Net Available Proceeds thereof in the purchase of assets (other than securities, unless such securities represent Equity Interests in an entity engaged solely in a Permitted Business, such entity becomes a Restricted Subsidiary and the Issuer or a Restricted Subsidiary acquires voting and management control of such entity) to be used by the Issuer or any Restricted Subsidiary in the Permitted Business.

The amount of Net Available Proceeds not applied or invested as provided in this paragraph will constitute **"Excess Proceeds."**

When the aggregate amount of Excess Proceeds equals or exceeds $10.0 million, the Issuer will be required to make an offer to purchase from all Holders and, if applicable, redeem (or make an offer to do so) any Pari Passu Indebtedness of the Issuer the provisions of which require the Issuer to redeem such Indebtedness with the proceeds from any Asset Sales (or offer to do so), in an aggregate principal amount of Notes and such Pari Passu Indebtedness equal to the amount of such Excess Proceeds as follows:

(1) the Issuer will (a) make an offer to purchase (a "Net Proceeds Offer") to all Holders in accordance with the procedures set forth in the Indenture, and (b) redeem (or make an offer to do so) any such other Pari Passu Indebtedness, pro rata in proportion to the respective principal amounts of the Notes and such other Indebtedness required to be redeemed, the maximum principal amount of Notes and Pari Passu Indebtedness that may be redeemed out of the amount (the "Payment Amount") of such Excess Proceeds;

(2) the offer price for the Notes will be payable in cash in an amount equal to 100% of the principal amount of the Notes tendered pursuant to a Net Proceeds Offer, plus accrued and unpaid interest thereon, if any, to the date such Net Proceeds Offer is consummated (the "Offered Price"), in accordance with the procedures set forth in the Indenture and the redemption price for such Pari Passu Indebtedness (the "Pari Passu Indebtedness Price") shall be as set forth in the related documentation governing such Indebtedness;

(3) if the aggregate Offered Price of Notes validly tendered and not withdrawn by Holders thereof exceeds the pro rata portion of the Payment Amount allocable to the Notes, Notes to be purchased will be selected on a pro rata basis; and

(4) upon completion of such Net Proceeds Offer in accordance with the foregoing provisions, the amount of Excess Proceeds with respect to which such Net Proceeds Offer was made shall be deemed to be zero.

To the extent that the sum of the aggregate Offered Price of Notes tendered pursuant to a Net Proceeds Offer and the aggregate Pari Passu Indebtedness Price paid to the holders of such Pari Passu Indebtedness is less than the Payment Amount relating thereto (such shortfall constituting a **"Net Proceeds Deficiency"**), the Issuer may use the Net Proceeds Deficiency, or a portion thereof, for general corporate purposes, subject to the provisions of the Indenture.

In the event of the transfer of substantially all (but not all) of the assets of the Issuer and the Restricted Subsidiaries as an entirety to a Person in a transaction covered by and effected in accordance with the covenant described under "— Limitations on Mergers, Consolidations, Etc.," the successor corporation shall be deemed to have sold for cash at Fair Market Value the assets of the Issuer and the Restricted Subsidiaries not so transferred for purposes of this covenant, and shall comply with the provisions of this covenant with respect to such deemed sale as if it were an Asset Sale (with such Fair Market Value being deemed to be Net Available Proceeds for such purpose).

The Issuer will comply with applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act and any other applicable laws and regulations in connection with the purchase of Notes pursuant to a Net Proceeds Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Limitations on Asset Sales" provisions of the Indenture, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the "Limitations on Asset Sales" provisions of the Indenture by virtue of this compliance.

Limitations on Designation of Unrestricted Subsidiaries

The Issuer may designate any Subsidiary of the Issuer as an "Unrestricted Subsidiary" under the Indenture (a **"Designation"**) only if:

(1) no Default shall have occurred and be continuing at the time of or after giving effect to such Designation; and

(2) the Issuer would be permitted to make, at the time of such Designation, (a) a Permitted Investment or (b) an Investment pursuant to the first paragraph of "— Limitations on Restricted Payments" above, in either case, in an amount (the **"Designation Amount"**) equal to the Fair Market Value of the Issuer's proportionate interest in such Subsidiary on such date.

No Subsidiary shall be Designated as an "Unrestricted Subsidiary" unless such Subsidiary:

(1) has no Indebtedness other than Permitted Unrestricted Subsidiary Debt;

(2) is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary unless the terms of the agreement, contract, arrangement or understanding are no less favorable to the Issuer or the Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer or such Restricted Subsidiary;

(3) is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve the Person's financial condition or to cause the Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Issuer or any Restricted Subsidiary, except for any guarantee given solely to support the pledge by the Issuer or any Restricted Subsidiary of the Equity Interests of such Unrestricted Subsidiary, which guarantee is not recourse to the Issuer or any Restricted Subsidiary, and except to the extent the amount thereof constitutes a Restricted Payment permitted pursuant to the covenant described under "— Limitations on Restricted Payments."

If, at any time, any Unrestricted Subsidiary fails to meet the preceding requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of the Subsidiary and any Liens on assets of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary as of the date and, if the Indebtedness is not permitted to be incurred under the covenant described under "— Limitations on Additional Indebtedness" or the Lien is not permitted under the covenant described under "— Limitations on Liens," the Issuer shall be in default of the applicable covenant.

As of the date of this prospectus, the Issuer has designated MTH Mortgage, LLC and Texas Home Mortgage Company as Unrestricted Subsidiaries.

The Issuer may redesignate an Unrestricted Subsidiary as a Restricted Subsidiary (a **"Redesignation"**) only if:

(1) no Default shall have occurred and be continuing at the time of and after giving effect to such Redesignation; and

(2) all Liens, Indebtedness and Investments of such Unrestricted Subsidiary outstanding immediately following such Redesignation would, if incurred or made at such time, have been permitted to be incurred or made for all purposes of the Indenture.

All Designations and Redesignations must be evidenced by resolutions of the Board of Directors of the Issuer, delivered to the Trustee certifying compliance with the foregoing provisions.

Limitations on Mergers, Consolidations, Etc.

The Issuer will not, directly or indirectly, in a single transaction or a series of related transactions, (a) consolidate or merge with or into (other than a merger that satisfies the requirements of clause (1) below with a Wholly-Owned Restricted Subsidiary solely for the purpose of changing the Issuer's jurisdiction of incorporation to another State of the United States), or sell, lease, transfer, convey or otherwise dispose of or assign all or substantially all of the assets of the Issuer or the Issuer and the Restricted Subsidiaries (taken as a whole) or (b) adopt a Plan of Liquidation unless, in either case:

(1) either:

(a) the Issuer will be the surviving or continuing Person; or

(b) the Person formed by or surviving such consolidation or merger or to which such sale, lease, conveyance or other disposition shall be made (or, in the case of a Plan of Liquidation, any Person to which assets are transferred) (collectively, the **"Successor"**) is a corporation or limited liability company organized and existing under the laws of any State of the United States of America or the District of Columbia, and the Successor expressly assumes, by supplemental indenture in form and substance satisfactory to the Trustee, all of the obligations of the Issuer under the Notes and the Indenture; *provided* that at any time the Successor is a limited liability company, there shall be a co-issuer of the Notes that is a corporation;

(2) immediately prior to and immediately after giving effect to such transaction and the assumption of the obligations as set forth in clause (1)(b) above and the incurrence of any Indebtedness to be incurred in connection therewith, no Default shall have occurred and be continuing; and

(3) immediately after and giving effect to such transaction and the assumption of the obligations set forth in clause (1)(b) above and the incurrence of any Indebtedness to be incurred in connection therewith, and the use of any net proceeds therefrom on a pro forma basis, (a) the Consolidated Net Worth of the Issuer or the Successor, as the case may be, would be at least equal to the Consolidated Net Worth of the Issuer immediately prior to such transaction and (b) the Issuer or the Successor, as the case may be, could incur $1.00 of additional Indebtedness pursuant to the Ratio Exception.

For purposes of this covenant, any Indebtedness of the Successor which was not Indebtedness of the Issuer immediately prior to the transaction shall be deemed to have been incurred in connection with such transaction.

Except as provided under the caption "— Note Guarantees," no Guarantor may consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, whether or not affiliated with such Guarantor, unless:

(1) either:

(a) such Guarantor will be the surviving or continuing Person; or

(b) the Person formed by or surviving any such consolidation or merger assumes, by supplemental indenture in form and substance satisfactory to the Trustee, all of the obligations of such Guarantor under the Note Guarantee of such Guarantor and the Indenture; and

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the assets of one or more Restricted Subsidiaries, the Equity Interests of which constitute all or substantially all of the assets of the Issuer, will be deemed to be the transfer of all or substantially all of the assets of the Issuer.

Upon any consolidation, combination or merger of the Issuer or a Guarantor, or any transfer of all or substantially all of the assets of the Issuer in accordance with the foregoing, in which the Issuer or such

Guarantor is not the continuing obligor under the Notes or its Note Guarantee, the surviving entity formed by such consolidation or into which the Issuer or such Guarantor is merged or to which the conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or such Guarantor under the Indenture, the Notes and the Note Guarantees with the same effect as if such surviving entity had been named therein as the Issuer or such Guarantor and, except in the case of a conveyance, transfer or lease, the Issuer or such Guarantor, as the case may be, will be released from the obligation to pay the principal of and interest on the Notes or in respect of its Note Guarantee, as the case may be, and all of the Issuer's or such Guarantor's other obligations and covenants under the Notes, the Indenture and its Note Guarantee, if applicable.

Notwithstanding the foregoing, any Restricted Subsidiary may merge into the Issuer or another Restricted Subsidiary.

Additional Note Guarantees

If, after the Issue Date, (a) the Issuer or any Restricted Subsidiary shall acquire or create another Subsidiary (other than a Subsidiary that has been designated an Unrestricted Subsidiary) or (b) any Unrestricted Subsidiary is redesignated a Restricted Subsidiary, then, in each such case, the Issuer shall cause such Restricted Subsidiary to:

(1) execute and deliver to the Trustee (a) a supplemental indenture in form and substance satisfactory to the Trustee pursuant to which such Restricted Subsidiary shall unconditionally guarantee all of the Issuer's obligations under the Notes and the Indenture and (b) a notation of guarantee in respect of its Note Guarantee; and

(2) deliver to the Trustee one or more opinions of counsel that such supplemental indenture (a) has been duly authorized, executed and delivered by such Restricted Subsidiary and (b) constitutes a valid and legally binding obligation of such Restricted Subsidiary in accordance with its terms.

Conduct of Business

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than the Permitted Business.

Reports

Whether or not required by the SEC, so long as any Notes are outstanding, the Issuer will furnish to the Holders of Notes, within the time periods specified in the SEC's rules and regulations (including any grace periods or extensions permitted by the SEC):

(1) all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K if the Issuer were required to file these Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by the Issuer's certified independent accountants; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if the Issuer were required to file these reports.

In addition, whether or not required by the SEC, the Issuer will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the SEC's rules and regulations (unless the SEC will not accept the filing) and make the information available to securities analysts and prospective investors upon request. The Issuer and the Guarantors have agreed that, for so long as any Notes remain outstanding, the Issuer will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Events of Default

Each of the following is an **"Event of Default"**:

(1) failure by the Issuer to pay interest on any of the Notes when it becomes due and payable and the continuance of any such failure for 30 days;

(2) failure by the Issuer to pay the principal on any of the Notes when it becomes due and payable, whether at stated maturity, upon redemption, upon purchase, upon acceleration or otherwise;

(3) failure by the Issuer to comply with any of its agreements or covenants described above under "— Certain Covenants — Limitations on Mergers, Consolidations, Etc.," or in respect of its obligations to make a Change of Control Offer as described above under "— Change of Control";

(4) failure by the Issuer to comply with any other agreement or covenant in the Indenture and continuance of this failure for 30 days after notice of the failure has been given to the Issuer by the Trustee or by the Holders of at least 25% of the aggregate principal amount of the Notes then outstanding;

(5) default under any mortgage, indenture or other instrument or agreement under which there may be issued or by which there may be secured or evidenced Indebtedness of the Issuer or any Restricted Subsidiary, whether such Indebtedness now exists or is incurred after the Issue Date, which default:

(a) is caused by a failure to pay when due principal on such Indebtedness within the applicable express grace period,

(b) results in the acceleration of such Indebtedness prior to its express final maturity or

(c) results in the commencement of judicial proceedings to foreclose upon, or to exercise remedies under applicable law or applicable security documents to take ownership of, the assets securing such Indebtedness, and

in each case, the principal amount of such Indebtedness, together with any other Indebtedness with respect to which an event described in clause (a), (b) or (c) has occurred and is continuing, aggregates $10.0 million or more;

(6) one or more judgments or orders that exceed $10.0 million in the aggregate (net of amounts covered by insurance or bonded) for the payment of money have been entered by a court or courts of competent jurisdiction against the Issuer or any Restricted Subsidiary and such judgment or judgments have not been satisfied, stayed, annulled or rescinded within 60 days of being entered;

(7) the Issuer or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case,

(b) consents to the entry of an order for relief against it in an involuntary case,

(c) consents to the appointment of a Custodian of it or for all or substantially all of its assets, or

(d) makes a general assignment for the benefit of its creditors;

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(a) is for relief against the Issuer or any Significant Subsidiary as debtor in an involuntary case,

(b) appoints a Custodian of the Issuer or any Significant Subsidiary or a Custodian for all or substantially all of the assets of the Issuer or any Significant Subsidiary, or

(c) orders the liquidation of the Issuer or any Significant Subsidiary, and the order or decree remains unstayed and in effect for 60 days; or

(9) any Note Guarantee of any Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee and the Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Note Guarantee (other than by reason of release of a Guarantor from its Note Guarantee in accordance with the terms of the Indenture and the Note Guarantee).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above with respect to the Issuer), shall have occurred and be continuing under the Indenture, the Trustee, by written notice to the Issuer, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer and the Trustee, may declare all amounts owing under the Notes to be due and payable immediately. Upon such declaration of acceleration, the aggregate principal of and accrued and unpaid interest on the outstanding Notes shall immediately become due and payable; *provided, however*, that after such acceleration, but before a judgment or decree based on acceleration, the Holders of a majority in aggregate principal amount of such outstanding Notes may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the nonpayment of accelerated principal and interest, have been cured or waived as provided in the Indenture. If an Event of Default specified in clause (7) or (8) with respect to the Issuer occurs, all outstanding Notes shall become due and payable without any further action or notice.

The Trustee shall, within 30 days after the occurrence of any Default with respect to the Notes, give the Holders notice of all uncured Defaults thereunder known to it; *provided, however*, that, except in the case of an Event of Default in payment with respect to the Notes or a Default in complying with "— Certain Covenants — Limitations on Mergers, Consolidations, Etc.," the Trustee shall be protected in withholding such notice if and so long as a committee of its trust officers in good faith determines that the withholding of such notice is in the interest of the Holders.

No Holder will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless the Trustee:

(1) has failed to act for a period of 60 days after receiving written notice of a continuing Event of Default by such Holder and a request to act by Holders of at least 25% in aggregate principal amount of Notes outstanding;

(2) has been offered indemnity satisfactory to it in its reasonable judgment; and

(3) has not received from the Holders of a majority in aggregate principal amount of the outstanding Notes a direction inconsistent with such request.

However, such limitations do not apply to a suit instituted by a Holder of any Note for enforcement of payment of the principal of or interest on such Note on or after the due date therefor (after giving effect to the grace period specified in clause (1) of the first paragraph of this "— Events of Default" section).

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture and, upon any Officer of the Issuer becoming aware of any Default, a statement specifying such Default and what action the Issuer is taking or proposes to take with respect thereto.

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have its obligations and the obligations of the Guarantors discharged with respect to the outstanding Notes ("**Legal Defeasance**"). Legal Defeasance means that the Issuer and the Guarantors shall be deemed to have paid and discharged the entire

indebtedness represented by the Notes and the Note Guarantees, and the Indenture shall cease to be of further effect as to all outstanding Notes and Note Guarantees, except as to:

(1) rights of Holders to receive payments in respect of the principal of and interest on the Notes when such payments are due from the trust funds referred to below,

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes, and the maintenance of an office or agency for payment and money for security payments held in trust,

(3) the rights, powers, trust, duties, and immunities of the Trustee, and the Issuer's obligation in connection therewith, and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have its obligations and the obligations of the Guarantors released with respect to most of the covenants under the Indenture, except as described otherwise in the Indenture (**"Covenant Defeasance"**), and thereafter any omission to comply with such obligations shall not constitute a Default. In the event Covenant Defeasance occurs, certain Events of Default (not including non-payment and, solely for a period of 91 days following the deposit referred to in clause (1) of the next paragraph, bankruptcy, receivership, rehabilitation and insolvency events) will no longer apply. Covenant Defeasance will not be effective until such bankruptcy, receivership, rehabilitation and insolvency events no longer apply. The Issuer may exercise its Legal Defeasance option regardless of whether it previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, U.S. legal tender, U.S. Government Obligations or a combination thereof, in such amounts as will be sufficient (without reinvestment) in the opinion of a nationally recognized firm of independent public accountants selected by the Issuer, to pay the principal of and interest on the Notes on the stated date for payment or on the redemption date of the principal or installment of principal of or interest on the Notes, and the Trustee must have a valid, perfected, exclusive security interest in such trust,

(2) in the case of Legal Defeasance, the Issuer shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that:

(a) the Issuer has received from, or there has been published by the Internal Revenue Service, a ruling, or

(b) since the date of the Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon this opinion of counsel shall confirm that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred,

(3) in the case of Covenant Defeasance, the Issuer shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the Covenant Defeasance had not occurred,

(4) no Default shall have occurred and be continuing on the date of such deposit (other than a Default resulting from the borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowing),

(5) the Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound,

(6) the Issuer shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others, and

(7) the Issuer shall have delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that the conditions provided for in, in the case of the Officers' Certificate, clauses (1) through (6) and, in the case of the opinion of counsel, clauses (1) (with respect to the validity and perfection of the security interest), (2) and/or (3) and (5) of this paragraph have been complied with.

If the funds deposited with the Trustee to effect Covenant Defeasance are insufficient to pay the principal of and interest on the Notes when due, then our obligations and the obligations of Guarantors under the Indenture will be revived and no such defeasance will be deemed to have occurred.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to rights of registration of transfer or exchange of Notes which shall survive until all Notes have been canceled) as to all outstanding Notes when either

(1) all the Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from this trust) have been delivered to the Trustee for cancellation, or

(2) (a) all Notes not delivered to the Trustee for cancellation otherwise have become due and payable or have been called for redemption pursuant to the provisions described under "— Optional Redemption," and the Issuer has irrevocably deposited or caused to be deposited with the Trustee trust funds in trust in an amount of money sufficient to pay and discharge the entire Indebtedness (including all principal and accrued interest) on the Notes not theretofore delivered to the Trustee for cancellation,

(b) the Issuer has paid all sums payable by it under the Indenture,

(c) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or on the date of redemption, as the case may be, and

(d) the Trustee, for the benefit of the Holders, has a valid, perfected, exclusive security interest in this trust.

In addition, the Issuer must deliver an Officers' Certificate and an opinion of counsel (as to legal matters) stating that all conditions precedent to satisfaction and discharge have been complied with.

Transfer and Exchange

A Holder will be able to register the transfer of or exchange notes only in accordance with the provisions of the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Without the prior consent of the Issuer, the Registrar is not required (1) to register the transfer of or exchange any Note selected for redemption, (2) to register the transfer of or exchange any Note for a period of 15 days before a selection of Notes to be redeemed or (3) to register the transfer or exchange of a Note between a record date and the next succeeding interest payment date.

The Notes will be issued in registered form and the registered Holder will be treated as the owner of such Note for all purposes.

Amendment, Supplement and Waiver

Subject to certain exceptions, the Indenture or the Notes may be amended with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of at least a majority in principal amount of the Notes then outstanding, and any existing Default under, or compliance with any provision of, the Indenture may be waived (other than any continuing Default in the payment of the principal or interest on the Notes) with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of a majority in principal amount of the Notes then outstanding; *provided* that:

(a) no such amendment may, without the consent of the Holders of two-thirds in aggregate principal amount of Notes then outstanding, amend the obligation of the Issuer under the heading "— Change of Control" or the related definitions that could adversely affect the rights of any Holder; and

(b) without the consent of each Holder affected, the Issuer and the Trustee may not:

(1) change the maturity of any Note;

(2) reduce the amount, extend the due date or otherwise affect the terms of any scheduled payment of interest on or principal of the Notes;

(3) reduce any premium payable upon optional redemption of the Notes, change the date on which any Notes are subject to redemption or otherwise alter the provisions with respect to the redemption of the Notes;

(4) make any Note payable in money or currency other than that stated in the Notes;

(5) modify or change any provision of the Indenture or the related definitions to affect the ranking of the Notes or any Note Guarantee in a manner that adversely affects the Holders;

(6) reduce the percentage of Holders necessary to consent to an amendment or waiver to the Indenture or the Notes;

(7) impair the rights of Holders to receive payments of principal of or interest on the Notes;

(8) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except as permitted by the Indenture; or

(9) make any change in these amendment and waiver provisions.

Notwithstanding the foregoing, the Issuer and the Trustee may amend the Indenture, the Note Guarantees or the Notes without the consent of any Holder, to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Issuer's obligations to the Holders in the case of a merger or acquisition, to release any Guarantor from any of its obligations under its Note Guarantee or the Indenture (to the extent permitted by the Indenture), to make any change that does not materially adversely affect the rights of any Holder or, in the case of the Indenture, to maintain the qualification of the Indenture under the Trust Indenture Act.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer will have any liability for any obligations of the Issuer under the Notes or the Indenture or of any Guarantor under its Note Guarantee or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by

accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes and the Note Guarantees.

Concerning the Trustee

Wells Fargo Bank, National Association is the Trustee under the Indenture and has been appointed by the Issuer as Registrar and Paying Agent with regard to the Notes. The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain assets received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Indenture), it must eliminate such conflict or resign.

The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that, in case an Event of Default occurs and is not cured, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in similar circumstances in the conduct of his or her own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to the Trustee.

Governing Law

The Indenture, the Notes and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

Book-Entry, Delivery and Form of Notes

The exchange notes will initially be represented by one or more global notes (the **"Global Notes"**) in definitive, fully registered form without interest coupons. The Global Notes will be deposited with, or on behalf of, the Depository Trust Company (**"DTC"**) and registered in the name of Cede & Co., as nominee of DTC (such nominee being referred to herein as the **"Global Note Holder"**). DTC will maintain the notes in denominations of $1,000 and integral multiples thereof through its book-entry facilities.

DTC has advised the Issuer as follows:

DTC is a limited-purpose trust company that was created to hold securities for its participating organizations, including the Euroclear System and Clearstream Banking, Société Anónyme, Luxembourg (collectively, the **"Participants"** or the **"Depositary's Participants"**), and to facilitate the clearance and settlement of transactions in these securities between Participants through electronic book-entry changes in accounts of its Participants. The Depositary's Participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies (collectively, the **"Indirect Participants"** or the **"Depositary's Indirect Participants"**) that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Depositary's Participants of the Depositary's Indirect Participants. Pursuant to procedures established by DTC, ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of the Depositary's Participants) and the records of the Depositary's Participants (with respect to the interests of the Depositary's Indirect Participants).

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer the Notes will be limited to such extent.

So long as the Global Note Holder is the registered owner of any Notes, the Global Note Holder will be considered the sole holder of outstanding Notes represented by such Global Notes under the Indenture. Except as provided below, owners of Notes will not be entitled to have Notes registered in their names and will not be considered the owners of holder thereof under the Indenture for any purpose, including with respect to the giving of any directions, instructions, or approvals to the Trustee thereunder. None of the Issuer, the Guarantors of the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments in respect of the principal of, premium, if any, and interest on any Notes registered in the name of a Global Note Holder on the applicable record date will be payable by the Trustee to or at the direction of such Global Note Holder in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Issuer and the Trustee may treat the persons in whose names any Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the Issuer nor the Trustee has or will have any responsibility or liability for the payment of such amounts to beneficial owners of Notes (including principal, premium, if any, and interest). The Issuer believes, however, that it is currently the policy of DTC to immediately credit the accounts of the relevant Participants with such payments, in amounts proportionate to their respective beneficial interests in the relevant security as shown on the records of DTC. Payments by the Depositary's Participants and the Depositary's Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practice and will be the responsibility of the Depositary's Participants or the Depositary's Indirect Participants.

Subject to certain conditions, any person having a beneficial interest in the Global Notes may, upon request to the Trustee and confirmation of such beneficial interest by the Depositary or its Participants or Indirect Participants, exchange such beneficial interest for notes in definitive form. Upon any such issuance, the Trustee is required to register such Notes in the name of and cause the same to be delivered to, such person or persons (or the nominee of any thereof). Such notes would be issued in fully registered form. In addition, if (1) the Issuer notifies the Trustee in writing that DTC is no longer willing or able to act as depositary and the Issuer is unable to locate a qualified successor within 90 days or (2) the Issuer, at its option, notifies the Trustee in writing that it elects to cause the issuance of notes in definitive form under the Indenture, then, upon surrender by the relevant Global Note Holder of its Global Note, Notes in such form will be issued to each person that such Global Note Holder and DTC identified as being the beneficial owner of the related notes.

Neither the Issuer nor the Trustee will be liable for any delay by the Global Note Holder or DTC in identifying the beneficial owners of notes and the Issuer and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the Global Note Holder or DTC for all purposes.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms.

"Acquired Indebtedness" means (1) with respect to any Person that becomes a Restricted Subsidiary after the Issue Date, Indebtedness of such Person and its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary and (2) with respect to the Issuer or any Restricted Subsidiary, any Indebtedness of a Person (other than the Issuer or a Restricted Subsidiary) existing at the time such Person is merged with or into the Issuer or a Restricted Subsidiary, or Indebtedness expressly assumed by the Issuer or any Restricted Subsidiary in connection with the acquisition of an asset or assets from

another Person, which Indebtedness was not, in any case, incurred by such other Person in connection with, or in contemplation of, such merger or acquisition.

"Affiliate" of any Person means any other Person which directly or indirectly controls or is controlled by, or is under direct or indirect common control with, the referent Person. For purposes of the covenant described under "— Certain Covenants — Limitations on Transactions with Affiliates," Affiliates shall be deemed to include, with respect to any Person, any other Person (1) which beneficially owns or holds, directly or indirectly, 10% or more of any class of the Voting Stock of the referent Person, (2) of which 10% or more of the Voting Stock is beneficially owned or held, directly or indirectly, by the referenced Person or (3) with respect to an individual, any immediate family member of such Person. For purposes of this definition, **"control"** of a Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"amend" means to amend, supplement, restate, amend and restate or otherwise modify; and **"amendment"** shall have a correlative meaning.

"asset" means any asset or property.

"Asset Acquisition" means

(1) an Investment by the Issuer or any Restricted Subsidiary of the Issuer in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary of the Issuer, or shall be merged with or into the Issuer or any Restricted Subsidiary of the Issuer, or

(2) the acquisition by the Issuer or any Restricted Subsidiary of the Issuer of all or substantially all of the assets of any other Person or any division or line of business of any other Person.

"Asset Sale" means any sale, issuance, conveyance, transfer, lease, assignment or other disposition by the Issuer or any Restricted Subsidiary to any Person other than the Issuer or any Restricted Subsidiary (including by means of a Sale and Leaseback Transaction or a merger or consolidation) (collectively, for purposes of this definition, a **"transfer"**), in one transaction or a series of related transactions, of any assets (including Equity Interests) of the Issuer or any of its Restricted Subsidiaries other than in the ordinary course of business. For purposes of this definition, the term "Asset Sale" shall not include:

(1) transfers of cash or Cash Equivalents;

(2) transfers of assets (including Equity Interests) that are governed by, and made in accordance with, the provisions described under "— Certain Covenants — Limitations on Mergers, Consolidations, Etc.";

(3) Permitted Investments and Restricted Payments permitted under the covenant described under "— Certain Covenants — Limitations on Restricted Payments";

(4) the creation or realization of any Permitted Lien;

(5) transactions in the ordinary course of business, including, without limitation, sales (directly or indirectly), dedications and other donations to governmental authorities, leases and sales and leasebacks of (A) homes, improved land and unimproved land and (B) real estate (including related amenities and improvements);

(6) dispositions of mortgage loans and related assets and mortgage-backed securities in the ordinary course of a mortgage lending business; and

(7) any transfer or series of related transfers that, but for this clause, would be Asset Sales, if after giving effect to such transfers, the aggregate Fair Market Value of the assets transferred in such transaction or any such series of related transactions does not exceed $1.0 million.

"Attributable Indebtedness", when used with respect to any Sale and Leaseback Transaction, means, as at the time of determination, the present value (discounted at a rate equivalent to the Issuer's then-

current weighted average cost of funds for borrowed money as at the time of determination, compounded on a semi-annual basis) of the total obligations of the lessee for rental payments during the remaining term of any Capitalized Lease included in any such Sale and Leaseback Transaction.

"Bankruptcy Law" means Title 11 of the United States Code, as amended, or any similar federal or state law for the relief of debtors.

"Board of Directors" means, with respect to any Person, the board of directors or comparable governing body of such Person.

"Borrowing Base" means, at any time of determination, the sum of the following without duplication:

(1) 100% of all cash and Cash Equivalents held by the Issuer or any Restricted Subsidiary;

(2) 75% of the book value of Developed Land for which no construction has occurred;

(3) 95% of the cost of the land and construction costs including capitalized interest (as reasonably allocated by the Issuer) for all Units for which there is an executed purchase contract with a buyer not Affiliated with the Issuer, less any deposits, down payments or earnest money;

(4) 80% of the cost of the land and construction costs including capitalized interest (as reasonably allocated by the Issuer) for all Units for which construction has begun and for which there is not an executed purchase agreement with a buyer not Affiliated with the Company; and

(5) 50% of the costs of Entitled Land (other than Developed Land) on which improvements have not commenced, less mortgage Indebtedness (other than under a Credit Facility) applicable to such land.

"Business Day" means a day other than a Saturday, Sunday or other day on which banking institutions in New York are authorized or required by law to close.

"Capitalized Lease" means a lease required to be capitalized for financial reporting purposes in accordance with GAAP.

"Capitalized Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under a Capitalized Lease, and the amount of such obligation shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Equivalents" means:

(1) marketable obligations with a maturity of 360 days or less issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof;

(2) demand and time deposits and certificates of deposit or acceptances with a maturity of 180 days or less of any financial institution that is a member of the Federal Reserve System having combined capital and surplus and undivided profits of not less than $500 million and is assigned at least a "B" rating by Thomson Financial BankWatch;

(3) commercial paper maturing no more than 180 days from the date of creation thereof issued by a corporation that is not the Issuer or an Affiliate of the Issuer, and is organized under the laws of any State of the United States of America or the District of Columbia and rated at least A-1 by S&P or at least P-1 by Moody's;

(4) repurchase obligations with a term of not more than ten days for underlying securities of the types described in clause (1) above entered into with any commercial bank meeting the specifications of clause (2) above; and

(5) investments in money market or other mutual funds substantially all of whose assets comprise securities of the types described in clauses (1) through (4) above.

"Change of Control" means the occurrence of any of the following events:

(1) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause that person or group shall be deemed to have "beneficial ownership" of all securities that any such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of Voting Stock representing more than 50% of the voting power of the total outstanding Voting Stock of the Issuer;

(2) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election to such Board of Directors or whose nomination for election by the stockholders of the Issuer was approved by a vote of the majority of the directors of the Issuer then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Issuer;

(3) (a) all or substantially all of the assets of the Issuer and the Restricted Subsidiaries are sold or otherwise transferred to any Person other than a Wholly-Owned Restricted Subsidiary or one or more Permitted Holders or (b) the Issuer consolidates or merges with or into another Person other than a Permitted Holder or any Person other than a Permitted Holder consolidates or merges with or into the Issuer, in either case under this clause (3), in one transaction or a series of related transactions in which immediately after the consummation thereof Persons owning Voting Stock representing in the aggregate 100% of the total voting power of the Voting Stock of the Issuer immediately prior to such consummation do not own Voting Stock representing a majority of the total voting power of the Voting Stock of the Issuer or the surviving or transferee Person; or

(4) the Issuer shall adopt a plan of liquidation or dissolution or any such plan shall be approved by the stockholders of the Issuer.

"Consolidated Amortization Expense" for any period means the amortization expense of the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Cash Flow Available for Fixed Charges" for any period means, without duplication, the sum of the amounts for such period of

(1) Consolidated Net Income, plus

(2) in each case only to the extent (and in the same proportion) deducted in determining Consolidated Net Income and with respect to the portion of Consolidated Net Income attributable to any Restricted Subsidiary only if a corresponding amount would be permitted at the date of determination to be distributed to the Issuer by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders,

(a) Consolidated Income Tax Expense,

(b) Consolidated Amortization Expense (but only to the extent not included in Consolidated Interest Expense),

(c) Consolidated Depreciation Expense,

(d) Consolidated Interest Expense and interest and other charges amortized to cost of home sales and cost of land sales, and

(e) all other non-cash items reducing the Consolidated Net Income (excluding any non-cash charge that results in an accrual of a reserve for cash charges in any future period) for such period,

in each case determined on a consolidated basis in accordance with GAAP, *minus*

(3) the aggregate amount of all non-cash items, determined on a consolidated basis, to the extent such items increased Consolidated Net Income for such period.

"Consolidated Depreciation Expense" for any period means the depreciation expense of the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Fixed Charge Coverage Ratio" means the ratio of Consolidated Cash Flow Available for Fixed Charges during the most recent four consecutive full fiscal quarters for which financial statements are available (the **"Four-Quarter Period"**) ending on or prior to the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio (the **"Transaction Date"**) to Consolidated Interest Incurred for the Four-Quarter Period. For purposes of this definition, Consolidated Cash Flow Available for Fixed Charges and Consolidated Interest Incurred shall be calculated after giving effect on a pro forma basis for the period of such calculation to:

(1) the incurrence of any Indebtedness or the issuance of any Preferred Stock of the Issuer or any Restricted Subsidiary (and the application of the proceeds thereof) and any repayment of other Indebtedness or redemption of other Preferred Stock (and the application of the proceeds therefrom) (other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to any revolving credit arrangement) occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if such incurrence, repayment, issuance or redemption, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four-Quarter Period; and

(2) any Asset Sale or Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Issuer or any Restricted Subsidiary (including any Person who becomes a Restricted Subsidiary as a result of such Asset Acquisition) incurring Acquired Indebtedness and also including any Consolidated Cash Flow Available for Fixed Charges (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Exchange Act) associated with any such Asset Acquisition) occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if such Asset Sale or Asset Acquisition or other disposition (including the incurrence of, or assumption or liability for, any such Indebtedness or Acquired Indebtedness) occurred on the first day of the Four-Quarter Period.

If the Issuer or any Restricted Subsidiary directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the incurrence of such guaranteed Indebtedness as if the Issuer or such Restricted Subsidiary had directly incurred or otherwise assumed such guaranteed Indebtedness.

In calculating Consolidated Interest Incurred for purposes of determining the denominator (but not the numerator) of the Consolidated Fixed Charge Coverage Ratio:

(1) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on this Indebtedness in effect on the Transaction Date;

(2) if interest on any Indebtedness actually incurred on the Transaction Date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank

offered rate, or other rates, then the interest rate in effect on the Transaction Date will be deemed to have been in effect during the Four-Quarter Period; and

(3) notwithstanding clause (1) or (2) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements with a term of at least one year after the Transaction Date relating to Hedging Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of these agreements.

"Consolidated Income Tax Expense" for any period means the provision for taxes of the Issuer and the Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Consolidated Indebtedness" means, as of any date, the total Indebtedness of the Issuer and the Restricted Subsidiaries as of such date, determined on a consolidated basis.

"Consolidated Interest Expense" for any period means the sum, without duplication, of the total interest expense (other than interest and other charges amortized to cost of home sales and cost of land sales) of the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP and including without duplication,

(1) imputed interest on Capitalized Lease Obligations and Attributable Indebtedness,

(2) commissions, discounts and other fees and charges owed with respect to letters of credit securing financial obligations, bankers' acceptance financing and receivables financings,

(3) the net costs associated with Hedging Obligations,

(4) amortization of debt issuance costs, debt discount or premium and other financing fees and expenses,

(5) the interest portion of any deferred payment obligations,

(6) all other non-cash interest expense,

(7) the product of (a) all dividend payments on any series of Disqualified Equity Interests of the Issuer or any Preferred Stock of any Restricted Subsidiary (other than any such Disqualified Equity Interests or any Preferred Stock held by the Issuer or a Wholly-Owned Restricted Subsidiary), multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of the Issuer and the Restricted Subsidiaries, expressed as a decimal,

(8) all interest payable with respect to discontinued operations, and

(9) all interest on any Indebtedness of any other Person guaranteed by the Issuer or any Restricted Subsidiary.

"Consolidated Interest Incurred" for any period means the sum, without duplication, of (1) Consolidated Interest Expense and (2) interest capitalized for such period (including interest capitalized with respect to discontinued operations but not including interest or other charges amortized to cost of home sales and cost of land sales).

"Consolidated Net Income" for any period means the net income (or loss) of the Issuer and the Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; *provided* that there shall be excluded from such net income (to the extent otherwise included therein), without duplication:

(1) the net income (or loss) of any Person (other than a Restricted Subsidiary) in which any Person other than the Issuer and the Restricted Subsidiaries has an ownership interest, except to the extent that cash in an amount equal to any such income has actually been received by the Issuer or any of its Restricted Subsidiaries during such period;

(2) except to the extent includible in the consolidated net income of the Issuer pursuant to the foregoing clause (1), the net income (or loss) of any Person that accrued prior to the date that (a) such Person becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or any Restricted Subsidiary or (b) the assets of such Person are acquired by the Issuer or any Restricted Subsidiary;

(3) the net income of any Restricted Subsidiary during such period to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary during such period;

(4) for the purposes of calculating the Restricted Payments Basket only, in the case of a successor to the Issuer by consolidation, merger or transfer of its assets, any income (or loss) of the successor prior to such merger, consolidation or transfer of assets;

(5) other than for purposes of calculating the Restricted Payments Basket, any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized during such period by the Issuer or any Restricted Subsidiary upon (a) the acquisition of any securities, or the extinguishment of any Indebtedness, of the Issuer or any Restricted Subsidiary or (b) any Asset Sale by the Issuer or any Restricted Subsidiary; and

(6) other than for purposes of calculating the Restricted Payments Basket, any extraordinary gain (or extraordinary loss), together with any related provision for taxes on any such extraordinary gain (or the tax effect of any such extraordinary loss), realized by the Issuer or any Restricted Subsidiary during such period.

In addition, any return of capital with respect to an Investment that increased the Restricted Payments Basket pursuant to clause (3)(d) of the first paragraph under "— Certain Covenants — Limitations on Restricted Payments" or decreased the amount of Investments outstanding pursuant to clause (14) of the definition of "Permitted Investments" shall be excluded from Consolidated Net Income for purposes of calculating the Restricted Payments Basket.

"Consolidated Net Worth" means, with respect to any Person as of any date, the consolidated stockholders' equity of such Person, determined on a consolidated basis in accordance with GAAP, less (without duplication) (1) any amounts thereof attributable to Disqualified Equity Interests of such Person or its Subsidiaries or any amount attributable to Unrestricted Subsidiaries and (2) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made within twelve months after the acquisition of such business) subsequent to the Issue Date in the book value of any asset owned by such Person or a Subsidiary of such Person.

"Consolidated Tangible Assets" means, as of any date, the total amount of assets of the Issuer and the Restricted Subsidiaries on a consolidated basis at the end of the fiscal quarter immediately preceding such date, as determined in accordance with GAAP, less (1) Intangible Assets and (2) any assets securing Non-Recourse Indebtedness.

"Consolidated Tangible Net Worth" means, with respect to any Person as of any date, the Consolidated Net Worth of such Person as of such date less (without duplication) all Intangible Assets of such Person as of such date.

"Credit Facilities" means (i) the Wells Fargo Credit Agreement and (ii) the Master Loan Agreement dated as of January 31, 1993, as amended, between Legacy/ Monterey Homes L.P., as borrower, and Guaranty Federal Bank, F.S.B, as lender, in each case (i) and (ii), including any notes, guarantees, collateral and security documents, instruments and agreements executed in connection therewith (including Hedging Obligations related to the Indebtedness incurred thereunder), and in each case as amended or refinanced from time to time, including any agreement extending the maturity of, refinancing, replacing or otherwise restructuring (including increasing the amount of borrowings or other

Indebtedness outstanding or available to be borrowed thereunder) all or any portion of the Indebtedness under such agreements, and any successor or replacement agreement or agreements with the same or any other agents, creditor, lender or group of creditors or lenders.

"Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"Default" means (1) any Event of Default or (2) any event, act or condition that, after notice or the passage of time or both, would be an Event of Default.

"Designation" has the meaning given to this term in the covenant described under "— Certain Covenants — Limitations on Designation of Unrestricted Subsidiaries."

"Designation Amount" has the meaning given to this term in the covenant described under "— Certain Covenants — Limitations on Designation of Unrestricted Subsidiaries."

"Developed Land" means all Entitled Land of the Issuer and its Restricted Subsidiaries which is undergoing active development or is ready for vertical construction.

"Disqualified Equity Interests" of any Person means any Equity Interests of such Person that, by their terms, or by the terms of any related agreement or of any security into which they are convertible, puttable or exchangeable, are, or upon the happening of any event or the passage of time would be, required to be redeemed by such Person, whether or not at the option of the holder thereof, or mature or are mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, in whole or in part, on or prior to the date which is 91 days after the final maturity date of the Notes; *provided, however,* that any class of Equity Interests of such Person that, by its terms, authorizes such Person to satisfy in full its obligations with respect to the payment of dividends or upon maturity, redemption (pursuant to a sinking fund or otherwise) or repurchase thereof or otherwise by the delivery of Equity Interests that are not Disqualified Equity Interests, and that are not convertible, puttable or exchangeable for Disqualified Equity Interests or Indebtedness, will not be deemed to be Disqualified Equity Interests so long as such Person satisfies its obligations with respect thereto solely by the delivery of Equity Interests that are not Disqualified Equity Interests; *provided, further, however,* that any Equity Interests that would not constitute Disqualified Equity Interests but for provisions thereof giving holders thereof (or the holders of any security into or for which such Equity Interests are convertible, exchangeable or exercisable) the right to require the Issuer to redeem such Equity Interests upon the occurrence of a change in control occurring prior to the final maturity date of the Notes shall not constitute Disqualified Equity Interests if the change in control provisions applicable to such Equity Interests are no more favorable to such holders than the provisions described under the caption "— Change of Control" and such Equity Interests specifically provide that the Issuer will not redeem any such Equity Interests pursuant to such provisions prior to the Issuer's purchase of the Notes as required pursuant to the provisions described under the caption "— Change of Control."

"Entitled Land" means all land of the Issuer and its Restricted Subsidiaries (a) on which Units may be constructed or which may be utilized for commercial, retail or industrial uses, in each case, under applicable laws and regulations and (b) the intended use by the Issuer for which is permissible under the applicable regional plan, development agreement or applicable zoning ordinance.

"Equity Interests" of any Person means (1) any and all shares or other equity interests (including common stock, preferred stock, limited liability company interests and partnership interests) in such Person and (2) all rights to purchase, warrants or options (whether or not currently exercisable), participations or other equivalents of or interests in (however designated) such shares or other interests in such Person.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) that would be negotiated in an arm's-length transaction for cash between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the

transaction, as such price is determined in good faith by the Board of Directors of the Issuer or a duly authorized committee thereof, as evidenced by a resolution of such Board or committee.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect on the Issue Date.

"guarantee" means a direct or indirect guarantee by any Person of any Indebtedness of any other Person and includes any obligation, direct or indirect, contingent or otherwise, of such Person: (1) to purchase or pay (or advance or supply funds for the purchase or payment of) Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services (unless such purchase arrangements are on arm's-length terms and are entered into in the ordinary course of business), to take-or-pay, or to maintain financial statement conditions or otherwise); or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part).

"guarantee," when used as a verb, and **"guaranteed"** have correlative meanings.

"Guarantors" means each Restricted Subsidiary of the Issuer on the Issue Date, and each other Person that is required to become a Guarantor by the terms of the Indenture after the Issue Date, in each case, until such Person is released from its Note Guarantee.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to (1) any interest rate swap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in interest rates, (2) agreements or arrangements designed to protect such Person against fluctuations in foreign currency exchange rates in the conduct of its operations, or (3) any forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in commodity prices, in each case entered into in the ordinary course of business for bona fide hedging purposes and not for the purpose of speculation.

"Holder" means any registered holder, from time to time, of the Notes.

"incur" means, with respect to any Indebtedness or Obligation, incur, create, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to such Indebtedness or Obligation; *provided* that (1) the Indebtedness of a Person existing at the time such Person became a Restricted Subsidiary or at the time such Person merged with or into the Issuer or a Restricted Subsidiary shall be deemed to have been incurred at such time and (2) neither the accrual of interest nor the accretion of original issue discount shall be deemed to be an incurrence of Indebtedness.

"Indebtedness" of any Person at any date means, without duplication:

(1) all liabilities, contingent or otherwise, of such Person for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof);

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit or other similar instruments (or reimbursement obligations with respect thereto);

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except trade payables and accrued expenses incurred by such Person in the ordinary course of business in connection with obtaining goods, materials or services;

(5) the maximum fixed redemption or repurchase price of all Disqualified Equity Interests of such Person;

(6) all Capitalized Lease Obligations of such Person;

(7) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person;

(8) all Indebtedness of others guaranteed by such Person to the extent of such guarantee; provided that Indebtedness of the Issuer or its Subsidiaries that is guaranteed by the Issuer or the Issuer's Subsidiaries shall be counted only once in the calculation of the amount of Indebtedness of the Issuer and its Subsidiaries on a consolidated basis;

(9) all Attributable Indebtedness;

(10) to the extent not otherwise included in this definition, Hedging Obligations of such Person;

(11) all obligations of such Person under conditional sale or other title retention agreements relating to assets purchased by such Person; and

(12) the liquidation value of Preferred Stock of a Subsidiary of such Person issued and outstanding and held by any Person other than such Person (or one of its Wholly-Owned Restricted Subsidiaries).

Notwithstanding the foregoing, (a) earn-outs or similar profit sharing arrangements provided for in acquisition agreements which are determined on the basis of future operating earnings or other similar performance criteria (which are not determinable at the time of acquisition) of the acquired assets or entities and (b) accrued expenses, trade payables, customer deposits or deferred income taxes arising in the ordinary course of business shall not be considered Indebtedness. Any Indebtedness which is incurred at a discount to the principal amount at maturity thereof shall be deemed to have been incurred in the amount of the full principal amount at maturity thereof. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above, the maximum liability of such Person for any such contingent obligations at such date and, in the case of clause (7), the lesser of (a) the Fair Market Value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (b) the amount of the Indebtedness secured. For purposes of clause (5), the "maximum fixed redemption or repurchase price" of any Disqualified Equity Interests that do not have a fixed redemption or repurchase price shall be calculated in accordance with the terms of such Disqualified Equity Interests as if such Disqualified Equity Interests were redeemed on any date on which an amount of Indebtedness outstanding shall be required to be determined pursuant to the Indenture.

The Indenture will not restrict any Unrestricted Subsidiary from incurring Indebtedness nor will Indebtedness of any Unrestricted Subsidiaries be included in the Consolidated Fixed Charge Coverage Ratio or the ratio of Consolidated Indebtedness to Consolidated Tangible Net Worth hereunder, as long as the Unrestricted Subsidiary incurring such Indebtedness remains an Unrestricted Subsidiary.

"Independent Director" means a director of the Issuer who

(1) is independent with respect to the transaction at issue;

(2) does not have any material financial interest in the Issuer or any of its Affiliates (other than as a result of holding securities of the Issuer); and

(3) has not and whose Affiliates or affiliated firm has not, at any time during the twelve months prior to the taking of any action hereunder, directly or indirectly, received, or entered into any understanding or agreement to receive, compensation, payment or other benefit, of any type or form, from the Issuer or any of its Affiliates in excess of $60,000, other than customary directors' fees for serving on the Board of Directors of the Issuer or any Affiliate and reimbursement of out-of-pocket expenses for attendance at the Issuer's or Affiliate's board and board committee meetings.

"Independent Financial Advisor" means an accounting, appraisal or investment banking firm of nationally recognized standing that is, in the reasonable judgment of the Issuer's Board of Directors, qualified to perform the task for which it has been engaged and disinterested and independent with respect to the Issuer and its Affiliates; *provided, however,* that the prior rendering of service to the Issuer or an Affiliate of the Issuer shall not, by itself, disqualify the advisor.

"Intangible Assets" means, with respect to any Person, all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, write-ups of assets over their carrying value (other than write-ups which occurred prior to the Issue Date and other than, in connection with the acquisition of an asset, the write-up of the value of such asset to its Fair Market Value in accordance with GAAP on the date of acquisition) and all other items which would be treated as intangibles on the consolidated balance sheet of such Person prepared in accordance with GAAP.

"interest" means, with respect to the Notes, interest and liquidated damages, if any, on the Notes.

"Investments" of any Person means:

(1) all direct or indirect investments by such Person in any other Person in the form of loans, advances or capital contributions or other credit extensions constituting Indebtedness of such other Person, and any guarantee of Indebtedness of any other Person;

(2) all purchases (or other acquisitions for consideration) by such Person of Indebtedness, Equity Interests or other securities of any other Person;

(3) all other items that would be classified as investments on a balance sheet of such Person prepared in accordance with GAAP; and

(4) the Designation of any Subsidiary as an Unrestricted Subsidiary.

Except as otherwise expressly specified in this definition, the amount of any Investment (other than an Investment made in cash) shall be the Fair Market Value thereof on the date such Investment is made. The amount of Investment pursuant to clause (4) shall be the Designation Amount determined in accordance with the covenant described under "— Certain Covenants — Limitations on Designation of Unrestricted Subsidiaries." If the Issuer or any Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary, the Issuer shall be deemed to have made an Investment on the date of any such sale or other disposition equal to the Fair Market Value of the Equity Interests of and all other Investments in such Subsidiary not sold or disposed of, which amount shall be determined by the Board of Directors of the Issuer. Notwithstanding the foregoing, redemptions of Equity Interests of the Issuer shall be deemed not to be Investments.

"Issue Date" means May 30, 2001.

"Lien" means, with respect to any asset, any mortgage, deed of trust, lien (statutory or other), pledge, lease, easement, restriction, covenant, charge, security interest or other encumbrance of any kind or nature in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, and any lease in the nature thereof, any option or other agreement to sell, and any filing of, or agreement to give, any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction (other than cautionary filings in respect of operating leases).

"Moody's" means Moody's Investors Service, Inc., and its successors.

"Net Available Proceeds" means, with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents, net of

(1) brokerage commissions and other fees and expenses (including fees and expenses of legal counsel, accountants and investment banks) of such Asset Sale;

(2) provisions for taxes payable as a result of such Asset Sale (after taking into account any available tax credits or deductions and any tax sharing arrangements);

(3) amounts required to be paid to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale or having a Lien thereon;

(4) payments of unassumed liabilities (not constituting Indebtedness) relating to the assets sold at the time of, or within 30 days after the date of, such Asset Sale; and

(5) appropriate amounts to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve required in accordance with GAAP against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including pensions and other postemployment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officers' Certificate delivered to the Trustee; provided, however, that any amounts remaining after adjustments, revaluations or liquidations of such reserves shall constitute Net Available Proceeds.

"Non-Recourse Indebtedness" with respect to any Person means Indebtedness of such Person for which (1) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property identified in the instruments evidencing or securing such Indebtedness and such property was acquired with the proceeds of such Indebtedness or such Indebtedness was incurred within 90 days after the acquisition of such property and (2) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness.

"Obligation" means any principal, interest, penalties, fees, indemnification, reimbursements, costs, expenses, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer" means any of the following of the Issuer: the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary.

"Officers' Certificate" means a certificate signed by two Officers.

"Pari Passu Indebtedness" means any Indebtedness of the Issuer or any Guarantor that ranks pari passu as to payment with the Notes or the Note Guarantees, as applicable.

"Permitted Business" means the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date as described in this prospectus and businesses that are reasonably related thereto or reasonable extensions thereof (including, without limitation, land development, home alarm, pest control, title and other ancillary businesses).

"Permitted Holders" means Steven J. Hilton and John R. Landon, their respective wives and children, any corporation, limited liability company or partnership in which either of them has voting control and is the direct and beneficial owner of a majority of the Equity Interests and any trust for the benefit of either of them or their wives or children.

"Permitted Investment" means:

(1) Investments by the Issuer or any Restricted Subsidiary in (a) any Restricted Subsidiary or (b) in any Person that is or will become immediately after such Investment a Restricted Subsidiary or that will merge or consolidate into the Issuer or a Restricted Subsidiary;

(2) Investments in the Issuer by any Restricted Subsidiary;

(3) loans and advances to directors, employees and officers of the Issuer and the Restricted Subsidiaries for bona fide business purposes and to purchase Equity Interests of the Issuer not in excess of $2.0 million at any one time outstanding;

(4) Hedging Obligations incurred pursuant to clause (4) of the second paragraph under the covenant described under "— Certain Covenants — Limitations on Additional Indebtedness";

(5) Cash Equivalents;

(6) receivables owing to the Issuer or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

(7) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;

(8) Investments made by the Issuer or any Restricted Subsidiary as a result of consideration received in connection with an Asset Sale made in compliance with the covenant described under "— Certain Covenants — Limitations on Asset Sales";

(9) lease, utility and other similar deposits in the ordinary course of business;

(10) Investments made by the Issuer or a Restricted Subsidiary for consideration consisting only of Qualified Equity Interests of the Issuer;

(11) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary or in satisfaction of judgments;

(12) Investments in existence on the Issue Date;

(13) Investments made by the Issuer or any Restricted Subsidiary in joint ventures in a Permitted Business with unaffiliated third parties in an aggregate amount at any one time outstanding not to exceed 10% of the Issuer's Consolidated Tangible Net Worth at such time (with each Investment being valued as of the date made and without regard to subsequent changes in value); and

(14) other Investments in an aggregate amount not to exceed $5.0 million at any one time outstanding (with each Investment being valued as of the date made and without regard to subsequent changes in value).

The amount of Investments outstanding at any time pursuant to clause (14) above shall be deemed to be reduced:

(a) upon the disposition or repayment of or return on any Investment made pursuant to clause (14) above, by an amount equal to the return of capital with respect to such Investment to the Issuer or any Restricted Subsidiary (to the extent not included in the computation of Consolidated Net Income), less the cost of the disposition of such Investment and net of taxes; and

(b) upon a Redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, by an amount equal to the lesser of (x) the Fair Market Value of the Issuer's proportionate interest in such Subsidiary immediately following such Redesignation, and (y) the aggregate amount of Investments in such Subsidiary that increased (and did not previously decrease) the amount of Investments outstanding pursuant to clause (14) above.

"Permitted Liens" means the following types of Liens:

(1) (a) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business and (b) Liens for taxes, assessments or governmental charges or claims, in either case, for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;

(2) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(3) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(4) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other assets relating to such letters of credit and products and proceeds thereof;

(5) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of the Issuer or any Restricted Subsidiary, including rights of offset and setoff;

(6) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more accounts maintained by the Issuer or any Restricted Subsidiary, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; provided that in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness;

(7) leases or subleases (or any Liens related thereto) granted to others that do not materially interfere with the ordinary course of business of the Issuer or any Restricted Subsidiary;

(8) Liens arising from filing Uniform Commercial Code financing statements regarding leases;

(9) Liens securing all of the Notes and Liens securing any Note Guarantee;

(10) Liens existing on the Issue Date securing Indebtedness outstanding on the Issue Date and Liens securing Refinancing Indebtedness with respect to Indebtedness incurred pursuant to clause (2) of the definition of "Permitted Indebtedness;"

(11) Liens in favor of the Issuer or a Guarantor;

(12) Liens securing Indebtedness under the Credit Facilities incurred pursuant to clause (1) of "— Limitations on Additional Indebtedness;"

(13) without limiting any other clause in this definition of "Permitted Liens," Liens securing Indebtedness of the Issuer or any Restricted Subsidiary permitted to be incurred under the Indenture; provided, that the aggregate amount of all consolidated Indebtedness of the Issuer and the Restricted Subsidiaries secured by Liens (including all Indebtedness permitted to be secured by the other provisions of this definition, but excluding Non-Recourse Indebtedness) shall not exceed 40% of Consolidated Tangible Assets at any one time outstanding (after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof);

(14) Liens securing Non-Recourse Indebtedness of the Issuer or any Restricted Subsidiary permitted to be incurred under the Indenture; provided, that such Liens apply only to the property financed out of the net proceeds of such Non-Recourse Indebtedness within 90 days after the incurrence of such Non-Recourse Indebtedness;

(15) Liens securing Purchase Money Indebtedness permitted to be incurred under the Indenture; provided that such Liens apply only to the property acquired, constructed or improved with the proceeds of such Purchase Money Indebtedness within 90 days after the incurrence of such Purchase Money Indebtedness;

(16) Liens securing Acquired Indebtedness permitted to be incurred under the Indenture; provided that the Liens do not extend to assets not subject to such Lien at the time of acquisition (other than improvements thereon) and are no more favorable to the lienholders than those securing such Acquired Indebtedness prior to the incurrence of such Acquired Indebtedness by the Issuer or a Restricted Subsidiary;

(17) Liens on assets of a Person existing at the time such Person is acquired or merged with or into or consolidated with the Issuer or any such Restricted Subsidiary (and not created in anticipation or contemplation thereof);

(18) Liens to secure Attributable Indebtedness permitted to be incurred under the Indenture; provided that any such Lien shall not extend to or cover any assets of the Issuer or any Restricted Subsidiary other than the assets which are the subject of the Sale and Leaseback Transaction in which the Attributable Indebtedness is incurred;

(19) attachment or judgment Liens not giving rise to a Default and which are being contested in good faith by appropriate proceedings;

(20) easements, rights-of-way, restrictions and other similar charges or encumbrances not materially interfering with the ordinary course of business of the Issuer and its Subsidiaries;

(21) zoning restrictions, licenses, restrictions on the use of real property or minor irregularities in title thereto, which do not materially impair the use of such real property in the ordinary course of business of the Issuer and its Subsidiaries or the value of such real property for the purpose of such business; and

(22) any option, contract or other agreement to sell an asset; provided such sale is not otherwise prohibited under the Indenture.

"Permitted Unrestricted Subsidiary Debt" means Indebtedness of an Unrestricted Subsidiary:

(1) as to which neither the Issuer nor any Restricted Subsidiary (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Notes) of the Issuer or any Restricted Subsidiary to declare a default on the other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the Equity Interests or assets of the Issuer or any Restricted Subsidiary.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

"Plan of Liquidation" with respect to any Person, means a plan that provides for, contemplates or the effectuation of which is preceded or accompanied by (whether or not substantially contemporaneously, in phases or otherwise): (1) the sale, lease, conveyance or other disposition of all or substantially all of the assets of such Person otherwise than as an entirety or substantially as an entirety; and (2) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition of all or substantially all of the remaining assets of such Person to creditors and holders of Equity Interests of such Person.

"Preferred Stock" means, with respect to any Person, any and all preferred or preference stock or other equity interests (however designated) of such Person whether now outstanding or issued after the Issue Date.

"principal" means, with respect to the Notes, the principal of, and premium, if any, on the Notes.

"Purchase Money Indebtedness" means Indebtedness, including Capitalized Lease Obligations, of the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price of property, plant or equipment used in the business of the Issuer or any Restricted Subsidiary or the cost of installation, construction or improvement thereof; *provided, however,* that (1) the amount of such Indebtedness shall not exceed such purchase price or cost, (2) such Indebtedness shall not be secured by any asset other than the specified asset being financed or, in the case of real property or fixtures, including additions and improvements, the real property to which such asset is attached and (3) such Indebtedness shall be incurred within 90 days after such acquisition of such asset by the Issuer or such Restricted Subsidiary or such installation, construction or improvement.

"Qualified Equity Interests" means Equity Interests of the Issuer other than Disqualified Equity Interests; *provided* that such Equity Interests shall not be deemed Qualified Equity Interests to the extent sold or owed to a Subsidiary of the Issuer or financed, directly or indirectly, using funds (1) borrowed from the Issuer or any Subsidiary of the Issuer until and to the extent such borrowing is repaid or (2) contributed, extended, guaranteed or advanced by the Issuer or any Subsidiary of the Issuer (including, without limitation, in respect of any employee stock ownership or benefit plan).

"Qualified Equity Offering" means the issuance and sale of Qualified Equity Interests of the Issuer to Persons other than any Permitted Holder or any other Person who is not, prior to such issuance and sale, an Affiliate of the Issuer.

"Ratio Exception" has the meaning set forth in the proviso in the first paragraph of the covenant described under "— Certain Covenants — Limitations on Additional Indebtedness."

"Receivables" means an amount owed with respect to completed sales of housing units, lots and parcels sold to an unaffiliated purchaser.

"redeem" means to redeem, repurchase, purchase, defease, retire, discharge or otherwise acquire or retire for value; and **"redemption"** shall have a correlative meaning.

"Redesignation" has the meaning given to such term in the covenant described under "— Certain Covenants — Limitations on Designation of Unrestricted Subsidiaries."

"refinance" means to refinance, repay, prepay, replace, renew or refund.

"Refinancing Indebtedness" means Indebtedness of the Issuer or a Restricted Subsidiary issued in exchange for, or the proceeds from the issuance and sale or disbursement of which are used substantially concurrently to redeem or refinance in whole or in part, or constituting an amendment of, any Indebtedness of the Issuer or any Restricted Subsidiary (the **"Refinanced Indebtedness"**) in a principal amount not in excess of the principal amount of the Refinanced Indebtedness so repaid or amended (plus the amount of any premium paid and the amount of reasonable expenses incurred by the Issuer or any Restricted Subsidiary in connection with such repayment or amendment) (or, if such Refinancing Indebtedness refinances Indebtedness under a revolving credit facility or other agreement providing a commitment for subsequent borrowings, with a maximum commitment not to exceed the maximum commitment under such revolving credit facility or other agreement); *provided* that:

(1) if the Refinanced Indebtedness was subordinated to or pari passu with the Notes or the Note Guarantees, as the case may be, then such Refinancing Indebtedness, by its terms, is expressly pari passu with (in the case of Refinanced Indebtedness that was pari passu with) or subordinate in right of payment to (in the case of Refinanced Indebtedness that was subordinated to) the Notes or the Note Guarantees, as the case may be, at least to the same extent as the Refinanced Indebtedness;

(2) the Refinancing Indebtedness is scheduled to mature either (a) no earlier than the Refinanced Indebtedness being repaid or amended or (b) after the maturity date of the Notes;

(3) the portion, if any, of the Refinancing Indebtedness that is scheduled to mature on or prior to the maturity date of the Notes has a Weighted Average Life to Maturity at the time such

Refinancing Indebtedness is incurred that is equal to or greater than the Weighted Average Life to Maturity of the portion of the Refinanced Indebtedness being repaid that is scheduled to mature on or prior to the maturity date of the Notes; and

(4) the Refinancing Indebtedness is secured only to the extent, if at all, and by the assets, that the Refinanced Indebtedness being repaid, extended or amended is secured.

"Restricted Payment" means any of the following:

(1) the declaration or payment of any dividend or any other distribution on Equity Interests of the Issuer or any Restricted Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Equity Interests of the Issuer or any Restricted Subsidiary, including, without limitation, any payment in connection with any merger or consolidation involving the Issuer, but excluding (a) dividends or distributions payable solely in Qualified Equity Interests and (b) in the case of Restricted Subsidiaries, dividends or distributions payable to the Issuer or to a Restricted Subsidiary and pro rata dividends or distributions payable to minority stockholders of any Restricted Subsidiary;

(2) the redemption of any Equity Interests of the Issuer or any Restricted Subsidiary, including, without limitation, any payment in connection with any merger or consolidation involving the Issuer, but excluding any such Equity Interests held by the Issuer or any Restricted Subsidiary;

(3) any Investment other than a Permitted Investment; or

(4) any redemption prior to the scheduled maturity or prior to any scheduled repayment of principal or sinking fund payment, as the case may be, in respect of Subordinated Indebtedness.

"Restricted Payments Basket" has the meaning given to such term in the first paragraph of the covenant described under "— Certain Covenants — Limitations on Restricted Payments."

"Restricted Subsidiary" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors.

"Sale and Leaseback Transaction" means, with respect to any Person, an arrangement with any bank, insurance company or other lender or investor or to which such lender or investor is a party, providing for the leasing by such Person of any asset of such Person which has been or is being sold or transferred by such Person to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such asset.

"SEC" means the U.S. Securities and Exchange Commission.

"Secretary's Certificate" means a certificate signed by the Secretary of the Issuer.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Significant Subsidiary" means (1) any Restricted Subsidiary that would be a "significant subsidiary" as defined in Regulation S-X promulgated pursuant to the Securities Act as such Regulation is in effect on the Issue Date and (2) any Restricted Subsidiary that, when aggregated with all other Restricted Subsidiaries that are not otherwise Significant Subsidiaries and as to which any event described in clause (7) or (8) under "— Events of Default" has occurred and is continuing, would constitute a Significant Subsidiary under clause (1) of this definition.

"Subordinated Indebtedness" means Indebtedness of the Issuer or any Restricted Subsidiary that is subordinated in right of payment to the Notes or the Note Guarantees, respectively.

"Subsidiary" means, with respect to any Person:

(1) any corporation, limited liability company, association or other business entity of which more than 50% of the total voting power of the Equity Interests entitled (without regard to the occurrence

of any contingency) to vote in the election of the Board of Directors thereof are at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or one or more Subsidiaries of such Person (or any combination thereof).

Unless otherwise specified, "Subsidiary" refers to a Subsidiary of the Issuer.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

"Unit" means a residence, whether single or part of a multifamily building, whether completed or under construction, held by the Issuer or any Restricted Subsidiary for sale or rental in the ordinary course of business; *provided, however*, that the number of Units that are rental Units at the time of determination shall not exceed 25% of the total Units sold or rented by the Issuer and its Restricted Subsidiaries during the immediately preceding twelve month period.

"Unrestricted Subsidiary" means (1) any Subsidiary that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in accordance with the covenant described under "— Certain Covenants — Limitations on Designation of Unrestricted Subsidiaries" and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means direct non-callable obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

"Voting Stock" with respect to any Person, means securities of any class of Equity Interests of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock or other relevant equity interest has voting power by reason of any contingency) to vote in the election of members of the Board of Directors of such Person.

"Weighted Average Life to Maturity" when applied to any Indebtedness at any date, means the number of years obtained by dividing (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment by (2) the then outstanding principal amount of such Indebtedness.

"Wells Fargo Credit Agreement" means the Loan Agreement dated as of December 29, 1999, as amended, by and among Monterey Homes Construction, Inc., Monterey Homes Arizona, Inc., Meritage Paseo Construction, LLC, Meritage Homes of Northern California, Inc., Meritage Paseo Crossing, LLC, Meritage Homes Construction, Inc. and Meritage Homes of Arizona, Inc., as borrowers, Wells Fargo Bank Arizona, National Association, as administrative agent and a lender, and California Bank & Trust, as documentation and syndication agent and a lender.

"Wholly-Owned Restricted Subsidiary" means a Restricted Subsidiary of which 100% of the Equity Interests (except for directors' qualifying shares or certain minority interests owned by other Persons solely due to local law requirements that there be more than one stockholder, but which interest is not in excess of what is required for such purpose) are owned directly by the Issuer or through one or more Wholly-Owned Restricted Subsidiaries.

THE EXCHANGE OFFER

Purposes and Effects

We issued the outstanding notes on February 21, 2003 to the initial purchasers, who resold the outstanding notes to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and certain non-U.S. persons in accordance with Regulation S of the Securities Act. In connection with the sale of the outstanding notes, we and the initial purchasers entered into the registration rights agreement pursuant to which we agreed to file with the SEC a registration statement with respect to an offer to exchange exchange notes for the outstanding notes within 75 days after the outstanding notes were issued. In addition, we agreed to use our reasonable best efforts to cause the registration statement to become effective under the Securities Act within 150 days after the outstanding notes were issued and to issue the exchange notes pursuant to the exchange offer. A copy of the registration rights agreement has been filed as an exhibit to the registration statement of which this prospectus is a part.

The exchange offer is being made pursuant to the registration rights agreement. Holder of outstanding notes who do not tender their outstanding notes or whose outstanding notes are tendered but not accepted would have to rely on exemptions from registration requirements under the securities laws, including the Securities Act, if they wish to sell their outstanding notes.

Based on interpretations by the staff of the SEC set forth in no-action letters issued to persons unrelated to us, we believe the exchange notes issued pursuant to the exchange offer in exchange for outstanding notes may be offered for sale, sold and otherwise transferred by any holder (other than a person that is an "affiliate" of ours within the meaning of Rule 405 under the Securities Act and except as set forth in the next paragraph) without registration or the delivery of a prospectus under the Securities Act, provided the holder acquires the exchange notes in the ordinary course of the holder's business and the holder is not participating and does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the exchange notes.

If a person were to participate in the exchange offer for the purpose of distributing securities in a manner not permitted by the SEC's interpretation, (1) the position of the staff of the SEC enunciated in the no-action letters would not be applicable to the person and (2) the person would be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with a sale of the exchange notes with any such resale transaction effected by it covered by an effective registration statement containing the selling securityholder information required by Item 507 or 508 of the SEC's Regulation S-K.

Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes which the broker-dealer acquired as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any sale of those exchange notes.

The exchange offer is not being made to, nor will we accept surrenders for exchange from, holders of exchange notes with addresses in any jurisdiction in which the exchange offer or the issuance of exchange notes pursuant to it would violate applicable securities or blue sky laws. Prior to the exchange offer, however, we will register or qualify, or cooperate with the holders of the outstanding notes and their respective counsel in connection with the registration or qualification of, the exchange notes for offer and sale under the securities or blue sky laws of such jurisdictions as are necessary to permit consummation of the exchange offer and do anything else which is necessary or advisable to enable the offer and issuance of the exchange notes in those jurisdictions.

Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal, we will issue exchange notes in exchange for all outstanding notes which are validly tendered prior to 5:00 p.m., New York City time, on the expiration date (as defined below) and not withdrawn. The principal amount of the exchange notes issued in the exchange will be the same as the

principal amount of the outstanding notes for which they are exchanged. Holders may tender some or all of their outstanding notes in response to the exchange offer.

However, outstanding notes may be tendered only in multiples of $1,000. See "Description of the Exchange Notes."

The form and terms of the exchange notes will be the same in all material respects as the form and terms of the outstanding notes, except that (1) the exchange notes will be registered under the Securities Act and hence will not bear legends regarding restrictions on transfer and (2) because the exchange notes will be registered, holders of exchange notes will not be, and upon the consummation of the exchange offer, except under limited circumstances, holders of outstanding notes will no longer be, entitled to rights under the registration rights agreement intended for holders of unregistered securities.

Outstanding notes which are not tendered for exchange or are tendered but not accepted in the exchange offer will remain outstanding and be entitled to the benefits of the indenture, but will not be entitled to any registration rights under the registration rights agreement.

We will be deemed to accept all the outstanding notes which are validly tendered and not withdrawn when we give oral or written notice to that effect to the exchange agent. The exchange agent will act as agent for the tendering holders for the purpose of receiving exchange notes from us.

If any tendered outstanding notes are not accepted for exchange because of an invalid tender or otherwise, certificates for those outstanding notes will be returned, without expense, to the tendering holder as promptly as practicable after the expiration date.

Holders who tender outstanding notes in response to the exchange offer will not be required to pay brokerage commissions or fees or, except as described in the instructions in the letter of transmittal, transfer taxes. We will pay all charges and expenses, other than certain taxes described below, in connection with the exchange offer. See "— Fees and Expenses."

Expiration Date; Extension; Termination; Amendments

The exchange offer will expire at 5:00 p.m., New York City time, , 2003, the "expiration date" unless we extend it by notice to the exchange agent. We reserve the right to extend the exchange offer at our discretion. If we extend the exchange offer, the term "expiration date" will mean the time and date on which the exchange offer as extended will expire. We will notify the exchange agent of any extension by oral or written notice and will make a public announcement of any extension, not later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date. We may terminate the exchange offer by written notice to the exchange agent if any of the conditions described below under "— Conditions of the Exchange Offer" is not satisfied. If the exchange offer is amended in a manner that we determine to constitute a material change, we will promptly disclose the amendment in a prospectus supplement that will be distributed to the registered holders.

Interest on Exchange Notes

The exchange notes will bear interest at 9.75% per year from and including June 1, 2003. Interest on the exchange notes will be payable twice a year, on June 1 and December 1, beginning December 1, 2003. In order to avoid duplicative payment of interest, all interest accrued on outstanding notes that are accepted for exchange before December 1, 2003 will be superceded by the interest that is deemed to have accrued on the exchange notes from June 1, 2003 through the date of exchange.

Termination of Certain Rights

The registration rights agreement provides that, with certain exceptions, if: (1) the exchange offer registration statement has not been filed with the SEC on or prior to the 75th calendar day following the date of original issue of the outstanding notes; (2) the exchange offer registration statement has not been declared effective on or prior to the 150th calendar day following the date of original issue of the

outstanding notes, or (3) the exchange offer is not consummated on or prior to the 180th day following the date of original issue of the outstanding notes (each event referred to in clauses (1) through (3) above being a "registration default"), the interest rate borne by the outstanding notes will be increased by 0.25% per annum upon the occurrence of a registration default. This rate will continue to increase by 0.25% each 90 day period that the liquidated damages (as defined below) continue to accrue under any such circumstance. However, the maximum total increase in the interest rate will in no event exceed one percent (1.0%) per year. We refer to this increase in the interest rate on the notes as "liquidated damages." Such interest is payable in addition to any other interest payable from time to time with respect to the outstanding notes and the exchange notes in cash on each interest payment date to the holders of record for such interest payment date. After the cure of registration defaults, the accrual of liquidated damages will stop and the interest rate will revert to the original rate.

Holders of exchange notes will not be and, upon consummation of the exchange offer, holders of outstanding notes will no longer be, entitled to rights under the registration rights agreement intended for holders of outstanding notes which are restricted as to transferability, except as otherwise provided in the registration rights agreement. The exchange offer will be deemed consummated when we deliver to the exchange agent exchange notes in the same aggregate principal amount as that of the outstanding notes which are validly tendered and not withdrawn.

Procedures for Tendering

Only a holder of outstanding notes may tender outstanding notes in response to the exchange offer. To tender outstanding notes, the holder must either:

— follow DTC's Automated Tender Offer Program procedures, or

— do the following:

- complete, sign and date the letter of transmittal, or a facsimile of one;
- have the signatures guaranteed if required by the letter of transmittal; and
- mail or otherwise deliver the transmittal or facsimile of one, together with the outstanding notes (unless the tender is being effected using the procedure for book-entry transfer described below) and any other required documents, to the exchange agent prior to 5:00 p.m., New York City time, on the expiration date.

The exchange agent will seek to establish an account with respect to the outstanding notes at the depositary for purposes of the exchange offer within two business days after the date of this prospectus. Any financial institution that is a participant in the depositary's system may make book-entry delivery of outstanding notes by causing the depositary to transfer them into the exchange agent's account at the depositary in accordance with the depositary's procedures for transfer. However, although a holder may effect delivery of outstanding notes through book-entry transfer at the depositary, it must also follow the depositary's Automated Tender Offer Program procedures, submit to the exchange agent the letter of transmittal or facsimile thereof, with any required signature guarantees and any other required documents, on or before the expiration date, or follow the guaranteed delivery procedures described below.

LETTERS OF TRANSMITTAL AND OUTSTANDING NOTES MUST BE SENT TO THE EXCHANGE AGENT. DELIVERY OF A DOCUMENT TO DTC DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.

A tender of outstanding notes by a holder will constitute an agreement by the holder to transfer the outstanding notes to us in exchange for exchange notes on the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

The method of delivering outstanding notes and the letter of transmittal and any other required documents to the exchange agent is at the election and risk of the holder. It is recommended that holders use overnight or hand delivery services. In all cases, sufficient time should be allowed to assure delivery to

the exchange agent before the expiration time. No letter of transmittal or outstanding notes should be send to us. Holders may ask their brokers, dealers, commercial banks, trust companies or nominees to assist them in effecting tenders.

If you are the beneficial owner of outstanding notes that are registered in the name of a broker-dealer, commercial bank, trust company, or other nominee and you wish to tender, you should contact the registered holder promptly and instruct such holder on your behalf. Holders who intend to tender outstanding notes through DTC's Automated Tender Offer Program procedures need not submit a letter of transmittal.

Signatures on letters of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an eligible institution unless the outstanding notes are being tendered for the account of an eligible institution. An eligible institution is a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program.

If the letter of transmittal or any outstanding notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, they should so indicate when signing, and we may require that evidence satisfactory to us of their authority to sign be submitted with the letter of transmittal.

The depositary has confirmed that any financial institution that is a participant in DTC's system may use DTC's Automated Tender Offer Program procedures to tender outstanding notes. All questions as to the validity, form, eligibility (including time of receipt) and acceptance and withdrawal of tendered outstanding notes will be determined by us in our sole discretion, and that determination will be final and binding. We reserve the right to reject any outstanding notes which are not properly tendered or the acceptance of which we believe might be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular outstanding notes, without being required to waive the same defects, irregularities or conditions as to other outstanding notes. Our interpretation of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of outstanding notes must be cured by the expiration date, or by such later time as we may determine. Although we intend to request the exchange agent to notify holders of defects or irregularities with respect to tenders of outstanding notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of outstanding notes will not be deemed to have been made until all defects and irregularities have been cured or waived. Any outstanding notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent to the tendering holders, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

We have the right (subject to limitations contained in the indenture) (1) to purchase or make offers for any outstanding notes that remain outstanding after the expiration date and (2) to the extent permitted by applicable law, to purchase outstanding notes in privately negotiated transactions or otherwise. The terms of any such purchases or offers could differ from the terms of the exchange offer.

By tendering, a holder will be representing to us, among other things, that; (1) it or the person who will acquire the exchange notes being issued as a result of the exchange offer (whether or not that is the holder) will be acquiring them in the ordinary course of that person's business, (2) neither the holder not any such other person has an arrangement or understanding with any person to participate in a distribution of the exchange notes, (3) it is not a broker-dealer that owns outstanding notes acquired directly from us or an affiliate of ours, (4) it is not an "affiliate" of the company (as defined in Rule 405 under the Securities Act) or any of the guarantors and; (5) it is not acting on behalf of any other person who could not truthfully make the representation described in this paragraph. In addition, if the holder is a broker-dealer that will receive exchange notes for its own account in exchange for outstanding notes that were acquired as result of market-making activities or other trading activities, the holder will, by tendering, acknowledge that it will comply with the prospectus delivery requirements of the Securities Act in connection with any resale of those exchange notes.

Conditions of the Exchange Offer

Notwithstanding any other term of the exchange offer, we will not be required to accept for exchange, or exchange securities for, any outstanding notes, if:

(a) any action or proceeding is instituted or threatened in any court or by or before any governmental agency which might materially impair our or the guarantors' ability to proceed with the exchange offer or any material adverse development has occurred in any existing action or proceeding with respect to us or any of the guarantors that would impair our or their ability to proceed;

(b) the exchange offer would violate any law or interpretation by the staff of the SEC; or

(c) any governmental approval has not been obtained, which approval we deem necessary for the consummation of the exchange offer.

If any of the conditions are not satisfied, we may (1) refuse to accept any outstanding notes and return all tendered outstanding notes to the tendering holders, (2) extend the exchange offer and retain all outstanding notes tendered prior to the expiration of the exchange offer, subject, however, to the rights of holders to withdraw such outstanding notes (see "— Withdrawal of Tenders"), (3) waive such unsatisfied conditions with respect to the exchange offer and accept all properly tendered outstanding notes which have not been withdrawn, (4) terminate the exchange offer, or (5) amend the exchange offer.

Guaranteed Delivery Procedures

Holders who wish to tender their outstanding notes and (1) whose outstanding notes are not immediately available, or (2) who cannot deliver their outstanding notes or any other required documents to the exchange agent or cannot complete the procedure for book-entry transfer prior to the expiration date, may effect a tender if:

(a) The tender is made through an eligible institution;

(b) Prior to the expiration date, the exchange agent receives from the eligible institution a properly completed and duly executed notice of guaranteed delivery (by facsimile transmission, mail or hand) setting forth the name and address of the eligible holder, the certificate number(s) of the outstanding notes (if available) and the principal amount of outstanding notes tendered, together with a duly executed letter of transmittal (or a facsimile of one), stating that the tender is being made by that notice of guaranteed delivery and guaranteeing that, within five business days after the expiration date, the certificate(s) representing the outstanding notes (or confirmation of a book-entry transfer into the exchange agent's account at DTC) and any other documents required by the letter of transmittal will be delivered to the exchange agent; and

(c) The certificate(s) representing all the tendered outstanding notes (or confirmation of a book-entry transfer into the exchange agent's account at DTC) and all other documents required by the letter of transmittal are received by the exchange agent within five business days after the expiration date.

Upon the request to the exchange agent, a form of notice of guaranteed delivery will be sent to holders who wish to use the guaranteed delivery procedures described above.

Withdrawal of Tenders

Except as otherwise described below, tenders of outstanding notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date.

To withdraw a tender of outstanding notes, a written or facsimile transmission notice of withdrawal must be received by the exchange agent prior to 5:00 p.m., New York City time, on the expiration date. Any notice of withdrawal must (i) specify the name of the person who deposited the outstanding notes to be withdrawn, (ii) identify the outstanding notes to be withdrawn (including the certificate numbers and principal amounts of the outstanding notes), (iii) be signed by the depositor in the same manner as the

signature on the letter of transmittal by which the outstanding notes were tendered (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the trustee register the transfer of the outstanding notes into the name of the person who withdraws the tender, and (iv) specify the name in which the withdrawn outstanding notes are to be registered, if different from that of the depositor. All questions as to the validity, form and eligibility (including time of receipt) of withdrawal notices will be determined by us in our sole discretion, and that determination will be final and binding on all parties. Any outstanding notes which are withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer, and no exchange notes will be issued with respect to those outstanding notes unless they are validly re-tendered. Any outstanding notes which have been tendered but which are not accepted for exchange or which are withdrawn will be returned to the holder without cost to the holder as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn outstanding notes may be re-tendered at any time prior to the expiration date in accordance with the procedures described above under "— Procedures for Tendering."

Fees and Expenses

We will bear the expenses of soliciting tenders pursuant to the exchange offer. The principal solicitation of tenders is being made by mail. However, solicitations also may be made by telecopy, telephone or in person by officers and regular employees of ours and our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to brokers, dealers or others for soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its reasonable out-of-pocket expenses in connection with the exchange offer. We may also reimburse brokerage houses and other custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses they incur in forwarding copies of this prospectus, letters of transmittal and related documents to the beneficial owners of the outstanding notes and in handling or forwarding tenders for exchange. We will pay the other expenses incurred in connection with the exchange offer, including fees and expenses of the trustee, accounting and legal fees and printing costs.

We will pay all transfer taxes, if any, applicable to the exchange of outstanding notes for exchange notes pursuant to the exchange offer. If, however, certificates representing exchange notes or outstanding notes for principal amounts which are not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, a person other than the registered holder of the outstanding notes tendered, or if tendered outstanding notes are registered in the name of a person other than the person who signs the letter of transmittal, or if a transfer tax is imposed for any other reason, other than the exchange of outstanding notes for exchange notes pursuant to the exchange offer, the tendering holder must pay the transfer taxes (whether imposed on the registered holder or any other person). Unless satisfactory evidence of payment of transfer taxes or exemption from the need to pay them is submitted with the letter of transmittal, the amount of the transfer taxes will be billed directly to the tendering holder. We may refuse to issue exchange notes in exchange for outstanding notes, or to return certificates evidencing outstanding notes which are not exchanged, until we receive evidence satisfactory to us that any transfer taxes payable by the holder have been paid.

Consequences of Failure to Exchange Outstanding Notes

If a holder does not exchange outstanding notes for exchange notes in response to the exchange offer, the outstanding notes will continue to be subject to the restrictions on transfer described in the legend on the certificate evidencing the outstanding notes, and will not have the benefit of any agreement by us to register outstanding notes under the Securities Act. In general, notes may not be offered or sold, unless the sale is registered under the Securities Act, or unless the offer and sale are exempt from, or not subject to, the Securities Act or any applicable state securities laws.

Participation in the exchange offer is voluntary and holders should carefully consider whether to accept the exchange offer and tender their outstanding notes. Holders of outstanding notes are urged to consult their financial and tax advisors in making their own decisions on what action to take.

Accounting Treatment

The exchange notes will be recorded in our accounting records at the same carrying value as the outstanding notes on the date of the exchange. Accordingly, we will not recognize any gain or loss for accounting purposes as a result of the exchange offer. We will amortize the expenses of the exchange offer over the term of the exchange notes.

Exchange Agent

Wells Fargo Bank, National Association has been appointed as exchange agent for the exchange offer. All correspondence in connection with the exchange offer and the letter of transmittal should be addressed to the exchange agent, as follows:

By Facsimile:

Wells Fargo Bank,
National Association
Facsimile: (213) 614-3355
(For Eligible Institutions Only)
Attention: Jeanie Mar
Confirm by telephone: (213) 614-3349

By Registered or Certified Mail;
Overnight Courier or Hand Delivery:
Wells Fargo Bank,
National Association
707 Wilshire Blvd.
17th Floor
Los Angeles, CA 90017
Attention: Jeanie Mar

Requests for additional copies of this prospectus or the letter of transmittal or accompanying documents should be directed to the exchange agent. Delivery of the letter of transmittal or accompanying documents to a different address or transmission instructions to a different facsimile does not constitute a valid delivery of such letter of transmittal or other documents.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion addresses certain material United States federal income tax considerations applicable to the holder that exchanges outstanding notes for exchange notes. This discussion is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the applicable treasury regulations promulgated or proposed under the Code, judicial authority and current administrative rulings and practice. All of these authorities may change without notice, possibly on a retroactive basis. This summary deals only with holders that will hold exchange notes as capital assets within the meaning of Section 1221 of the Code. It does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks and other financial institutions; tax-exempt organizations; insurance companies; partnerships, expatriates, traders or dealers in securities or currencies; custodians, nominees or similar financial intermediaries holding exchange notes for others; or persons that will hold notes as a position in a hedging transaction, straddle or conversion transaction for tax purposes. The description of the treatment of interest is based, in part, upon Meritage's determination that, as of the date of the issuance of the outstanding notes, the possibility is remote that liquidated damages will be paid, Meritage will redeem the notes at a premium, or that Meritage will be required to offer to repurchase the notes at a premium upon a change of control. This summary does not discuss the tax consequences of any conversion of currency into or out of the United States dollar as such a conversion relates to the purchase, ownership or disposition of the exchange notes. Meritage has not sought any ruling from the Internal Revenue Service (IRS) with respect to the statements made and the conclusions reached in the following summary. There can be no assurance that the IRS will agree with such statements and conclusions.

HOLDERS OF THE OUTSTANDING NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY AS TO HOW THEIR PARTICULAR TAX SITUATION MIGHT BE AFFECTED BY THE EXCHANGE OF THE OUTSTANDING NOTES FOR THE EXCHANGE NOTES AND THE HOLDING AND DISPOSITION OF THEIR EXCHANGE NOTES.

United States Holders

For purposes of this discussion, a United States holder is the beneficial owner of an exchange note that, for United States federal income tax purposes, is:

- an individual citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust, if (i) one or more United States persons (as defined in Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of the trust and a court within the United States is able to exercise primary supervision over the administration of the trust or (ii) it has a valid election in effect to be treated as a United States Person.

A non-United States holder is a beneficial owner of an exchange note who is a nonresident alien or a corporation, trust or estate that is not a United States holder. If a partnership holds notes, the tax treatment of a partner will generally depend on the status of the partner and on the activities of the partnership. Partners of partnerships holding outstanding notes should consult their tax advisors.

Exchange of Notes

The exchange of outstanding notes for exchange notes pursuant to the exchange offer will not constitute a material modification of the debt instruments represented by the outstanding notes for United States federal income tax purposes and thus will not constitute an exchange or a taxable event for United States holders. Consequently, United States holders will treat the exchange notes as a continuation of the indebtedness represented by the outstanding notes and United States holders will not recognize gain or loss upon the receipt of exchange notes in exchange for outstanding notes in the exchange offer, United States holders' bases in the exchange notes received in the exchange offer will be the same as their bases in the corresponding outstanding notes immediately before the exchange, and United States holders' holding period in the exchange notes will include their holding period in the outstanding notes.

Payment of Interest

Stated interest on an exchange note generally will be includible in the income of a United States holder as ordinary income at the time such interest is received or accrued, in accordance with the holder's method of accounting for United States federal income tax purposes.

Market Discount

United States holders should be aware that the resale of an exchange note may be affected by the market discount rules of the Code. Under these rules, a subsequent purchaser of an exchange note acquiring the note at a market discount generally would be required to include as ordinary income a portion of the gain realized upon the disposition or retirement of the note to the extent of the market discount that has accrued while the debt instrument was held by the purchaser. A purchaser at a market discount includes the purchase of an exchange note after its original issuance at a price less than the note's stated redemption price at maturity. The amount of market discount, if any, will generally equal the excess of:

- the sum of the issue price of the note and the aggregate amount of the original issue discount includible in the gross income of all United States holders, over
- the purchase price.

Gain recognized on the disposition, including a redemption, by a United States holder of an exchange note that has accrued market discount will be treated as ordinary income, and not capital gain, to the extent of the accrued market discount, but only if the amount of market discount exceeds a statutorily-defined de minimis amount. Under the de minimis exception, there is no market discount on a note if the excess of the stated redemption price at maturity of the note over the holder's tax basis in the note is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years after the acquisition date to the note's date of maturity. Unless the holder elects otherwise, as described below, the accrued market discount would be the amount calculated by multiplying the market discount by a fraction:

- the numerator of which is the number of days the obligation has been held by the holder; and
- the denominator of which is the number of days after the holder's acquisition of the obligation up to and including its maturity date.

A United States holder of an exchange note acquired at market discount will be deemed to have realized an amount equal to the fair market value of the note if the holder disposes of the note in specified transactions other than a sale, exchange or involuntary conversion, even though the transaction is otherwise non-taxable (for example, a gift). The United States holder will be required to recognize as ordinary income any accrued market discount to the extent of the deemed gain. A holder of an exchange note acquired at a market discount also may be required to defer the deduction of all or a portion of the interest on any indebtedness incurred or maintained to purchase or carry the note until it is disposed of in a taxable transaction.

A United States holder of an exchange note acquired at market discount may elect to include the market discount in income as it accrues. This election would apply to all market discount obligations acquired by the electing United States holder on or after the first day of the first taxable year to which the election applies. The election may be revoked only with the consent of the IRS. If a United States holder of a note elects to include market discount in income currently, the rules discussed above with respect to ordinary income recognition resulting from sales and certain other dispositions and to deferral of interest deductions would not apply.

Amortizable Bond Premium

An exchange note purchased for more than its principal amount generally will be considered to have been purchased at a premium. The bond premium is generally equal to the excess, if any, of the tax basis of the note over the amount payable at maturity of the note or, if a smaller premium would result, on an earlier call date of the note. A note holder may elect to amortize the bond premium on a constant yield basis, in which case amortizable bond premium is allocated to payments of interest and treated as an offset to interest income. A holder that elects to amortize premium must reduce the holder's tax basis in the note by the amount of the aggregate deductions, or interest offsets, allowable for the amortization of premium. If an election to amortize bond premium is not made, a note holder must include the full amount of each interest payment in income in accordance with the note holder's regular method of tax accounting, and the note holder will generally receive a tax benefit from the bond premium only upon computing the note holder's gain or loss upon the sale or other disposition or payment of the principal amount of the note.

Sale, Exchange, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, redemption or other taxable disposition of an exchange note, a United States holder generally will recognize capital gain or loss equal to the difference between:

- the amount of cash proceeds and the fair market value of any property received on the sale, exchange, redemption or other taxable disposition, except to the extent such amount is attributable to accrued interest income, which is taxable as ordinary income; and
- such holder's adjusted tax basis in the exchange note.

A United States holder's adjusted tax basis in an exchange note generally will equal the cost of the exchange note to such holder, less any amortized bond premium and any principal payments received by such holder plus any market discount previously included in income. Such capital gain or loss will be long-term if the United States holder's holding period is more than 12 months and will be short-term if the holding period is 12 months or less. Long-term capital gains recognized by individuals are generally taxed at a maximum federal tax rate of 20%, and short-term capital gains are generally taxed at a maximum federal tax rate of 38.6%.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain noncorporate United States holders with respect to payments of principal, premium and interest on an exchange note, and to payments of the proceeds of the sale of a note. The receipt of such payments may be subject to "backup withholding" at a 30% rate (applicable for 2003), 29% (for 2004 and 2005), and 28% (for 2006 through 2010) and 31% (thereafter) under certain circumstances. Backup withholding generally applies only if the holder:

- fails to furnish his or her Social Security or other taxpayer identification number within a reasonable time after the request for it;
- furnishes an incorrect taxpayer identification number;

- is notified by the IRS that he or she has failed to report properly interest, dividends or original issue discount; or

- fails, under specified circumstances, to provide a certified statement, signed under penalties of perjury, that the taxpayer identification number provided is the correct number and that he or she is not subject to backup withholding.

Any amounts withheld under the backup withholding rules from a payment to a United States holder will be allowed as a credit against such holder's United States federal income tax and may entitle the holder to a refund, provided that the required information is furnished to the IRS.

Non-United States Holders

Exchange of Notes

The exchange of outstanding notes for exchange notes pursuant to the exchange offer will not constitute a material modification of the terms of the outstanding notes and thus will not constitute a taxable event for non-United States holders. Consequently, non-United States holders will not recognize gain upon the receipt of exchange notes in exchange for outstanding notes in the exchange offer, non-United States holders' bases in the exchange notes received in the exchange offer will be the same as their bases in the corresponding outstanding notes immediately before the exchange, and non-United States holders' holding period in the exchange notes will include their holding period in the outstanding notes.

Payment of Interest

Generally, interest income of a non-United States holder that is not effectively connected with a United States trade or business will be subject to a withholding tax at a 30% rate or any lower rate that may be prescribed by an income tax treaty between the United States and the holder's country of residence. However, interest paid on an exchange note to a non-United States holder will qualify for the portfolio interest exemption and, therefore, will not be subject to United States federal income tax or withholding tax if such interest income is not effectively connected with a United States trade or business of the non-United States holder, and the non-United States holder:

- does not actually or constructively own 10% or more of the combined voting power of all classes of stock of Meritage entitled to vote, and

- is not a controlled foreign corporation related to Meritage, actually or constructively through stock ownership under section 864(d)(4) of the Code.

and either:

- provides to Meritage or its agent an appropriate W-8 series Form or a suitable substitute form signed under penalties of perjury that includes its name and address and certifies as to the holder's non-United States status, and Meritage does not have actual knowledge or reason to know that the holder is a United States person, or

- Meritage does not have actual knowledge or reason to know that the holder is a United States person and Meritage receives (i) a withholding certificate from an intermediary payee (such as a withholding foreign partnership, qualified intermediary or U.S. branch of a non-United States bank or of a non-United States insurance company), and such intermediary obtains appropriate certification with respect to the holder's non-United States status and, if required, provides a copy of such certification to Meritage or (ii) if the payee is a securities clearing organization, bank or other financial institution that holds securities for its customers in the ordinary course, a statement signed under penalties of perjury that the institution has received a withholding certificate from the beneficial owner (or that it has received a similar statement from another financial institution), listing the name and address of the beneficial owner and attaching a copy of the beneficial owner's withholding certificate.

A non-United States holder which does not qualify for the "portfolio interest exemption" may nevertheless be entitled to an exemption from, or reduction on the rate of, the United States withholding tax on the interest and discount if such holder:

- resides in a jurisdiction which has a favorable income tax treaty with the United States,
- satisfies the conditions for the application of such treaty, and
- provides to Meritage or its agent the appropriate Form W-8 or a suitable substitute form.

Except to the extent that an applicable treaty otherwise provides, a non-United States holder generally will be taxed in the same manner as a United States holder with respect to interest and discount if the interest and discount is effectively connected with a United States trade or business of the non-United States holder. Effectively connected interest and discount received by a corporate non-United States holder may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or, if applicable, a lower treaty rate. Even though such effectively connected interest and discount is subject to income tax, and may be subject to the branch profits tax, it is not subject to withholding if the non-United States holder delivers an appropriate and properly executed W-8 series Form to Meritage or its agent.

Sale, Exchange, Redemption or Other Taxable Dispositions of Notes

A non-United States holder of an exchange note will generally not be subject to United States withholding tax on any gain realized on the sale, exchange, redemption or other taxable dispositions of the exchange note, other than gain attributable to accrued interest or discount. Such gain also will generally not be subject to United States federal income tax unless:

- the gain is effectively connected with a United States trade or business of the non-United States holder, or
- in the case of a non-United States holder who is an individual, the holder is present in the United States for a period or periods aggregating at least 31 days during the taxable year of the disposition and 183 days (as such days are calculated in accordance with the Code) during the previous three year period and certain other conditions are met.

The amount of gain realized upon the sale, exchange, or redemption of an exchange note may include amounts attributable to accrued interest and the discount. Gain attributable to accrued interest and discount will be taxable, if at all, as described above under "— Non-United States Holders — Payment of Interest."

Information Reporting and Backup Withholding

In general, payments of principal or interest (including discount) made by Meritage and other payors to a non-United States holder will not be subject to backup withholding and information reporting, provided that the non-United States holder certifies its non-United States holder status under penalties of perjury or otherwise establishes an exemption. In general, payment of the proceeds from the sale of exchange notes effected at a United States office of a broker is subject to both United States backup withholding and information reporting. However, a holder will not be subject to backup withholding and information reporting on such a sale provided that:

- the broker does not have actual knowledge or reason to know that the holder is a United States person and the holder has furnished to the broker:
  - an appropriate W-8 series Form or an acceptable substitute form upon which the holder certifies, under penalties of perjury, that the holder is a non-United States person, or
  - other documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations, or
- the holder otherwise establishes an exemption.

In general, payment of the proceeds from the sale of exchange notes effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, payments of the proceeds from the sale of exchange notes effected at a foreign office of a broker will be subject to information reporting, but not backup withholding, if the sale is effected at a foreign office of a broker that is:

- a United States person,
- a controlled foreign corporation for United States tax purposes,
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or
- a foreign partnership, if at any time during its tax year:
  - one or more of its partners are United States persons, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or
  - such foreign partnership is engaged in the conduct of a United States trade or business unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above (relating to a sale of notes effected at a United States office of a broker) are met or the holder otherwise establishes an exemption.

Recently enacted Treasury regulations contain a number of other provisions affecting United States withholding taxes and reporting requirements including special rules for payments made to nonqualified intermediaries, flow-through entities and United States branches. Prospective investors should consult their tax advisors regarding the effect of these regulations.

United States Federal Estate Tax

Your estate will not be subject to United States federal estate tax on exchange notes of a series beneficially owned by you at the time of your death, provided that (1) you do not own 10% or more of the total combined voting power of all classes of our voting stock (within the meaning of the Code and the United States Treasury Regulations) and (2) interest on that exchange note would not have been, if received at the time of your death, effectively connected with the conduct by you of a trade or business in the United States.

PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with sales of exchange notes received in exchange for outstanding notes which were acquired as a result of market-making activities or other trading activities. We have agreed that, starting on the expiration date and ending on the close of business on the date that is 180 days after the expiration date, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of those methods of resale, at prices which may or may not be based upon market prices prevailing at the time of the sale. Any such sale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from the selling broker-dealer and/or the purchasers of the exchange notes. Any broker-dealer that sells exchange notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such exchange notes may be

deemed to be an "underwriter" within the meaning of the Securities Act and any profit from sale of the exchange notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation. The letter of transmittal states that a broker-dealer will not, by delivering a prospectus, be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

LEGAL MATTERS

Some matters will be passed upon for Meritage by Snell & Wilmer L.L.P., Phoenix, Arizona.

EXPERTS

The consolidated financial statements of Meritage Corporation and subsidiaries as of December 31, 2002 and 2001, and for each of the years in the three-year period ended December 31, 2002, have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Hammonds Homes, Ltd. and subsidiaries as of December 31, 2001 and December 31, 2000, and each of the years in the three year period ended December 31, 2001 and Crystal City Land and Cattle, Ltd. and subsidiaries as of December 31, 2001 and from August 23, 2001 (date of inception) to December 31, 2001, incorporated by reference herein, have been audited by Kolkhorst & Kolkhorst, independent accountants, as stated in their reported incorporated by reference herein. Such financial statements have been included in reliance upon the said firm as experts in accounting and auditing.

AVAILABLE INFORMATION

Meritage and the Guarantors have filed with the Securities and Exchange Commission a registration statement on Form S-4 (together with all amendments and exhibits thereto, the "registration statement") under the Securities Act for the registration of the exchange notes offered hereby. As permitted by the rules and regulations of the Commission, this prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to Meritage, the Guarantors and the exchange notes offered hereby, reference is made to the registration statement and to the exhibits and schedules filed therewith. Statements contained in this prospectus concerning the contents of any contract or other document are not necessarily complete. With respect to each such contract or other document filed with the Commission as an exhibit to the registration statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

We are subject to the informational requirements of the Exchange Act, and file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information may be read and copied at the Public Reference Room maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information regarding registrants like us that file electronically with the SEC (at http://www.sec.gov). Meritage's common stock is listed on the New York Stock Exchange (Symbol: MTH). Reports, proxy statements and other information relating to Meritage can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We are incorporating by reference certain information that we have filed under the informational requirements of the Securities Exchange Act of 1934. The information contained in the documents we are incorporating by reference is considered part of this prospectus. We are incorporating by reference the following documents, which we have already filed with the SEC:

(a) our Annual Report on Form 10-K for the year ended December 31, 2002;

(b) our definitive Proxy Statement dated April 21, 2003; and

(c) our Current Report on Form 8-K/A dated July 12, 2002 relating to our acquisition of Hammonds Homes.

All documents filed by Meritage under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, after the date of this prospectus until the exchange offer is completed are incorporated into this prospectus by reference and will constitute part of this prospectus from the date they are filed.

SUBSIDIARY GUARANTORS

Each subsidiary guarantor is exempt from Exchange Act reporting pursuant to Rule 12h-5 under the Exchange Act, as:

- Meritage Corporation has no independent assets or operations;
- the guarantees of the subsidiary guarantors are full and unconditional and joint and several; and
- any subsidiaries of Meritage Corporation other than the subsidiary guarantors are, individually and in the aggregate, minor.

There are no significant restrictions on the ability of Meritage Corporation or any subsidiary guarantor to obtain funds from its subsidiaries by dividend or loan.

Each broker-dealer that receives exchange notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those exchange notes. The letter of transmittal states that, by so acknowledging and delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where the outstanding notes were acquired by the broker-dealer as a result of market-making activities or other trading activities.

We have agreed that, for a period of 180 days after the consummation of this exchange offer, we will make this prospectus available to any broker-dealer for use in connection with the resale of exchange notes. See "Plan of Distribution."

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$50,000,000

(MERITAGE LOGO)

9 3/4% Senior Notes due 2011

PROSPECTUS

May , 2003

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. ***Indemnification of Directors and Officers***

Under the provisions of the Maryland General Corporation Law, a corporation's articles may, with certain exceptions, include any provision expanding or limiting the liability of its directors and officers to the corporation or its stockholders for money damages, but may not include any provision that restricts or limits the liability of its directors or officers to the corporation or its stockholders to the extent that (i) it is proved that the person actually received an improper benefit or profit in money, property, or services for the amount of the benefit or profit in money, property, or services actually received; or (ii) a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. Meritage's charter contains a provision limiting the personal liability of officers and directors to Meritage and its stockholders to the fullest extent permitted under Maryland law.

In addition, the provisions of the Maryland General Corporation Law permit a corporation to indemnify its present and former directors and officers, among others, against liability incurred, unless it is established that (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, or (ii) the director or officer actually received an improper personal benefit in money, property, or services, or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. Meritage's charter provides that it will indemnify its directors, officers, and others so designated by the Board of Directors to the full extent allowed under Maryland law.

Insofar as indemnification for liability arising under the Securities Act may be permitted to directors, officers, or persons controlling Meritage pursuant to the foregoing provisions, Meritage has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 21. ***Exhibits and Financial Statement Schedules***

(a) *Exhibits:*

Exhibit Number	Description	Page or Method of Filing
2.1	Agreement and plan of Reorganization, dated as of September 13, 1996, by and among Homeplex, the Monterey Merging Companies and the Monterey Stockholders	Incorporated by reference to Exhibit 2 of Form S-4 Registration Statement No. 333-15937.
2.2	Agreement of Purchase and Sale of Assets, dated as of May 20, 1997, by and among Monterey, Legacy Homes, Ltd., Legacy Enterprises, Inc., and John and Eleanor Landon	Incorporated by reference to Exhibit 2 of Form 8-K/A dated June 18, 1997.
2.3	Agreement of Purchase and Sale of Assets, dated as of June 15, 1998, by and among the Company, Sterling Communities, S.H. Capital, Inc., Sterling Financial Investments, Inc., Steve Hafener and W. Leon Pyle	Incorporated by reference to Exhibit 2.2 of Form 10-Q for the quarterly period ended June 30, 1998.
2.4	Master Transaction Agreement, dated May 7, 2001, by and among the Company, Hancock-MTH Builders, Inc., HC Builders, Inc. and Hancock Communities, L.L.C.	Incorporated by reference to Exhibit 2.1 of Form 8-K dated May 10, 2001.

Exhibit Number	Description	Page or Method of Filing
2.4.1	Amendment No. 1 to Master Transaction Agreement, dated May 30, 2001, by and between Meritage Corporation, Meritage-MTH Communities, Inc., HC Builders, Inc., Hancock Communities, L.L.C. and American Homes West, Incorporated	Incorporated by reference to Exhibit 2.1 of Form 8-K dated June 6, 2001.
2.5	Master Transaction Agreement, dated June 12, 2002, by and among the Company, MTH Homes-Texas, L.P., Hammonds Homes Ltd., Crystal City Land & Cattle, Ltd., Hammonds Homes I, LLC, Crystal City I, LLC and Ronnie D. Hammonds	Incorporated by reference to Exhibit 10.1 of Form 8-K dated July 12, 2002.
2.5.1	Amendment No. 1 to Master Transaction Agreement, dated June 12, 2002, by and among the Company, MTH Homes-Texas, L.P., Hammonds Homes Ltd., Crystal City Land & Cattle, Ltd., Hammond Homes I, LLC, Crystal City I, LLC and Ronnie D. Hammonds	Incorporated by reference to Exhibit 10.2 of Form 8-K dated July 12, 2002.
2.6	Master Transaction Agreement, dated October 7, 2002, by and among the Company, MTH-Homes Nevada, Inc., Perma-Bilt, A Nevada Corporation, and Zenith National Insurance Corp.	Incorporated by reference to Exhibit 10.1 of Form 8-K/ A dated October 7, 2002.
3.1	Amendment to Articles of Incorporation of Meritage Corporation	Incorporated by reference to Exhibit 3.1 of Form 10-Q for the quarterly period ended September 30, 1998.
3.2	Restated Articles of Incorporation of Meritage Corporation	Incorporated by reference to Exhibit 3 of Form 8-K dated June 20, 2002.
3.3	Amended and Restated Bylaws of Meritage Corporation	Incorporated by reference to Exhibit 3.3 of Form S-3 Registration Statement No. 333-58793.
3.4	Articles of Incorporation of Monterey Homes Arizona, Inc.	Incorporated by reference to Exhibit 3.4 of Form S-3 Registration Statement No. 333-64538.
3.5	Bylaws of Monterey Homes Arizona, Inc.	Incorporated by reference to Exhibit 3.5 of Form S-3 Registration Statement No. 333-64538.
3.6	Articles of Organization of Meritage Paseo Crossing, LLC	Incorporated by reference to Exhibit 3.6 of Form S-3 Registration Statement No. 333-64538.
3.7	Articles of Incorporation of Monterey Homes Construction, Inc.	Incorporated by reference to Exhibit 3.7 of Form S-3 Registration Statement No. 333-64538.
3.8	Bylaws of Monterey Homes Construction, Inc.	Incorporated by reference to Exhibit 3.8 of Form S-3 Registration Statement No. 333-64538.
3.9	Articles of Organization of Meritage Paseo Construction, LLC	Incorporated by reference to Exhibit 3.9 of Form S-3 Registration Statement No. 333-64538.

Exhibit Number	Description	Page or Method of Filing
3.9.1	Amendment to Articles of Organization of Meritage Paseo Construction, LLC	Incorporated by reference to Exhibit 3.9.1 of Form S-3 Registration Statement No. 333-64538.
3.10	Articles of Incorporation of Meritage Homes of Arizona, Inc.	Incorporated by reference to Exhibit 3.10 of Form S-3 Registration Statement No. 333-64538.
3.11	Bylaws of Meritage Homes of Arizona, Inc.	Incorporated by reference to Exhibit 3.11 of Form S-3 Registration Statement No. 333-64538.
3.12	Articles of Incorporation of MTH-Texas GP, Inc.	Incorporated by reference to Exhibit 3.12 of Form S-3 Registration Statement No. 333-64538.
3.13	Bylaws of MTH-Texas GP, Inc.	Incorporated by reference to Exhibit 3.13 of Form S-3 Registration Statement No. 333-64538.
3.14	Articles of Incorporation of MTH-Texas LP, Inc.	Incorporated by reference to Exhibit 3.14 of Form S-3 Registration Statement No. 333-64538.
3.15	Bylaws of MTH-Texas LP, Inc.	Incorporated by reference to Exhibit 3.15 of Form S-3 Registration Statement No. 333-64538.
3.16	Certificate of Limited Partnership of Legacy/ Monterey Homes L.P.	Incorporated by reference to Exhibit 3.16 of Form S-3 Registration Statement No. 333-64538.
3.16.1	Amendment to Certificate of Limited Partnership of Legacy/ Monterey Homes L.P.	Incorporated by reference to Exhibit 3.16.1 of Form S-3 Registration Statement No. 333-64538.
3.17	Articles of Incorporation of Meritage Homes of Northern California, Inc.	Incorporated by reference to Exhibit 3.17 of Form S-3 Registration Statement No. 333-64538.
3.18	Bylaws of Meritage Homes of Northern California, Inc.	Incorporated by reference to Exhibit 3.18 of Form S-3 Registration Statement No. 333-64538.
3.19	Articles of Incorporation of Hancock-MTH Builders, Inc.	Incorporated by reference to Exhibit 3.19 of Form S-3 Registration Statement No. 333-64538.
3.20	Bylaws of Hancock-MTH Builders, Inc.	Incorporated by reference to Exhibit 3.20 of Form S-3 Registration Statement No. 333-64538.
3.21	Articles of Incorporation of Hancock-MTH Communities, Inc.	Incorporated by reference to Exhibit 3.21 of Form S-3 Registration Statement No. 333-64538.
3.22	Bylaws of MTH-Communities, Inc.	Incorporated by reference to Exhibit 3.22 of Form S-3 Registration Statement No. 333-64538.
3.23	Certificate of Limited Partnership for Legacy Operating Company, L.P.	Incorporated by reference to Exhibit 3.23 of Form S-3 Registration Statement No. 333-64538.
3.24	Articles of Incorporation of Meritage Homes Construction, Inc.	Incorporated by reference to Exhibit 3.24 of Form S-3 Registration Statement No. 333-64538.

Exhibit Number	Description	Page or Method of Filing
3.25	Bylaws of Meritage Homes Construction, Inc.	Incorporated by reference to Exhibit 3.25 of Form S-3 Registration Statement No. 333-64538.
3.26	Articles of Incorporation of MTH-Texas GP II, Inc.	Filed herewith.
3.27	Bylaws of MTH-Texas GP II, Inc.	Filed herewith.
3.28	Articles of Incorporation of MTH-Texas LP II, Inc.	Filed herewith.
3.29	Bylaws of MTH-Texas LP II, Inc.	Filed herewith.
3.30	Articles of Incorporation of MTH-Homes Nevada, Inc.	Filed herewith.
3.31	Bylaws of MTH-Homes Nevada, Inc.	Filed herewith.
3.32	Articles of Organization of Meritage Holdings, L.L.C.	Filed herewith.
3.33	Regulations of Meritage Holdings, L.L.C.	Filed herewith.
3.34	Articles of Organization of Hulen Park Venture, LLC	Filed herewith.
3.35	Regulations of Hulen Park Venture, LLC	Filed herewith.
3.36	Certificate of Limited Partnership of MTH Homes-Texas, L.P.	Filed herewith.
3.37	Agreement of Limited Partnership of MTH Homes-Texas, L.P.	Filed herewith.
3.38	Articles of Organization of MTH-Cavalier, LLC	Filed herewith.
3.39	Operating Agreement of MTH-Cavalier, LLC	Filed herewith.
4.1	Form of Specimen of Common Stock Certificate	Incorporated by reference to Exhibit 4.2 of Form S-3 Registration Statement No. 333-87398.
4.2	Indenture, dated May 31, 2001, by and among the Company, the Guarantors named therein and Wells Fargo Bank, N.A.	Incorporated by reference to Exhibit 4.1 of Form 8-K dated June 6, 2001.
4.2.1	First Supplemental Indenture, dated September 20, 2001, by and among the Company, Hulen Park Venture, L.L.C., Meritage Holdings, L.L.C., the Guarantors named therein and Wells Fargo Bank, N.A.	Incorporated by reference to Exhibit 4.3.1 of Form 10-K for the period ended December 31, 2002.
4.2.2	Second Supplemental Indenture, dated September 20, 2002, by and among the Company, MTH Homes-Texas, L.P., MTH-Texas GP II, Inc., MTH-Texas LP II, Inc., the guarantors name therein and Wells Fargo Bank, N.A.	Incorporated by reference to Exhibit 4.3.2 of Form 10-K for the period ended December 31, 2002.
4.2.3	Third Supplemental Indenture, dated October 21, 2002, by and among the Company, MTH Homes-Nevada, Inc., the guarantors name therein and Wells Fargo Bank, N.A.	Incorporated by reference to Exhibit 4.3.3 of Form 10-K for the period ended December 31, 2002.

Exhibit Number	Description	Page or Method of Filing
4.2.4	Fourth Supplemental Indenture, dated February 19, 2003 by and among the Company, MTH-Cavalier, LLC, the Guarantors named therein and Wells Fargo Bank., N.A.	Incorporated by reference to Exhibit 4.3.4 of Form 10-K for the period ended December 31, 2002.
4.3	Form of 9 3/4% Senior Note due June 1, 2001	Incorporated by reference to Exhibit A to Exhibit 4.1 of Form 8-K filed June 6, 2001.
5.1	Opinion of Snell & Wilmer L.L.P. regarding the legality of the securities being registered	Filed herewith.
10.1	$250 Million Credit Agreement, dated December 12, 2002, by and among the Company, Guaranty Bank, Fleet National Bank, Bank One, NA and the other lenders thereto	Incorporated by reference to Exhibit 10.1 of Form 10-K dated March 31, 2003.
10.2	2001 Annual Incentive Plan*	Incorporated by reference to Exhibit B of the Proxy Statement for the 2001 Annual Meeting of Stockholders.
10.3	Employment Agreement between the Company and Steven J. Hilton*	Filed herewith.
10.4	Change of Control Agreement between the Company and Steven J. Hilton*	Filed herewith.
10.5	Change of Control Agreement between the Company and John R. Landon*	Incorporated by reference to Exhibit 10.4 of Form 10-Q for the quarterly period ended March 31, 2000.
10.6	Employment Agreement between the Company and Larry W. Seay*	Incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarterly period ended September 30, 2001.
10.7	Change of Control Agreement between the Company and Larry W. Seay*	Incorporated by reference to Exhibit 10.5 of Form 10-Q for the quarterly period ended March 31, 2000.
10.8	Change of Control Agreement between the Company and Richard T. Morgan*	Incorporated by reference to Exhibit 10.6 of Form 10-Q for the quarter period ended March 31, 2000.
10.9	Deferred Bonus Agreement — 2001 Award Year — between the Company and Larry W. Seay*	Incorporated by reference to Exhibit 10.2 of Form 8-K dated June 20, 2002.
10.10	Deferred Bonus Agreement — 2002 Award Year — between the Company and Larry W. Seay*	Incorporated by reference to Exhibit 10.10 of Form 10-K for the period ended December 31, 2002.
10.11	Deferred Bonus Agreement — 2001 Award Year — between the Company and Richard T. Morgan*	Incorporate by reference to Exhibit 10.3 of Form 8-K dated June 20, 2002.
10.12	Deferred bonus Agreement — 2002 Award Year — between the company and Richard T. Morgan*	Incorporated by reference to Exhibit 10.12 of Form 10-K for the period ended December 31, 2002.
10.13	Registration Rights Agreement dated February 21, 2003, by and among the Company, the Guarantors named therein, Deutsche Bank Securities Inc., UBS Warburg LLC, Banc One Capital Markets, Inc. and Fleet Securities, Inc.	Incorporated by reference to Exhibit 10.1 of Form 8-K dated February 21, 2003.

Exhibit Number	Description	Page or Method of Filing
12.1	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
21.1	List of Subsidiaries	Filed herewith.
23.1	Consent of KPMG LLP	Filed herewith.
23.2	Consent of Kolkhorst & Kolkhorst	Filed herewith.
23.3	Consent of Snell & Wilmer L.L.P.	Contained in Exhibit 5.1
24	Powers of Attorney	See signature page.
25.1	Statement of Eligibility under the Trust Indenture Act of 1939 on Form T-1 of Wells Fargo Bank Minnesota, National Association	Incorporated by reference to Exhibit 25.1 of Form S-3 Registration Statement No. 333-64538.
99.1	Letter of Transmittal and related documents with respect to the Exchange Offer	Filed herewith.

* Indicates a management contract or compensation plan.

(b) *Financial Statement Schedules:*

Computation of Ratio of Earnings to Fixed Charges filed at Exhibit 12.1.

Item 22. ***Undertakings***

The undersigned registrants hereby undertake:

(a) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(d) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in this registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Scottsdale, State of Arizona, on May 6, 2003.

MERITAGE CORPORATION

By: /s/ STEVEN J. HILTON

Steven J. Hilton
Co-Chairman,
Co-Chief Executive Officer

By: /s/ JOHN R. LANDON

John R. Landon
Co-Chairman,
Co-Chief Executive Officer

The following direct and indirect subsidiaries of the registrant will guarantee the debt securities and are co-registrants under this registration statement.

Name of Co-Registrant

Monterey Homes Arizona, Inc.

Meritage Paseo Crossing, LLC(1)
Monterey Homes Construction, Inc.
Meritage Paseo Construction, LLC(2)
Meritage Homes of Arizona, Inc.
Meritage Homes Construction, Inc.
MTH-Texas GP, Inc.
MTH-Texas LP, Inc.
Legacy/ Monterey Homes L.P.(3)
Meritage Homes of Northern California, Inc.
Hancock-MTH Builders, Inc.
Hancock-MTH Communities, Inc.
Legacy Operating Company, L.P.(4)
MTH-Texas GP II, Inc.
MTH-Texas LP II, Inc.
MTH-Homes Nevada, Inc.
Meritage Holdings, L.L.C.(5)
Hulen Park Venture, LLC(5)
MTH Homes-Texas, L.P.(6)
MTH-Cavalier, LLC(7)

as CO-REGISTRANTS

By: /s/ STEVEN J. HILTON

Steven J. Hilton
Co-Chairman, Co-Chief Executive Officer of each Co-Registrant that is a corporation and Co-Chairman, Co-Chief Executive Officer of the corporate general partner or sole member of each Co-Registrant that is a limited partnership or limited liability company, respectively.

By: /s/ JOHN R. LANDON

John R. Landon
Co-Chairman, Co-Chief Executive Officer of each Co-Registrant that is a corporation and Co-Chairman, Co-Chief Executive Officer of the corporate general partner or sole member of each Co-Registrant that is a limited partnership or limited liability company, respectively.

(1) Executed by Meritage Homes of Arizona, Inc., as sole member

(2) Executed by Meritage Homes Construction, Inc., as sole member

(3) Executed by MTH-Texas GP, Inc., as general partner

(4) Executed by MTH-Texas GP, Inc., the general partner of Legacy/ Monterey Homes L.P., which in turn is the sole member of Meritage Holdings, L.L.C., which is the general partner of this Co-Registrant

(5) Executed by MTH-Texas GP, Inc., the general partner of Legacy/ Monterey Homes L.P., which is the sole member of this Co-Registrant

(6) Executed by MTH-Texas GP II, Inc., as general partner

(7) Executed by Monterey Homes Construction, Inc., as sole member

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Steven J. Hilton, John R. Landon and Larry W. Seay, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement on Form S-4 has been signed by the following persons in the capacities and on the dates indicated.

ON BEHALF OF MERITAGE CORPORATION:

	Signature	Title	Date
By:	/s/ STEVEN J. HILTON Steven J. Hilton	Co-Chairman, Co-Chief Executive Officer and Director	May 6, 2003
By:	/s/ JOHN R. LANDON John R. Landon	Co-Chairman, Co-Chief Executive Officer and Director	May 6, 2003
By:	/s/ LARRY W. SEAY Larry W. Seay	Chief Financial Officer and Vice President — Finance (Principal Financial Officer)	May 6, 2003
By:	/s/ VICKI L. BIGGS Vicki L. Biggs	Vice President — Controller (Principal Accounting Officer)	May 6, 2003
By:	/s/ ROBERT G. SARVER Robert G. Sarver	Director	May 6, 2003
By:	/s/ RAYMOND OPPEL Raymond Oppel	Director	May 6, 2003
By:	/s/ PETER L. AX Peter L. Ax	Director	May 6, 2003
By:	/s/ WILLIAM G. CAMPBELL William G. Campbell	Director	May 6, 2003
By:	/s/ C. TIMOTHY WHITE C. Timothy White	Director	May 6, 2003

ON BEHALF OF THE FOLLOWING CO-REGISTRANTS:

Name of Co-Registrant:

Monterey Homes Arizona, Inc.
Monterey Homes Construction, Inc.
Meritage Homes of Arizona, Inc.
Meritage Homes Construction, Inc.
Meritage Homes of Northern California, Inc.
Hancock-MTH Builders, Inc.
Hancock-MTH Communities, Inc.
MTH-Texas GP, Inc.
MTH-Texas LP, Inc.
MTH-Texas GP II, Inc.
MTH-Texas LP II, Inc.
MTH-Homes Nevada, Inc.

	Signature	Title	Date
By:	/s/ STEVEN J. HILTON Steven J. Hilton	Co-Chairman, Co-Chief Executive Officer and Director (Principal Executive Officer)	May 6, 2003
By:	/s/ JOHN R. LANDON John R. Landon	Co-Chairman, Co-Chief Executive Officer and Director (Principal Executive Officer)	May 6, 2003
By:	/s/ LARRY W. SEAY Larry W. Seay	Vice President (Principal Financial Officer and Principal Accounting Officer)	May 6, 2003

ON BEHALF OF THE FOLLOWING LIMITED PARTNERSHIP AND LIMITED LIABILITY COMPANY CO-REGISTRANTS:

Name of Co-Registrant	General Partner or Sole Member of Co-Registrant
Meritage Paseo Crossing, LLC	Meritage Homes of Arizona, Inc.
Meritage Paseo Construction, LLC	Meritage Homes Construction, Inc.
Legacy/ Monterey Homes L.P.	MTH-Texas GP, Inc.
Legacy Operating Company, L.P.	Meritage Holdings, L.L.C.
Meritage Holdings, L.L.C	Legacy/ Monterey Homes L.P.
Hulen Park Venture, LLC	Legacy/ Monterey Homes L.P.
MTH Homes-Texas, L.P.	MTH-Texas GP II, Inc.
MTH-Cavalier, LLC	Monterey Homes Construction, Inc.

	Signature	Title	Date
By:	/s/ STEVEN J. HILTON Steven J. Hilton	Co-Chairman, Co-Chief Executive Officer and Director of each: Meritage Homes of Arizona, Inc., Meritage Homes Construction, Inc., MTH-Texas GP, Inc., MTH-Texas GP II, Inc., and Monterey Homes Construction Inc.	May 6, 2003
By:	/s/ JOHN R. LANDON John R. Landon	Co-Chairman, Co-Chief Executive Officer and Director of each: Meritage Homes of Arizona, Inc., Meritage Homes Construction, Inc., MTH-Texas GP, Inc., MTH-Texas GP II, Inc. and Monterey Homes Construction, Inc.	May 6, 2003
By:	/s/ LARRY W. SEAY Larry W. Seay	Vice President of each: Meritage Homes of Arizona, Inc., Meritage Homes Construction, Inc., MTH-Texas GP, Inc., MTH-Texas GP II, Inc. and Monterey Homes Construction, Inc. (Principal Financial Officer and Principal Accounting Officer)	May 6, 2003

INDEX OF EXHIBITS

Exhibit Number	Description	Page or Method of Filing
2.1	Agreement and plan of Reorganization, dated as of September 13, 1996, by and among Homeplex, the Monterey Merging Companies and the Monterey Stockholders	Incorporated by reference to Exhibit 2 of Form S-4 Registration Statement No. 333-15937.
2.2	Agreement of Purchase and Sale of Assets, dated as of May 20, 1997, by and among Monterey, Legacy Homes, Ltd., Legacy Enterprises, Inc., and John and Eleanor Landon	Incorporated by reference to Exhibit 2 of Form 8-K/ A dated June 18, 1997.
2.3	Agreement of Purchase and Sale of Assets, dated as of June 15, 1998, by and among the Company, Sterling Communities, S.H. Capital, Inc., Sterling Financial Investments, Inc., Steve Hafener and W. Leon Pyle	Incorporated by reference to Exhibit 2.2 of Form 10-Q for the quarterly period ended June 30, 1998.
2.4	Master Transaction Agreement, dated May 7, 2001, by and among the Company, Hancock- MTH Builders, Inc., HC Builders, Inc. and Hancock Communities, L.L.C.	Incorporated by reference to Exhibit 2.1 of Form 8-K dated May 10, 2001.
2.4.1	Amendment No. 1 to Master Transaction Agreement, dated May 30, 2001, by and between Meritage Corporation, Meritage-MTH Communities, Inc., HC Builders, Inc., Hancock Communities, L.L.C. and American Homes West, Incorporated	Incorporated by reference to Exhibit 2.1 of Form 8-K dated June 6, 2001.
2.5	Master Transaction Agreement, dated June 12, 2002, by and among the Company, MTH Homes-Texas, L.P., Hammonds Homes Ltd., Crystal City Land & Cattle, Ltd., Hammonds Homes I, LLC, Crystal City I, LLC and Ronnie D. Hammonds	Incorporated by reference to Exhibit 10.1 of Form 8-K dated July 12, 2002.
2.5.1	Amendment No. 1 to Master Transaction Agreement, dated June 12, 2002, by and among the Company, MTH Homes-Texas, L.P., Hammonds Homes Ltd., Crystal City Land & Cattle, Ltd., Hammond Homes I, LLC, Crystal City I, LLC and Ronnie D. Hammonds	Incorporated by reference to Exhibit 10.2 of Form 8-K dated July 12, 2002.
2.6	Master Transaction Agreement, dated October 7, 2002, by and among the Company, MTH-Homes Nevada, Inc., Perma-Bilt, A Nevada Corporation, and Zenith National Insurance Corp.	Incorporated by reference to Exhibit 10.1 of Form 8-K/ A dated October 7, 2002.
3.1	Amendment to Articles of Incorporation of Meritage Corporation	Incorporated by reference to Exhibit 3.1 of Form 10-Q for the quarterly period ended September 30, 1998.
3.2	Restated Articles of Incorporation of Meritage Corporation	Incorporated by reference to Exhibit 3 of Form 8-K dated June 20, 2002.
3.3	Amended and Restated Bylaws of Meritage Corporation	Incorporated by reference to Exhibit 3.3 of Form S-3 Registration Statement No. 333-58793.

Exhibit Number	Description	Page or Method of Filing
3.4	Articles of Incorporation of Monterey Homes Arizona, Inc.	Incorporated by reference to Exhibit 3.4 of Form S-3 Registration Statement No. 333-64538.
3.5	Bylaws of Monterey Homes Arizona, Inc.	Incorporated by reference to Exhibit 3.5 of Form S-3 Registration Statement No. 333-64538.
3.6	Articles of Organization of Meritage Paseo Crossing, LLC	Incorporated by reference to Exhibit 3.6 of Form S-3 Registration Statement No. 333-64538.
3.7	Articles of Incorporation of Monterey Homes Construction, Inc.	Incorporated by reference to Exhibit 3.7 of Form S-3 Registration Statement No. 333-64538.
3.8	Bylaws of Monterey Homes Construction, Inc.	Incorporated by reference to Exhibit 3.8 of Form S-3 Registration Statement No. 333-64538.
3.9	Articles of Organization of Meritage Paseo Construction, LLC	Incorporated by reference to Exhibit 3.9 of Form S-3 Registration Statement No. 333-64538.
3.9.1	Amendment to Articles of Organization of Meritage Paseo Construction, LLC	Incorporated by reference to Exhibit 3.9.1 of Form S-3 Registration Statement No. 333-64538.
3.10	Articles of Incorporation of Meritage Homes of Arizona, Inc.	Incorporated by reference to Exhibit 3.10 of Form S-3 Registration Statement No. 333-64538.
3.11	Bylaws of Meritage Homes of Arizona, Inc.	Incorporated by reference to Exhibit 3.11 of Form S-3 Registration Statement No. 333-64538.
3.12	Articles of Incorporation of MTH-Texas GP, Inc.	Incorporated by reference to Exhibit 3.12 of Form S-3 Registration Statement No. 333-64538.
3.13	Bylaws of MTH-Texas GP, Inc.	Incorporated by reference to Exhibit 3.13 of Form S-3 Registration Statement No. 333-64538.
3.14	Articles of Incorporation of MTH-Texas LP, Inc.	Incorporated by reference to Exhibit 3.14 of Form S-3 Registration Statement No. 333-64538.
3.15	Bylaws of MTH-Texas LP, Inc.	Incorporated by reference to Exhibit 3.15 of Form S-3 Registration Statement No. 333-64538.
3.16	Certificate of Limited Partnership of Legacy/ Monterey Homes L.P.	Incorporated by reference to Exhibit 3.16 of Form S-3 Registration Statement No. 333-64538.
3.16.1	Amendment to Certificate of Limited Partnership of Legacy/ Monterey Homes L.P.	Incorporated by reference to Exhibit 3.16.1 of Form S-3 Registration Statement No. 333-64538.
3.17	Articles of Incorporation of Meritage Homes of Northern California, Inc.	Incorporated by reference to Exhibit 3.17 of Form S-3 Registration Statement No. 333-64538.
3.18	Bylaws of Meritage Homes of Northern California, Inc.	Incorporated by reference to Exhibit 3.18 of Form S-3 Registration Statement No. 333-64538.

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3.22	Bylaws of MTH-Communities, Inc.	Incorporated by reference to Exhibit 3.22 of Form S-3 Registration Statement No. 333-64538.
3.23	Certificate of Limited Partnership for Legacy Operating Company, L.P.	Incorporated by reference to Exhibit 3.23 of Form S-3 Registration Statement No. 333-64538.
3.24	Articles of Incorporation of Meritage Homes Construction, Inc.	Incorporated by reference to Exhibit 3.24 of Form S-3 Registration Statement No. 333-64538.
3.25	Bylaws of Meritage Homes Construction, Inc.	Incorporated by reference to Exhibit 3.25 of Form S-3 Registration Statement No. 333-64538.
3.26	Articles of Incorporation of MTH-Texas GP II, Inc.	Filed herewith.
3.27	Bylaws of MTH-Texas GP II, Inc.	Filed herewith.
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3.29	Bylaws of MTH-Texas LP II, Inc.	Filed herewith.
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3.33	Regulations of Meritage Holdings, L.L.C.	Filed herewith.
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3.35	Regulations of Hulen Park Venture, LLC	Filed herewith.
3.36	Certificate of Limited Partnership of MTH Homes-Texas, L.P.	Filed herewith.
3.37	Agreement of Limited Partnership of MTH Homes-Texas, L.P.	Filed herewith.
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3.39	Operating Agreement of MTH-Cavalier, LLC	Filed herewith.
4.1	Form of Specimen of Common Stock Certificate	Incorporated by reference to Exhibit 4.2 of Form S-3 Registration Statement No. 333-87398.
4.2	Indenture, dated May 31, 2001, by and among the Company, the Guarantors named therein and Wells Fargo Bank, N.A.	Incorporated by reference to Exhibit 4.1 of Form 8-K dated June 6, 2001.

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4.2.1	First Supplemental Indenture, dated September 20, 2001, by and among the Company, Hulen Park Venture, L.L.C., Meritage Holdings, L.L.C., the Guarantors named therein and Wells Fargo Bank, N.A.	Incorporated by reference to Exhibit 4.3.1 of Form 10-K for the period ended December 31, 2002.
4.2.2	Second Supplemental Indenture, dated September 20, 2002, by and among the Company, MTH Homes-Texas, L.P., MTH-Texas GP II, Inc., MTH-Texas LP II, Inc., the guarantors name therein and Wells Fargo Bank, N.A.	Incorporated by reference to Exhibit 4.3.2 of Form 10-K for the period ended December 31, 2002.
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5.1	Opinion of Snell & Wilmer L.L.P. regarding the legality of the securities being registered	Filed herewith.
10.1	$250 Million Credit Agreement, dated December 12, 2002, by and among the Company, Guaranty Bank, Fleet National Bank, Bank One, NA and the other lenders thereto	Incorporated by reference to Exhibit 10.1 of Form 10-K dated March 31, 2003.
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Exhibit Number	Description	Page or Method of Filing
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23.3	Consent of Snell & Wilmer L.L.P.	Contained in Exhibit 5.1
24	Powers of Attorney	See signature page.
25.1	Statement of Eligibility under the Trust Indenture Act of 1939 on Form T-1 of Wells Fargo Bank Minnesota, National Association	Incorporated by reference to Exhibit 25.1 of Form S-3 Registration Statement No. 333-64538.
99.1	Letter of Transmittal and related documents with respect to the Exchange Offer	Filed herewith.

Exhibit 3.26

ARTICLES OF INCORPORATION
OF
MTH-TEXAS GP II, INC.

FIRST: The name of the corporation is MTH-TEXAS GP II, INC.

SECOND: The purpose for which the corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time. The character of business which the corporation initially intends actually to conduct in the State of Arizona is to act as a general partner in a Texas limited partnership.

THIRD: The aggregate number of shares that the corporation shall have authority to issue is one thousand (1,000) common shares, all of which shares shall be of a single class, and shall be without par.

FOURTH: The name and street address in Arizona of the initial statutory agent of the corporation is Larry Seay, 6613 N. Scottsdale Road, Suite 200, Scottsdale, Arizona 85250.

FIFTH: The number of directors constituting the initial board of directors of the corporation is two (2). The names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders, or until their successors are elected and qualified, are:

Name	Address
Steven J. Hilton	6613 N. Scottsdale Road, Suite 200 Scottsdale, AZ 85250
John R. Landon	4050 West Park Boulevard Plano, TX 75093

The number of persons to serve on the board of directors thereafter shall be fixed by the bylaws of the corporation.

SIXTH: The name and address of the incorporator is Larry Seay, 6613 N. Scottsdale Road, Suite 200, Scottsdale, Arizona 85250.

SEVENTH: The liability of a director or former director to the corporation or its shareholders shall be eliminated to the fullest extent permitted by Section 10-202.B.1 of the Arizona Revised Statutes.

If the Arizona Business Corporation Act is amended to authorize corporate action further eliminating or limiting the liability of directors, the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Arizona Business Corporation Act, as amended.

Any repeal or modification of this Article Seventh shall not adversely affect any right or protection of a director of the corporation existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

The provisions of this Article Seventh shall not be deemed to limit or preclude indemnification of a director by the corporation for any liability of a director which has not been eliminated by the provisions of this Article Seventh.

EIGHTH. The corporation shall indemnify any and all of its existing and former directors and officers to the fullest extent permitted by Arizona law. If Arizona law is amended to authorize corporate action broadening the corporation's ability to indemnify its directors and officers, the corporation shall indemnify its existing and former directors and officers to the fullest extent permitted by Arizona law, as amended. Any repeal or modification of this Article Eighth shall not adversely affect any right or protection of any existing or former director or officer of the corporation existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

DATED: June 17, 2002.

/s/ Larry Seay

Larry Seay, Incorporator

The undersigned, having been designated to act as Statutory Agent of MTH-TEXAS GP II, INC., Inc., does hereby consent to act in that capacity until removal or resignation is submitted in accordance with the

Arizona Revised Statutes.

DATED: June 17, 2002

/s/ Larry Seay

Larry Seay

Exhibit 3.27

BYLAWS

OF

MTH-TEXAS GP II, INC.

I. REFERENCES TO CERTAIN TERMS AND CONSTRUCTION

1.01. Certain References. Any reference herein made to law will be deemed to refer to the law of the State of Arizona, including any applicable provision of Chapters 1 through 17 of Title 10 of the Arizona Revised Statutes, or any successor statute, as from time to time amended and in effect (sometimes referred to herein as the "Arizona Business Corporation Act"). Any reference herein made to the corporation's Articles will be deemed to refer to its Articles of Incorporation and all amendments thereto as at any given time on file with the Arizona Corporation Commission. Except as otherwise required by law and subject to any procedures established by the corporation pursuant to Arizona Revised Statutes Section 723, the term "shareholder" as used herein shall mean one who is a holder of record of shares of the corporation. References to specific sections of law herein made shall be deemed to refer to such sections, or any comparable successor provisions, as from time to time amended and in effect.

1.02. Seniority. The law and the Articles (in that order of precedence) will in all respects be considered senior and superior to these Bylaws, with any inconsistency to be resolved in favor of the law and such Articles (in that order of precedence), and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

1.03. Computation of Time. The time during which an act is required to be done, including the time for the giving of any required notice herein, shall be computed by excluding the first day or hour, as the case may be, and including the last day or hour.

II. OFFICES

2.01. Principal Office. The principal office of the corporation shall be located at any place either within or outside the State of Arizona as designated in the corporation's most current Annual Report filed with the Arizona Corporation Commission or in any other document executed and delivered to the Arizona Corporation Commission for filing. If a principal office is not so designated, the principal office of the corporation shall mean the known place of business of the corporation. The corporation may have such other offices, either within or without the State of Arizona, as the Board of Directors may designate or as the business of the corporation may require from time to time.

2.02. Known Place of Business. A known place of business of the corporation shall be located within the State of Arizona and may be, but need not be, the address of the statutory agent

of the corporation. The corporation may change its known place of business from time to time in accordance with the relevant provisions of the Arizona Business Corporation Act.

III. SHAREHOLDERS

3.01. Annual Shareholder Meeting. The annual meeting of the shareholders shall be held on such date and at such time and place, either within or without the State of Arizona, as shall be fixed by the Board of Directors or, in the absence of action by the Board, as set forth in the notice given or waiver signed with respect to such meeting pursuant to Section 3.03 below, for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting. If any annual meeting is for any reason not held on the date determined as aforesaid, a deferred annual meeting may thereafter be called and held in lieu thereof, at which the same proceedings may be conducted. If the day fixed for the annual meeting shall be a legal holiday in the State of Arizona such meeting shall be held on the next succeeding business day.

3.02. Special Shareholder Meetings. Special meetings of the shareholders may be held whenever and wherever, either within or without the State of Arizona, called for by or at the direction of a Co-Chairman of the Board, a President, or the Board of Directors.

3.03. Notice of Shareholders Meetings.

(a) Required Notice. Notice stating the place, day and hour of any annual or special shareholders meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting

by or at the direction of the person or persons calling the meeting, to each shareholder entitled to vote at such meeting and to any other shareholder entitled to receive notice of the meeting by law or the Articles. Notices to shareholders shall be given in accordance with, and shall be deemed to be effective at the time and in the manner described in, Arizona Revised Statutes Section 10-141. If no designation is made of the place at which an annual or special meeting will be held in the notice for such meeting, the place of the meeting will be at the principal place of business of the corporation.

(b) Adjourned Meeting. If any shareholders meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place, if the new date, time, and place are announced at the meeting before adjournment. But if a new record date for the adjourned meeting is fixed or must be fixed in accordance with law or these Bylaws, then notice of the adjourned meeting shall be given to those persons who are shareholders as of the new record date and who are entitled to such notice pursuant to Section 3.03(a) above.

(c) Waiver of Notice. Any shareholder may waive notice of a meeting (or any notice of any other action required to be given by the Arizona Business Corporation Act, the corporation's Articles, or these Bylaws), at any time before, during, or after the meeting or other action, by a writing signed by the shareholder entitled to the notice. Each such waiver shall be delivered to the corporation for inclusion in the minutes or filing with the corporate records. Under

certain circumstances, a shareholder's attendance at a meeting may constitute a waiver of notice, unless the shareholder takes certain actions to preserve his/her objections as described in the Arizona Business Corporation Act.

(d) Contents of Notice. The notice of each special shareholders meeting shall include a description of the purpose or purposes for which the meeting is called. Except as required by law or the corporation's Articles, the notice of an annual shareholders meeting need not include a description of the purpose or purposes for which the meeting is called.

3.04. Fixing of Record Date. For the purpose of determining shareholders of any voting group entitled to notice of or to vote at any meeting of shareholders, or shareholders entitled to receive any distribution or dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date. Such record date shall not be more than seventy (70) days prior to the date on which the particular action requiring such determination of shareholders is to be taken. If no record date is so fixed by the Board of Directors, the record date for the determination of shareholders shall be as provided in the Arizona Business Corporation Act.

When a determination of shareholders entitled to notice of or to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

3.05. Shareholder List. The corporation shall make a complete record of the shareholders entitled to notice of each meeting of shareholders thereof, arranged in alphabetical order, listing the address and the number of shares held by each. The list shall be arranged by voting group and within each voting group by class or series of shares. The shareholder list shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting. The list shall be available at the corporation's principal office or at another place identified in the meeting notice in the city where the meeting is to be held. Failure to comply with this section shall not affect the validity of any action taken at the meeting.

3.06. Shareholder Quorum and Voting Requirements.

(a) If the Articles or the Arizona Business Corporation Act provide for voting by a single voting group on a matter, action on that matter is taken when voted upon by that voting group.

(b) If the Articles or the Arizona Business Corporation Act provide for voting by two (2) or more voting groups on a matter, action on that matter is taken only when voted upon by each of those voting groups counted separately.

(c) Shares entitled to vote as a separate voting

group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless the Articles or the Arizona Business Corporation Act provide otherwise, a majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter.

(d) Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting, unless a new record date is or must be set for that adjourned meeting.

(e) If a quorum exists, action on a matter (other than the election of directors) by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Articles or the Arizona Business Corporation Act require a greater number of affirmative votes.

(f) Voting will be by ballot on any question as to which a ballot vote is demanded prior to the time the voting begins by any person entitled to vote on such question; otherwise, a voice vote will suffice. No ballot or change of vote will be accepted after the polls have been declared closed following the ending of the announced time for voting.

3.07. Proxies. At all meetings of shareholders, a shareholder may vote in person or by proxy duly executed in writing by the shareholder or the shareholder's duly authorized attorney-in-fact. Such proxy shall comply with law and shall be filed with the Secretary of the corporation or other person authorized to tabulate votes before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. The burden of proving the validity of any undated, irrevocable, or otherwise contested proxy at a meeting of the shareholders will rest with the person seeking to exercise the same. A facsimile appearing to have been transmitted by a shareholder or by such shareholder's duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

3.08. Voting of Shares. Unless otherwise provided in the Articles or the Arizona Business Corporation Act, each outstanding share entitled to vote shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of shareholders.

3.09. Voting for Directors. Unless otherwise provided in the Articles, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present at the time of such vote. As provided by law, shareholders shall be entitled to cumulative voting in the election of directors.

3.10. Election Inspectors. The Board of Directors, in advance of any meeting of the shareholders, may appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the

meeting may, or upon request of any person entitled to vote at the meeting will, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there be more than one) will determine the number of shares outstanding, the authenticity, validity, and effect of proxies, the credentials of persons purporting to be shareholders or persons named or referred to in proxies, and the number of shares represented at the meeting in person and by proxy; will receive and count votes, ballots, and consents and announce the results thereof; will hear and determine all challenges and questions pertaining to proxies and voting; and, in general, will perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the corporation.

3.11. Organization and Conduct of Meetings. Each meeting of the shareholders will be called to order and thereafter chaired by a Co-Chairman of the Board of Directors if there is one, or, if not, or if a Co-Chairman of the Board is absent or so requests, then by a President, or if both a Co-Chairman of the Board and a President are unavailable, then by such other officer of the corporation or such shareholder as may be appointed by the Board of Directors. The corporation's Secretary or in his or her absence, an Assistant Secretary will act as secretary of each meeting of the shareholders. If neither the Secretary nor an Assistant Secretary is in attendance, the chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all shareholders intending to vote in person and the filing of all proxies with the election inspector or inspectors, if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions, or revocations of proxies will be

accepted. If directors are to be elected, a tabulation of the proxies so filed will, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) prior to the closing of the election polls. Absent a showing of bad faith on his or her part, the chairman of a meeting will, among other things, have absolute authority to fix the period of time allowed for the registration of shareholders and the filing of proxies, to determine the order of business to be conducted at such meeting, and to establish reasonable rules for expediting the business of the meeting and preserving the orderly conduct thereof (including any informal, or question and answer portions thereof).

3.12. Shareholder Approval or Ratification. The Board of Directors may submit any contract or act for approval or ratification of the shareholders at a duly constituted meeting of the shareholders. Except as otherwise required by law, if any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting, the same will be valid and as binding upon the corporation and all of its shareholders as it would be if it were the act of its shareholders.

3.13. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting of the shareholders or in the areas of credentials, proxies, quorums, voting, and similar matters, will be deemed waived if no objection is made at the meeting.

3.14. Shareholder Action by Written Consent. Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if one (1) or more consents in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof. The consents shall be delivered to the corporation for inclusion in the minutes or filing with the corporate record. Action taken by consent is effective when the last shareholder signs the consent, unless the consent specifies a different effective date, except that if, by law, the action to be taken requires that notice be given to shareholders who are not entitled to vote on the matter, the effective date shall not be prior to ten (10) days after the corporation shall give such shareholders written notice of the proposed action, which notice shall contain or be accompanied by the same material that would have been required if a formal meeting had been called to consider the action. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

IV. BOARD OF DIRECTORS

4.01. General Powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors.

4.02. Number, Tenure, and Qualification of Directors. Unless otherwise provided in the Articles of Incorporation, the authorized number of directors shall be not less than two (2) nor more than five (5). The initial number of directors of the corporation shall be two (2).The number of directors in office from time to time shall be within the limits specified above, as prescribed from time to time by resolution adopted by either the shareholders or the Board of Directors. The directors will regularly be elected at each annual meeting of the shareholders, but directors may be elected at any other meeting of the shareholders. Each director shall hold office until the annual meeting of shareholders following his/her election, subject to his/her earlier resignation or removal. However, if a director's term expires, he/she shall continue to serve until his/her successor shall have been elected and qualified, until his/her resignation or removal, or until there is a decrease in the number of directors. Unless required by the Articles, directors do not need to be residents of the State of Arizona or shareholders of the corporation.

4.03. Regular Meetings of the Board of Directors. A regular annual meeting of the Board of Directors is to be held as soon as practicable after the adjournment of each annual meeting of the shareholders, either at the place of the shareholders meeting or at such other place as the directors elected at the shareholders meeting may have been informed of at or prior to the time of their election. Additional regular meetings may be held at regular intervals at such places and at such times as the Board of Directors may determine.

4.04. Special Meetings of the Board of Directors. Special meetings of the Board of Directors may be held whenever and wherever called for by a Co-Chairman of the Board, a President, or the number of directors that would be required to constitute a quorum.

4.05. Notice of, and Waiver of Notice for, Directors Meetings. No notice need be given of regular meetings of the Board of Directors.

Notice of the time and place of any special directors meeting shall be given at least 48 hours prior thereto. Notice shall be given in accordance with and shall be deemed to be effective at the time and in the manner described in Arizona Revised Statutes Section 10-141. Any director may waive notice of any meeting and any adjournment thereof at any time before, during, or after it is held. Except as provided in the next sentence below, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. The attendance of a director at or participation of a director in a meeting shall constitute a waiver of notice of such meeting, unless the director at the beginning of the meeting (or promptly upon his/her arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

4.06. Director Quorum. A majority of the number of directors prescribed according to Section 4.02 above, or if no number is so prescribed, the number in office immediately before the meeting begins, shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, unless the Articles require a greater number.

4.07. Directors, Manner of Acting.

(a) If a quorum is present when a vote is taken, the affirmative vote of a majority of the directors present shall be the act of the Board of Directors unless the Articles require a greater percentage.

(b) Unless the Articles provide otherwise, any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting, in which case, any required notice of the meeting may generally describe the arrangements (rather than or in addition to the place) for the holding thereof. A director participating in a meeting by this means is deemed to be present in person at the meeting.

(c) A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless: (1) the director objects at the beginning of the meeting (or promptly upon his/her arrival) to holding it or transacting business at the meeting; or (2) his/her dissent or abstention from the action taken is entered in the minutes of the meeting; or (3) he/she delivers written notice of his/her dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation before 5:00 p.m. on the next business day after the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

4.08. Director Action Without a Meeting. Unless the Articles provide otherwise, any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting if the action is taken by unanimous written consent of the Board of Directors as evidenced by one (1) or more written consents describing the action taken, signed by each director

and filed with the minutes or corporate records. Action taken by consent is effective when the last director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be described as such in any document.

4.09. Removal of Directors by Shareholders. The shareholders may remove one (1) or more directors at a meeting called for that purpose if notice has been given that a purpose of the meeting is such removal. The removal may be with or without cause unless the Articles provide that directors may only be removed with cause. If a director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in a shareholder vote to remove him. If less than the entire Board of Directors is to be removed, a director may not be removed if the number of votes sufficient to elect the director under cumulative voting is voted against the director's removal.

4.10. Board of Director Vacancies.

(a) Unless the Articles provide otherwise, if a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of directors, either the shareholders or the Board of Directors may fill the vacancy.

(b) If the vacant office was held by a director elected by a voting group of shareholders, only the holders of shares of that voting group are entitled to vote to fill the vacancy if it is filled by the shareholders.

(c) A vacancy that will occur at a specific

later date (by reason of resignation effective at a later date) may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

(d) The term of a director elected to fill a vacancy expires at the next shareholders meeting at which directors are elected.

4.11. Director Compensation. Unless otherwise provided in the Articles by resolution of the Board of Directors, each director may be paid his/her expenses, if any, of attendance at each meeting of the Board of Directors or any committee thereof, and may be paid a stated salary as director or a fixed sum for attendance at each meeting of the Board of Directors or any committee thereof, or both. No such payment shall preclude any director from serving the corporation in any capacity and receiving compensation therefor.

4.12. Director Committees.

(a) Creation of Committees. Unless the Articles provide otherwise, the Board of Directors may create one (1) or more committees and appoint members of the Board of Directors to serve on them. Each committee shall have one (1) or more members, who serve at the pleasure of the Board of Directors.

(b) Selection of Members. The creation of a committee and appointment of members to it shall be approved by the greater of (1) a majority of all the directors in office when the action is taken or (2) the number of directors required by the Articles to take such action.

(c) Required Procedures. Sections 4.03 through 4.08 of this Article IV, which govern meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors, apply to committees and their members.

(d) Authority. Unless limited by the Articles, each committee may exercise those aspects of the authority of the Board of Directors which the Board of Directors confers upon such committee in the resolution creating the committee, provided, however, that a committee may not: (1) authorize distributions; (2) approve or propose to shareholders action that requires shareholder approval under the Arizona Business Corporation Act; (3) fill vacancies on the Board of Directors or on any of its committees; (4) amend the Articles of Incorporation without shareholder action as provided by law; (5) adopt, amend or repeal these Bylaws; (6) approve a plan of merger not requiring shareholder approval; (7) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; (8) authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except within limits specifically prescribed by the Board of Directors; or (9) fix the compensation of directors for serving on the Board of Directors or any committee of the Board of Directors.

4.13. Director Resignations. Any director or committee member may resign from his or her office at any time by written notice delivered to the Board of Directors, a Co-Chairman of the Board, or the corporation at its known place of business. Any such resignation will be effective upon its receipt unless some later time is therein fixed, and then from that time. The acceptance of a resignation will not be required to make it effective.

V. OFFICERS

5.01 In General. The Board of Directors shall elect not more than two Co-Chairmen, a Chief Executive Officer, a President, one or more Vice Presidents, a Treasurer, a Secretary, and such Assistant Secretaries and Assistant Treasurers as the Board may from time to time deem appropriate. All officers shall hold office only during the pleasure of the Board or until their successors are chosen and qualify. Any two of the above offices, except those of President and Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity when such instrument is required to be executed, acknowledged or verified by any two or more officers. The Board of Directors may from time to time appoint such other agents and employees with such powers and duties as the Board may deem proper. In its discretion, the Board of Directors may leave unfilled any offices except those of Co-Chairman, Chief Executive Officer, President, Treasurer and Secretary.

5.02 Co-Chairman of the Board. Each Co-Chairman shall have the responsibility for the implementation of the policies determined by the Board of Directors and for the administration of the business affairs of the Corporation. Each Co-Chairman shall, if present, preside over the meetings of the Board and of the stockholders on a rotating basis such that a Co-Chairman

shall preside over no more than one consecutive Board meeting or one consecutive stockholders meeting.

5.03 President. The President shall have the responsibility for the active management of the business and general supervision and direction of all of the affairs of the Corporation. The President shall perform such other duties as may be assigned by the Board of Directors or the Executive Committee. The President shall have the authority on the Corporation's behalf to endorse securities owned by the Corporation and to execute any documents requiring the signature of an executive officer. The President shall perform such other duties as the Board of Directors may direct.

5.04 Vice Presidents. The Vice Presidents, in the order of priority designated by the Board of Directors, shall be vested with all the power and may perform all the duties of the President in the latter's absence. They may perform such other duties as may be prescribed by the Board of Directors or the Executive Committee or the President.

5.05 Treasurer. The Treasurer shall have general supervision over the finances of the Corporation and shall perform such other duties as may be assigned by the Board of Directors or the President. If required by resolution of the Board, the Treasurer shall furnish bond (which may be a blanket bond) with such surety and in such penalty for the faithful performance of duty as the Board of Directors may from time to time require, the cost of such bond to be defrayed by the Corporation.

5.06 Secretary. The Secretary shall keep the minutes of the meetings of the stockholders and of the Board of Directors and shall attend to the giving and serving of all notices of the Corporation required by law or these Bylaws. The Secretary shall maintain at all times in the principal office of the Corporation at least one copy of the Bylaws with all amendments to date, and shall make the same, together with the minutes of the meetings of the stockholders, the annual statement of affairs of the Corporation and any voting trust or other stockholders agreement on file at the office of the Corporation, available for inspection by any officer, director or stockholder during reasonable business hours. The Secretary shall perform such other duties as may be assigned by the Board of Directors.

5.07 Assistant Treasurer and Secretary. The Board of Directors may designate from time to time Assistant Treasurers and Secretaries, who shall perform such duties as may from time to time be assigned to them by the Board of Directors or the President.

5.08. Salaries. The salaries of the officers of the corporation may be fixed from time to time by the Board of Directors or (except as to the President's own) left to the discretion of

the President. No officer will be prevented from receiving a salary by reason of the fact that he or she is also a director of the corporation.

5.09. Additional Appointments. In addition to the officers contemplated in this Article V, the Board of Directors may appoint other agents of the corporation with such authority to perform such duties as may be prescribed from time to time by the Board of Directors.

VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.01. Certificates for Shares.

(a) Content. Certificates representing shares of the corporation shall, at a minimum, state on their face the name of the issuing corporation and that it is formed under the laws of the State of Arizona, the name of the person to whom issued, and the number and class of shares and the designation of the series, if any, the certificate represents. Such certificates shall be signed (either manually or by facsimile to the extent allowable by law) by one or more officers of the corporation, as determined by the Board of Directors, or, if no such determination is made, by any of a Co-Chairman of the Board (if any), the President, any Vice-President, the Secretary, or the Treasurer of the corporation, and may be sealed with a corporate seal or a facsimile thereof. Each certificate for shares shall be consecutively numbered or otherwise identified and will exhibit such information as may be required by law. If a supply of unissued certificates bearing the facsimile signature of a person remains when that person ceases to hold the office of the corporation indicated on such certificates or ceases to be the transfer agent or registrar of the corporation, they may still be issued by the corporation and countersigned, registered, issued, and delivered by the corporation's transfer agent and/or registrar thereafter, as though such person had continued to hold the office indicated on such certificate.

(b) Legend as to Class or Series. If the corporation is authorized to issue different classes of shares or different series within a class, the designations, relative rights, preferences, and

limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series (and the authority of the Board of Directors to determine variations for future series) shall be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the corporation will furnish a shareholder this information on request in writing and without charge.

(c) Shareholder List. The name and address of the person to whom shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation.

(d) Lost Certificates. In the event of the loss, theft, or destruction of any certificate representing shares of the corporation or of any predecessor corporation, the corporation may issue (or, in the case of any such shares as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register, and issue) a new

certificate, and cause the same to be delivered to the registered owner of the shares represented thereby; provided that such owner shall have submitted such evidence showing the circumstances of the alleged loss, theft, or destruction, and his, her, or its ownership of the certificate, as the corporation considers satisfactory, together with any other facts that the corporation considers pertinent; and further provided that, if so required by the corporation, the owner shall provide a bond or other indemnity in form and amount satisfactory to the corporation (and to its transfer agent and/or registrar, if applicable).

6.02. Registration of the Transfer of Shares. Registration of the transfer of shares of the corporation shall be made only on the stock transfer books of the corporation. In order to register a transfer, the record owner shall surrender the shares to the corporation for cancellation, properly endorsed by the appropriate person or persons with reasonable assurances that the endorsements are genuine and effective. Unless the corporation has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the corporation as the owner, the corporation will be entitled to treat the registered owner of any share of the capital stock of the corporation as the absolute owner thereof and, accordingly, will not be bound to recognize any beneficial, equitable, or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may expressly be provided by applicable law.

6.03. Shares Without Certificates. The Board of Directors may authorize the issuance of uncertificated shares by the corporation and may prescribe procedures for the issuance and registration of transfer thereof and with respect to such other matters as the Board of Directors shall deem necessary or appropriate.

VII. DISTRIBUTIONS

7.01. Distributions. Subject to such restrictions or requirements as may be imposed by applicable law or the corporation's Articles or as may otherwise be binding upon the corporation, the Board of Directors may from time to time declare, and the corporation may pay or make, dividends or other distributions to its shareholders.

VIII. CORPORATE SEAL

8.01. Corporate Seal. The Board of Directors may provide for a corporate seal of the corporation that will have inscribed thereon any designation including the name of the corporation, Arizona as the state of incorporation, the year of incorporation, and the words "Corporate Seal."

IX. AMENDMENTS

9.01. Amendments. The corporation's Board of Directors may amend or repeal the corporation's Bylaws unless:

(1) the Articles or the Arizona Business Corporation Act reserve this power exclusively to the shareholders in whole or part; or

(2) the shareholders in adopting, amending, or repealing a particular Bylaw provide expressly that the Board of Directors may not amend or repeal that Bylaw.

The corporation's shareholders may amend or repeal the corporation's Bylaws even though the Bylaws may also be amended or repealed by

its Board of Directors.

Exhibit 3.28

ARTICLES OF INCORPORATION
OF
MTH-TEXAS LP II, INC.

FIRST: The name of the corporation is MTH-TEXAS LP II, INC.

SECOND: The purpose for which the corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time. The character of business which the corporation initially intends actually to conduct in the State of Arizona is to act as a limited partner in a Texas limited partnership.

THIRD: The aggregate number of shares that the corporation shall have authority to issue is one thousand (1,000) common shares, all of which shares shall be of a single class, and shall be without par.

FOURTH: The name and street address in Arizona of the initial statutory agent of the corporation is Larry Seay, 6613 N. Scottsdale Road, Suite 200, Scottsdale, Arizona 85250.

FIFTH: The number of directors constituting the initial board of directors of the corporation is two (2). The names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders, or until their successors are elected and qualified, are:

Name	Address
Steven J. Hilton	6613 N. Scottsdale Road, Suite 200 Scottsdale, AZ 85250
John R. Landon	4050 West Park Boulevard Plano, TX 75093

The number of persons to serve on the board of directors thereafter shall be fixed by the bylaws of the corporation.

SIXTH: The name and address of the incorporator is Larry Seay, 6613 N. Scottsdale Road, Suite 200, Scottsdale, Arizona 85250.

SEVENTH: The liability of a director or former director to the corporation or its shareholders shall be eliminated to the fullest extent permitted by Section 10-202.B.1 of the Arizona Revised Statutes.

If the Arizona Business Corporation Act is amended to authorize corporate action further eliminating or limiting the liability of directors, the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Arizona Business Corporation Act, as amended.

Any repeal or modification of this Article Seventh shall not adversely affect any right or protection of a director of the corporation existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

The provisions of this Article Seventh shall not be deemed to limit or preclude indemnification of a director by the corporation for any liability of a director which has not been eliminated by the provisions of this Article Seventh.

EIGHTH. The corporation shall indemnify any and all of its existing and former directors and officers to the fullest extent permitted by Arizona law. If Arizona law is amended to authorize corporate action broadening the corporation's ability to indemnify its directors and officers, the corporation shall indemnify its existing and former directors and officers to the fullest extent permitted by Arizona law, as amended. Any repeal or modification of this Article Eighth shall not adversely affect any right or protection of any existing or former director or officer of the corporation existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

DATED: June 17, 2002.

/s/ Larry Seay

Larry Seay, Incorporator

The undersigned, having been designated to act as Statutory Agent of MTH-TEXAS LP II, INC., Inc., does hereby consent to act in that capacity until removal or resignation is submitted in accordance with the

Arizona Revised Statutes.

DATED: June 17, 2002

/s/ Larry Seay

Larry Seay

Exhibit 3.29

BYLAWS

OF

MTH-TEXAS LP II, INC.

I. REFERENCES TO CERTAIN TERMS AND CONSTRUCTION

1.01. Certain References. Any reference herein made to law will be deemed to refer to the law of the State of Arizona, including any applicable provision of Chapters 1 through 17 of Title 10 of the Arizona Revised Statutes, or any successor statute, as from time to time amended and in effect (sometimes referred to herein as the "Arizona Business Corporation Act"). Any reference herein made to the corporation's Articles will be deemed to refer to its Articles of Incorporation and all amendments thereto as at any given time on file with the Arizona Corporation Commission. Except as otherwise required by law and subject to any procedures established by the corporation pursuant to Arizona Revised Statutes Section 723, the term "shareholder" as used herein shall mean one who is a holder of record of shares of the corporation. References to specific sections of law herein made shall be deemed to refer to such sections, or any comparable successor provisions, as from time to time amended and in effect.

1.02. Seniority. The law and the Articles (in that order of precedence) will in all respects be considered senior and superior to these Bylaws, with any inconsistency to be resolved in favor of the law and such Articles (in that order of precedence), and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

1.03. Computation of Time. The time during which an act is required to be done, including the time for the giving of any required notice herein, shall be computed by excluding the first day or hour, as the case may be, and including the last day or hour.

II. OFFICES

2.01. Principal Office. The principal office of the corporation shall be located at any place either within or outside the State of Arizona as designated in the corporation's most current Annual Report filed with the Arizona Corporation Commission or in any other document executed and delivered to the Arizona Corporation Commission for filing. If a principal office is not so designated, the principal office of the corporation shall mean the known place of business of the corporation. The corporation may have such other offices, either within or without the State of Arizona, as the Board of Directors may designate or as the business of the corporation may require from time to time.

2.02. Known Place of Business. A known place of business of the corporation shall be located within the State of Arizona and may be, but need not be, the address of the statutory agent

of the corporation. The corporation may change its known place of business from time to time in accordance with the relevant provisions of the Arizona Business Corporation Act.

III. SHAREHOLDERS

3.01. Annual Shareholder Meeting. The annual meeting of the shareholders shall be held on such date and at such time and place, either within or without the State of Arizona, as shall be fixed by the Board of Directors or, in the absence of action by the Board, as set forth in the notice given or waiver signed with respect to such meeting pursuant to Section 3.03 below, for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting. If any annual meeting is for any reason not held on the date determined as aforesaid, a deferred annual meeting may thereafter be called and held in lieu thereof, at which the same proceedings may be conducted. If the day fixed for the annual meeting shall be a legal holiday in the State of Arizona such meeting shall be held on the next succeeding business day.

3.02. Special Shareholder Meetings. Special meetings of the shareholders may be held whenever and wherever, either within or without the State of Arizona, called for by or at the direction of a Co-Chairman of the Board, a President, or the Board of Directors.

3.03. Notice of Shareholders Meetings.

(a) Required Notice. Notice stating the place, day and hour of any annual or special shareholders meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting

by or at the direction of the person or persons calling the meeting, to each shareholder entitled to vote at such meeting and to any other shareholder entitled to receive notice of the meeting by law or the Articles. Notices to shareholders shall be given in accordance with, and shall be deemed to be effective at the time and in the manner described in, Arizona Revised Statutes Section 10-141. If no designation is made of the place at which an annual or special meeting will be held in the notice for such meeting, the place of the meeting will be at the principal place of business of the corporation.

(b) Adjourned Meeting. If any shareholders meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place, if the new date, time, and place are announced at the meeting before adjournment. But if a new record date for the adjourned meeting is fixed or must be fixed in accordance with law or these Bylaws, then notice of the adjourned meeting shall be given to those persons who are shareholders as of the new record date and who are entitled to such notice pursuant to Section 3.03(a) above.

(c) Waiver of Notice. Any shareholder may waive notice of a meeting (or any notice of any other action required to be given by the Arizona Business Corporation Act, the corporation's Articles, or these Bylaws), at any time before, during, or after the meeting or other action, by a writing signed by the shareholder entitled to the notice. Each such waiver shall be delivered to the corporation for inclusion in the minutes or filing with the corporate records. Under certain circumstances, a shareholder's attendance at a meeting may constitute a waiver of notice,

unless the shareholder takes certain actions to preserve his/her objections as described in the Arizona Business Corporation Act.

(d) Contents of Notice. The notice of each special shareholders meeting shall include a description of the purpose or purposes for which the meeting is called. Except as required by law or the corporation's Articles, the notice of an annual shareholders meeting need not include a description of the purpose or purposes for which the meeting is called.

3.04. Fixing of Record Date. For the purpose of determining shareholders of any voting group entitled to notice of or to vote at any meeting of shareholders, or shareholders entitled to receive any distribution or dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date. Such record date shall not be more than seventy (70) days prior to the date on which the particular action requiring such determination of shareholders is to be taken. If no record date is so fixed by the Board of Directors, the record date for the determination of shareholders shall be as provided in the Arizona Business Corporation Act.

When a determination of shareholders entitled to notice of or to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

3.05. Shareholder List. The corporation shall make a complete record of the shareholders entitled to notice of each meeting of shareholders thereof, arranged in alphabetical order, listing the address and the number of shares held by each. The list shall be arranged by voting group and within each voting group by class or series of shares. The shareholder list shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting. The list shall be available at the corporation's principal office or at another place identified in the meeting notice in the city where the meeting is to be held. Failure to comply with this section shall not affect the validity of any action taken at the meeting.

3.06. Shareholder Quorum and Voting Requirements.

(a) If the Articles or the Arizona Business Corporation Act provide for voting by a single voting group on a matter, action on that matter is taken when voted upon by that voting group.

(b) If the Articles or the Arizona Business Corporation Act provide for voting by two (2) or more voting groups on a matter, action on that matter is taken only when voted upon by each of those voting groups counted separately.

(c) Shares entitled to vote as a separate voting

group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless the Articles or the Arizona Business Corporation Act provide otherwise, a majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter.

(d) Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting, unless a new record date is or must be set for that adjourned meeting.

(e) If a quorum exists, action on a matter (other than the election of directors) by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Articles or the Arizona Business Corporation Act require a greater number of affirmative votes.

(f) Voting will be by ballot on any question as to which a ballot vote is demanded prior to the time the voting begins by any person entitled to vote on such question; otherwise, a voice vote will suffice. No ballot or change of vote will be accepted after the polls have been declared closed following the ending of the announced time for voting.

3.07. Proxies. At all meetings of shareholders, a shareholder may vote in person or by proxy duly executed in writing by the shareholder or the shareholder's duly authorized attorney-in-fact. Such proxy shall comply with law and shall be filed with the Secretary of the corporation or other person authorized to tabulate votes before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. The burden of proving the validity of any undated, irrevocable, or otherwise contested proxy at a meeting of the shareholders will rest with the person seeking to exercise the same. A facsimile appearing to have been transmitted by a shareholder or by such shareholder's duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

3.08. Voting of Shares. Unless otherwise provided in the Articles or the Arizona Business Corporation Act, each outstanding share entitled to vote shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of shareholders.

3.09. Voting for Directors. Unless otherwise provided in the Articles, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present at the time of such vote. As provided by law, shareholders shall be entitled to cumulative voting in the election of directors.

3.10. Election Inspectors. The Board of Directors, in advance of any meeting of the shareholders, may appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the meeting may, or upon request of any person entitled to vote at the meeting will, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be

appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there be more than one) will determine the number of shares outstanding, the authenticity, validity, and effect of proxies, the credentials of persons purporting to be shareholders or persons named or referred to in proxies, and the number of shares represented at the meeting in person and by proxy; will receive and count votes, ballots, and consents and announce the results thereof; will hear and determine all challenges and questions pertaining to proxies and voting; and, in general, will perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the corporation.

3.11. Organization and Conduct of Meetings. Each meeting of the shareholders will be called to order and thereafter chaired by a Co-Chairman of the Board of Directors if there is one, or, if not, or if a Co-Chairman of the Board is absent or so requests, then by a President, or if both a Co-Chairman of the Board and a President are unavailable, then by such other officer of the corporation or such shareholder as may be appointed by the Board of Directors. The corporation's Secretary or in his or her absence, an Assistant Secretary will act as secretary of each meeting of the shareholders. If neither the Secretary nor an Assistant Secretary is in attendance, the chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all shareholders intending to vote in person and the filing of all proxies with the election inspector or inspectors, if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no

further proxies or changes, substitutions, or revocations of proxies will be accepted. If directors are to be elected, a tabulation of the proxies so filed will, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) prior to the closing of the election polls. Absent a showing of bad faith on his or her part, the chairman of a meeting will, among other things, have absolute authority to fix the period of time allowed for the registration of shareholders and the filing of proxies, to determine the order of business to be conducted at such meeting, and to establish reasonable rules for expediting the business of the meeting and preserving the orderly conduct thereof (including any informal, or question and answer portions thereof).

3.12. Shareholder Approval or Ratification. The Board of Directors may submit any contract or act for approval or ratification of the shareholders at a duly constituted meeting of the shareholders. Except as otherwise required by law, if any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting, the same will be valid and as binding upon the corporation and all of its shareholders as it would be if it were the act of its shareholders.

3.13. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting of the shareholders or in the areas of credentials, proxies, quorums, voting, and similar matters, will be deemed waived if no objection is made at the meeting.

3.14. Shareholder Action by Written Consent. Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if one (1) or more consents in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote

with respect to the subject matter thereof. The consents shall be delivered to the corporation for inclusion in the minutes or filing with the corporate record. Action taken by consent is effective when the last shareholder signs the consent, unless the consent specifies a different effective date, except that if, by law, the action to be taken requires that notice be given to shareholders who are not entitled to vote on the matter, the effective date shall not be prior to ten (10) days after the corporation shall give such shareholders written notice of the proposed action, which notice shall contain or be accompanied by the same material that would have been required if a formal meeting had been called to consider the action. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

IV. BOARD OF DIRECTORS

4.01. General Powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors.

4.02. Number, Tenure, and Qualification of Directors. Unless otherwise provided in the Articles of Incorporation, the authorized number of directors shall be not less than two (2) nor more than five (5). The initial number of directors of the corporation shall be two (2).The number of directors in office from time to time shall be within the limits specified above, as prescribed from time to time by resolution adopted by either the shareholders or the Board of Directors. The directors will regularly be elected at each annual meeting of the shareholders, but directors may be elected at any other meeting of the shareholders. Each director shall hold office until the annual meeting of shareholders following his/her election, subject to his/her earlier resignation or removal. However, if a director's term expires, he/she shall continue to serve until his/her successor shall have been elected and qualified, until his/her resignation or removal, or until there is a decrease in the number of directors. Unless required by the Articles, directors do not need to be residents of the State of Arizona or shareholders of the corporation.

4.03. Regular Meetings of the Board of Directors. A regular annual meeting of the Board of Directors is to be held as soon as practicable after the adjournment of each annual meeting of the shareholders, either at the place of the shareholders meeting or at such other place as the directors elected at the shareholders meeting may have been informed of at or prior to the time of their election. Additional regular meetings may be held at regular intervals at such places and at such times as the Board of Directors may determine.

4.04. Special Meetings of the Board of Directors. Special meetings of the Board of Directors may be held whenever and wherever called for by a Co-Chairman of the Board, a President, or the number of directors that would be required to constitute a quorum.

4.05. Notice of, and Waiver of Notice for, Directors Meetings. No notice need be given of regular meetings of the Board of Directors. Notice of the time and place of any special directors meeting shall be given at

least 48 hours prior thereto. Notice shall be given in accordance with and shall be deemed to be effective at the time and in the manner described in Arizona Revised

Statutes Section 10-141. Any director may waive notice of any meeting and any adjournment thereof at any time before, during, or after it is held. Except as provided in the next sentence below, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. The attendance of a director at or participation of a director in a meeting shall constitute a waiver of notice of such meeting, unless the director at the beginning of the meeting (or promptly upon his/her arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

4.06. Director Quorum. A majority of the number of directors prescribed according to Section 4.02 above, or if no number is so prescribed, the number in office immediately before the meeting begins, shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, unless the Articles require a greater number.

4.07. Directors, Manner of Acting.

(a) If a quorum is present when a vote is taken, the affirmative vote of a majority of the directors present shall be the act of the Board of Directors unless the Articles require a greater percentage.

(b) Unless the Articles provide otherwise, any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting, in which case, any required notice of the meeting may generally describe the arrangements (rather than or in addition to the place) for the holding thereof. A director participating in a meeting by this means is deemed to be present in person at the meeting.

(c) A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless: (1) the director objects at the beginning of the meeting (or promptly upon his/her arrival) to holding it or transacting business at the meeting; or (2) his/her dissent or abstention from the action taken is entered in the minutes of the meeting; or (3) he/she delivers written notice of his/her dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation before 5:00 p.m. on the next business day after the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

4.08. Director Action Without a Meeting. Unless the Articles provide otherwise, any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting if the action is taken by unanimous written consent of the Board of Directors as evidenced by one (1) or more written consents describing the action taken, signed by each director and filed with the minutes or corporate records. Action taken by consent is effective when the last director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be described as such in any document.

4.09. Removal of Directors by Shareholders. The shareholders may remove one (1) or more directors at a meeting called for that purpose if notice has been given that a purpose of the meeting is such removal. The removal may be with or without cause unless the Articles provide that directors may only be removed with cause. If a director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in a shareholder vote to remove him. If less than the entire Board of Directors is to be removed, a director may not be removed if the number of votes sufficient to elect the director under cumulative voting is voted against the director's removal.

4.10. Board of Director Vacancies.

(a) Unless the Articles provide otherwise, if a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of directors, either the shareholders or the Board of Directors may fill the vacancy.

(b) If the vacant office was held by a director elected by a voting group of shareholders, only the holders of shares of that voting group are entitled to vote to fill the vacancy if it is filled by the shareholders.

(c) A vacancy that will occur at a specific later date (by reason of resignation effective at a later date) may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

(d) The term of a director elected to fill a vacancy expires at the next shareholders meeting at which directors are elected.

4.11. Director Compensation. Unless otherwise provided in the Articles by resolution of the Board of Directors, each director may be paid his/her expenses, if any, of attendance at each meeting of the Board of Directors or any committee thereof, and may be paid a stated salary as director or a fixed sum for attendance at each meeting of the Board of Directors or any committee thereof, or both. No such payment shall preclude any director from serving the corporation in any capacity and receiving compensation therefor.

4.12. Director Committees.

(a) Creation of Committees. Unless the Articles provide otherwise, the Board of Directors may create one (1) or more committees and appoint members of the Board of Directors to serve on them. Each committee shall have one (1) or more members, who serve at the pleasure of the Board of Directors.

(b) Selection of Members. The creation of a committee and appointment of members to it shall be approved by the greater of (1) a majority of all the directors in office when the action is taken or (2) the number of directors required by the Articles to take such action.

(c) Required Procedures. Sections 4.03 through 4.08 of this Article IV, which govern meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors, apply to committees and their members.

(d) Authority. Unless limited by the Articles, each committee may exercise those aspects of the authority of the Board of Directors which the Board of Directors confers upon such committee in the resolution creating the committee, provided, however, that a committee may not: (1) authorize distributions; (2) approve or propose to shareholders action that requires shareholder approval under the Arizona Business Corporation Act; (3) fill vacancies on the Board of Directors or on any of its committees; (4) amend the Articles of Incorporation without shareholder action as provided by law; (5) adopt, amend or repeal these Bylaws; (6) approve a plan of merger not requiring shareholder approval; (7) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; (8) authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except within limits specifically prescribed by the Board of Directors; or (9) fix the compensation of directors for serving on the Board of Directors or any committee of the Board of Directors.

4.13. Director Resignations. Any director or committee member may resign from his or her office at any time by written notice delivered to the Board of Directors, a Co-Chairman of the Board, or the corporation at its known place of business. Any such resignation will be effective upon its receipt unless some later time is therein fixed, and then from that time. The acceptance of a resignation will not be required to make it effective.

V. OFFICERS

5.01 In General. The Board of Directors shall elect not more than two Co-Chairmen, a Chief Executive Officer, a President, one or more Vice Presidents, a Treasurer, a Secretary, and such Assistant Secretaries and Assistant Treasurers as the Board may from time to time deem appropriate. All officers shall hold office only during the pleasure of the Board or until their successors are chosen and qualify. Any two of the above offices, except those of President and Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity when such instrument is required to be executed, acknowledged or verified by any two or more officers. The Board of Directors may from time to time appoint such other agents and employees with such powers and duties as the Board may deem proper. In its discretion, the Board of Directors may leave unfilled any offices except those of Co-Chairman, Chief Executive Officer, President, Treasurer and Secretary.

5.02 Co-Chairman of the Board. Each Co-Chairman shall have the responsibility for the implementation of the policies determined by the Board of Directors and for the administration of the business affairs of the Corporation. Each Co-Chairman shall, if present, preside over the meetings of the Board and of the stockholders on a rotating basis such that a Co-Chairman shall preside over no more than one consecutive Board meeting or one consecutive

stockholders meeting.

5.03 President. The President shall have the responsibility for the active management of the business and general supervision and direction of all of the affairs of the Corporation. The President shall perform such other duties as may be assigned by the Board of Directors or the Executive Committee. The President shall have the authority on the Corporation's behalf to endorse securities owned by the Corporation and to execute any documents requiring the signature of an executive officer. The President shall perform such other duties as the Board of Directors may direct.

5.04 Vice Presidents. The Vice Presidents, in the order of priority designated by the Board of Directors, shall be vested with all the power and may perform all the duties of the President in the latter's absence. They may perform such other duties as may be prescribed by the Board of Directors or the Executive Committee or the President.

5.05 Treasurer. The Treasurer shall have general supervision over the finances of the Corporation and shall perform such other duties as may be assigned by the Board of Directors or the President. If required by resolution of the Board, the Treasurer shall furnish bond (which may be a blanket bond) with such surety and in such penalty for the faithful performance of duty as the Board of Directors may from time to time require, the cost of such bond to be defrayed by the Corporation.

5.06 Secretary. The Secretary shall keep the minutes of the meetings of the stockholders and of the Board of Directors and shall attend to the giving and serving of all notices of the Corporation required by law or these Bylaws. The Secretary shall maintain at all times in the principal office of the Corporation at least one copy of the Bylaws with all amendments to date, and shall make the same, together with the minutes of the meetings of the stockholders, the annual statement of affairs of the Corporation and any voting trust or other stockholders agreement on file at the office of the Corporation, available for inspection by any officer, director or stockholder during reasonable business hours. The Secretary shall perform such other duties as may be assigned by the Board of Directors.

5.07 Assistant Treasurer and Secretary. The Board of Directors may designate from time to time Assistant Treasurers and Secretaries, who shall perform such duties as may from time to time be assigned to them by the Board of Directors or the President.

5.08. Salaries. The salaries of the officers of the corporation may be fixed from time to time by the Board of Directors or (except as to the President's own) left to the discretion of the President. No officer will be prevented from receiving a salary by reason of the fact that he or she is also a director of the corporation.

5.09. Additional Appointments. In addition to the officers contemplated in this Article V, the Board of Directors may appoint other agents of the corporation with such authority to perform such duties as may be prescribed from time to time by the Board of Directors.

VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.01. Certificates for Shares.

(a) Content. Certificates representing shares of the corporation shall, at a minimum, state on their face the name of the issuing corporation and that it is formed under the laws of the State of Arizona, the name of the person to whom issued, and the number and class of shares and the designation of the series, if any, the certificate represents. Such certificates shall be signed (either manually or by facsimile to the extent allowable by law) by one or more officers of the corporation, as determined by the Board of Directors, or, if no such determination is made, by any of a Co-Chairman of the Board (if any), the President, any Vice-President, the Secretary, or the Treasurer of the corporation, and may be sealed with a corporate seal or a facsimile thereof. Each certificate for shares shall be consecutively numbered or otherwise identified and will exhibit such information as may be required by law. If a supply of unissued certificates bearing the facsimile signature of a person remains when that person ceases to hold the office of the corporation indicated on such certificates or ceases to be the transfer agent or registrar of the corporation, they may still be issued by the corporation and countersigned, registered, issued, and delivered by the corporation's transfer agent and/or registrar thereafter, as though such person had continued to hold the office indicated on such certificate.

(b) Legend as to Class or Series. If the corporation is authorized to issue different classes of shares or different

series within a class, the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series (and the authority of the Board of Directors to determine variations for future series) shall be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the corporation will furnish a shareholder this information on request in writing and without charge.

(c) Shareholder List. The name and address of the person to whom shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation.

(d) Lost Certificates. In the event of the loss, theft, or destruction of any certificate representing shares of the corporation or of any predecessor corporation, the corporation may issue (or, in the case of any such shares as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register, and issue) a new certificate, and cause the same to be delivered to the registered owner of the shares represented thereby; provided that such owner shall have submitted such evidence showing the circumstances of the alleged loss, theft, or destruction, and his, her, or its ownership of the certificate, as the corporation considers satisfactory, together with any other facts that the corporation considers pertinent; and further provided that, if so required by the corporation, the owner shall provide a bond or other indemnity in form and amount satisfactory to the corporation (and to its transfer agent and/or registrar, if applicable).

6.02. Registration of the Transfer of Shares. Registration of the transfer of shares of the corporation shall be made only on the stock transfer books of the corporation. In order to register a transfer, the record owner shall surrender the shares to the corporation for cancellation, properly endorsed by the appropriate person or persons with reasonable assurances that the endorsements are genuine and effective. Unless the corporation has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the corporation as the owner, the corporation will be entitled to treat the registered owner of any share of the capital stock of the corporation as the absolute owner thereof and, accordingly, will not be bound to recognize any beneficial, equitable, or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may expressly be provided by applicable law.

6.03. Shares Without Certificates. The Board of Directors may authorize the issuance of uncertificated shares by the corporation and may prescribe procedures for the issuance and registration of transfer thereof and with respect to such other matters as the Board of Directors shall deem necessary or appropriate.

VII. DISTRIBUTIONS

7.01. Distributions. Subject to such restrictions or requirements as may be imposed by applicable law or the corporation's Articles or as may otherwise be binding upon the corporation, the Board of Directors may from time to time declare, and the corporation may pay or make, dividends or other distributions to its shareholders.

VIII. CORPORATE SEAL

8.01. Corporate Seal. The Board of Directors may provide for a corporate seal of the corporation that will have inscribed thereon any designation including the name of the corporation, Arizona as the state of incorporation, the year of incorporation, and the words "Corporate Seal."

IX. AMENDMENTS

9.01. Amendments. The corporation's Board of Directors may amend or repeal the corporation's Bylaws unless:

(1) the Articles or the Arizona Business Corporation Act reserve this power exclusively to the shareholders in whole or part; or

(2) the shareholders in adopting, amending, or repealing a particular Bylaw provide expressly that the Board of Directors may not amend or repeal that Bylaw.

The corporation's shareholders may amend or repeal the corporation's Bylaws even though the Bylaws may also be amended or repealed by its Board of Directors.

Exhibit 3.30

ARTICLES OF INCORPORATION
OF
MTH-HOMES NEVADA, INC.

FIRST: The name of the corporation is MTH-HOMES NEVADA, INC.

SECOND: The purpose for which the corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time. The character of business which the corporation initially intends actually to conduct in the State of Arizona is the development, construction and sale of single family homes.

THIRD: The aggregate number of shares that the corporation shall have authority to issue is one thousand (1,000) common shares, all of which shares shall be of a single class, and shall be without par.

FOURTH: The name and street address in Arizona of the initial statutory agent of the corporation is Larry Seay, 6613 N. Scottsdale Road, Suite 200, Scottsdale, Arizona 85250.

FIFTH: The number of directors constituting the initial board of directors of the corporation is two (2). The names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders, or until their successors are elected and qualified, are:

Name	Address
Steven J. Hilton	6613 N. Scottsdale Road, Suite 200 Scottsdale, AZ 85250
John R. Landon	4050 West Park Boulevard Plano, TX 75093

The number of persons to serve on the board of directors thereafter shall be fixed by the bylaws of the corporation.

SIXTH: The name and address of the incorporator is Larry Seay, 6613 N. Scottsdale Road, Suite 200, Scottsdale, Arizona 85250.

SEVENTH: The liability of a director or former director to the corporation or its shareholders shall be eliminated to the fullest extent permitted by Section 10-202.B.1 of the Arizona Revised Statutes.

If the Arizona Business Corporation Act is amended to authorize corporate action further eliminating or limiting the liability of directors, the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Arizona Business Corporation Act, as amended.

Any repeal or modification of this Article Seventh shall not adversely affect any right or protection of a director of the corporation existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

The provisions of this Article Seventh shall not be deemed to limit or preclude indemnification of a director by the corporation for any liability of a director which has not been eliminated by the provisions of this Article Seventh.

EIGHTH. The corporation shall indemnify any and all of its existing and former directors and officers to the fullest extent permitted by Arizona law. If Arizona law is amended to authorize corporate action broadening the corporation's ability to indemnify its directors and officers, the corporation shall indemnify its existing and former directors and officers to the fullest extent permitted by Arizona law, as amended. Any repeal or modification of this Article Eighth shall not adversely affect any right or protection of any existing or former director or officer of the corporation existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

DATED: September 10, 2002.

/s/ Larry Seay

Larry Seay, Incorporator

The undersigned, having been designated to act as Statutory Agent of MTH-HOMES NEVADA, INC., does hereby consent to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised

Statutes.

DATED: September 10, 2002

/s/ Larry Seay

Larry Seay

Exhibit 3.31

BYLAWS

OF

MTH-HOMES NEVADA, INC.

I. REFERENCES TO CERTAIN TERMS AND CONSTRUCTION

1.01. Certain References. Any reference herein made to law will be deemed to refer to the law of the State of Arizona, including any applicable provision of Chapters 1 through 17 of Title 10 of the Arizona Revised Statutes, or any successor statute, as from time to time amended and in effect (sometimes referred to herein as the "Arizona Business Corporation Act"). Any reference herein made to the corporation's Articles will be deemed to refer to its Articles of Incorporation and all amendments thereto as at any given time on file with the Arizona Corporation Commission. Except as otherwise required by law and subject to any procedures established by the corporation pursuant to Arizona Revised Statutes Section 723, the term "shareholder" as used herein shall mean one who is a holder of record of shares of the corporation. References to specific sections of law herein made shall be deemed to refer to such sections, or any comparable successor provisions, as from time to time amended and in effect.

1.02. Seniority. The law and the Articles (in that order of precedence) will in all respects be considered senior and superior to these Bylaws, with any inconsistency to be resolved in favor of the law and such Articles (in that order of precedence), and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

1.03. Computation of Time. The time during which an act is required to be done, including the time for the giving of any required notice herein, shall be computed by excluding the first day or hour, as the case may be, and including the last day or hour.

II. OFFICES

2.01. Principal Office. The principal office of the corporation shall be located at any place either within or outside the State of Arizona as designated in the corporation's most current Annual Report filed with the Arizona Corporation Commission or in any other document executed and delivered to the Arizona Corporation Commission for filing. If a principal office is not so designated, the principal office of the corporation shall mean the known place of business of the corporation. The corporation may have such other offices, either within or without the State of Arizona, as the Board of Directors may designate or as the business of the corporation may require from time to time.

2.02. Known Place of Business. A known place of business of the corporation shall be located within the State of Arizona and may be, but need not be, the address of the statutory agent

of the corporation. The corporation may change its known place of business from time to time in accordance with the relevant provisions of the Arizona Business Corporation Act.

III. SHAREHOLDERS

3.01. Annual Shareholder Meeting. The annual meeting of the shareholders shall be held on such date and at such time and place, either within or without the State of Arizona, as shall be fixed by the Board of Directors or, in the absence of action by the Board, as set forth in the notice given or waiver signed with respect to such meeting pursuant to Section 3.03 below, for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting. If any annual meeting is for any reason not held on the date determined as aforesaid, a deferred annual meeting may thereafter be called and held in lieu thereof, at which the same proceedings may be conducted. If the day fixed for the annual meeting shall be a legal holiday in the State of Arizona such meeting shall be held on the next succeeding business day.

3.02. Special Shareholder Meetings. Special meetings of the shareholders may be held whenever and wherever, either within or without the State of Arizona, called for by or at the direction of a Co-Chairman of the Board, a President, or the Board of Directors.

3.03. Notice of Shareholders Meetings.

(a) Required Notice. Notice stating the place, day and hour of any annual or special shareholders meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting

by or at the direction of the person or persons calling the meeting, to each shareholder entitled to vote at such meeting and to any other shareholder entitled to receive notice of the meeting by law or the Articles. Notices to shareholders shall be given in accordance with, and shall be deemed to be effective at the time and in the manner described in, Arizona Revised Statutes Section 10-141. If no designation is made of the place at which an annual or special meeting will be held in the notice for such meeting, the place of the meeting will be at the principal place of business of the corporation.

(b) Adjourned Meeting. If any shareholders meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place, if the new date, time, and place are announced at the meeting before adjournment. But if a new record date for the adjourned meeting is fixed or must be fixed in accordance with law or these Bylaws, then notice of the adjourned meeting shall be given to those persons who are shareholders as of the new record date and who are entitled to such notice pursuant to Section 3.03(a) above.

(c) Waiver of Notice. Any shareholder may waive notice of a meeting (or any notice of any other action required to be given by the Arizona Business Corporation Act, the corporation's Articles, or these Bylaws), at any time before, during, or after the meeting or other action, by a writing signed by the shareholder entitled to the notice. Each such waiver shall be delivered to the corporation for inclusion in the minutes or filing with the corporate records. Under certain circumstances, a shareholder's attendance at a meeting may constitute a waiver of notice,

unless the shareholder takes certain actions to preserve his/her objections as described in the Arizona Business Corporation Act.

(d) Contents of Notice. The notice of each special shareholders meeting shall include a description of the purpose or purposes for which the meeting is called. Except as required by law or the corporation's Articles, the notice of an annual shareholders meeting need not include a description of the purpose or purposes for which the meeting is called.

3.04. Fixing of Record Date. For the purpose of determining shareholders of any voting group entitled to notice of or to vote at any meeting of shareholders, or shareholders entitled to receive any distribution or dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date. Such record date shall not be more than seventy (70) days prior to the date on which the particular action requiring such determination of shareholders is to be taken. If no record date is so fixed by the Board of Directors, the record date for the determination of shareholders shall be as provided in the Arizona Business Corporation Act.

When a determination of shareholders entitled to notice of or to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

3.05. Shareholder List. The corporation shall make a complete record of the shareholders entitled to notice of each meeting of shareholders thereof, arranged in alphabetical order, listing the address and the number of shares held by each. The list shall be arranged by voting group and within each voting group by class or series of shares. The shareholder list shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting. The list shall be available at the corporation's principal office or at another place identified in the meeting notice in the city where the meeting is to be held. Failure to comply with this section shall not affect the validity of any action taken at the meeting.

3.06. Shareholder Quorum and Voting Requirements.

(a) If the Articles or the Arizona Business Corporation Act provide for voting by a single voting group on a matter, action on that matter is taken when voted upon by that voting group.

(b) If the Articles or the Arizona Business Corporation Act provide for voting by two (2) or more voting groups on a matter, action on that matter is taken only when voted upon by each of those voting groups counted separately.

(c) Shares entitled to vote as a separate voting

group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless the Articles or the Arizona Business Corporation Act provide otherwise, a majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter.

(d) Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting, unless a new record date is or must be set for that adjourned meeting.

(e) If a quorum exists, action on a matter (other than the election of directors) by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Articles or the Arizona Business Corporation Act require a greater number of affirmative votes.

(f) Voting will be by ballot on any question as to which a ballot vote is demanded prior to the time the voting begins by any person entitled to vote on such question; otherwise, a voice vote will suffice. No ballot or change of vote will be accepted after the polls have been declared closed following the ending of the announced time for voting.

3.07. Proxies. At all meetings of shareholders, a shareholder may vote in person or by proxy duly executed in writing by the shareholder or the shareholder's duly authorized attorney-in-fact. Such proxy shall comply with law and shall be filed with the Secretary of the corporation or other person authorized to tabulate votes before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. The burden of proving the validity of any undated, irrevocable, or otherwise contested proxy at a meeting of the shareholders will rest with the person seeking to exercise the same. A facsimile appearing to have been transmitted by a shareholder or by such shareholder's duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

3.08. Voting of Shares. Unless otherwise provided in the Articles or the Arizona Business Corporation Act, each outstanding share entitled to vote shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of shareholders.

3.09. Voting for Directors. Unless otherwise provided in the Articles, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present at the time of such vote. As provided by law, shareholders shall be entitled to cumulative voting in the election of directors.

3.10. Election Inspectors. The Board of Directors, in advance of any meeting of the shareholders, may appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the meeting may, or upon request of any person entitled to vote at the meeting will, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be

appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there be more than one) will determine the number of shares outstanding, the authenticity, validity, and effect of proxies, the credentials of persons purporting to be shareholders or persons named or referred to in proxies, and the number of shares represented at the meeting in person and by proxy; will receive and count votes, ballots, and consents and announce the results thereof; will hear and determine all challenges and questions pertaining to proxies and voting; and, in general, will perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the corporation.

3.11. Organization and Conduct of Meetings. Each meeting of the shareholders will be called to order and thereafter chaired by a Co-Chairman of the Board of Directors if there is one, or, if not, or if a Co-Chairman of the Board is absent or so requests, then by a President, or if both a Co-Chairman of the Board and a President are unavailable, then by such other officer of the corporation or such shareholder as may be appointed by the Board of Directors. The corporation's Secretary or in his or her absence, an Assistant Secretary will act as secretary of each meeting of the shareholders. If neither the Secretary nor an Assistant Secretary is in attendance, the chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all shareholders intending to vote in person and the filing of all proxies with the election inspector or inspectors, if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no

further proxies or changes, substitutions, or revocations of proxies will be accepted. If directors are to be elected, a tabulation of the proxies so filed will, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) prior to the closing of the election polls. Absent a showing of bad faith on his or her part, the chairman of a meeting will, among other things, have absolute authority to fix the period of time allowed for the registration of shareholders and the filing of proxies, to determine the order of business to be conducted at such meeting, and to establish reasonable rules for expediting the business of the meeting and preserving the orderly conduct thereof (including any informal, or question and answer portions thereof).

3.12. Shareholder Approval or Ratification. The Board of Directors may submit any contract or act for approval or ratification of the shareholders at a duly constituted meeting of the shareholders. Except as otherwise required by law, if any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting, the same will be valid and as binding upon the corporation and all of its shareholders as it would be if it were the act of its shareholders.

3.13. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting of the shareholders or in the areas of credentials, proxies, quorums, voting, and similar matters, will be deemed waived if no objection is made at the meeting.

3.14. Shareholder Action by Written Consent. Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if one (1) or more consents in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote

with respect to the subject matter thereof. The consents shall be delivered to the corporation for inclusion in the minutes or filing with the corporate record. Action taken by consent is effective when the last shareholder signs the consent, unless the consent specifies a different effective date, except that if, by law, the action to be taken requires that notice be given to shareholders who are not entitled to vote on the matter, the effective date shall not be prior to ten (10) days after the corporation shall give such shareholders written notice of the proposed action, which notice shall contain or be accompanied by the same material that would have been required if a formal meeting had been called to consider the action. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

IV. BOARD OF DIRECTORS

4.01. General Powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors.

4.02. Number, Tenure, and Qualification of Directors. Unless otherwise provided in the Articles of Incorporation, the authorized number of directors shall be not less than two (2) nor more than five (5). The initial number of directors of the corporation shall be two (2).The number of directors in office from time to time shall be within the limits specified above, as prescribed from time to time by resolution adopted by either the shareholders or the Board of Directors. The directors will regularly be elected at each annual meeting of the shareholders, but directors may be elected at any other meeting of the shareholders. Each director shall hold office until the annual meeting of shareholders following his/her election, subject to his/her earlier resignation or removal. However, if a director's term expires, he/she shall continue to serve until his/her successor shall have been elected and qualified, until his/her resignation or removal, or until there is a decrease in the number of directors. Unless required by the Articles, directors do not need to be residents of the State of Arizona or shareholders of the corporation.

4.03. Regular Meetings of the Board of Directors. A regular annual meeting of the Board of Directors is to be held as soon as practicable after the adjournment of each annual meeting of the shareholders, either at the place of the shareholders meeting or at such other place as the directors elected at the shareholders meeting may have been informed of at or prior to the time of their election. Additional regular meetings may be held at regular intervals at such places and at such times as the Board of Directors may determine.

4.04. Special Meetings of the Board of Directors. Special meetings of the Board of Directors may be held whenever and wherever called for by a Co-Chairman of the Board, a President, or the number of directors that would be required to constitute a quorum.

4.05. Notice of, and Waiver of Notice for, Directors Meetings. No notice need be given of regular meetings of the Board of Directors. Notice of the time and place of any special directors meeting shall be given at

least 48 hours prior thereto. Notice shall be given in accordance with and shall be deemed to be effective at the time and in the manner described in Arizona Revised

Statutes Section 10-141. Any director may waive notice of any meeting and any adjournment thereof at any time before, during, or after it is held. Except as provided in the next sentence below, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. The attendance of a director at or participation of a director in a meeting shall constitute a waiver of notice of such meeting, unless the director at the beginning of the meeting (or promptly upon his/her arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

4.06. Director Quorum. A majority of the number of directors prescribed according to Section 4.02 above, or if no number is so prescribed, the number in office immediately before the meeting begins, shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, unless the Articles require a greater number.

4.07. Directors, Manner of Acting.

(a) If a quorum is present when a vote is taken, the affirmative vote of a majority of the directors present shall be the act of the Board of Directors unless the Articles require a greater percentage.

(b) Unless the Articles provide otherwise, any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting, in which case, any required notice of the meeting may generally describe the arrangements (rather than or in addition to the place) for the holding thereof. A director participating in a meeting by this means is deemed to be present in person at the meeting.

(c) A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless: (1) the director objects at the beginning of the meeting (or promptly upon his/her arrival) to holding it or transacting business at the meeting; or (2) his/her dissent or abstention from the action taken is entered in the minutes of the meeting; or (3) he/she delivers written notice of his/her dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation before 5:00 p.m. on the next business day after the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

4.08. Director Action Without a Meeting. Unless the Articles provide otherwise, any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting if the action is taken by unanimous written consent of the Board of Directors as evidenced by one (1) or more written consents describing the action taken, signed by each director and filed with the minutes or corporate records. Action taken by consent is effective when the last director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be described as such in any document.

4.09. Removal of Directors by Shareholders. The shareholders may remove one (1) or more directors at a meeting called for that purpose if notice has been given that a purpose of the meeting is such removal. The removal may be with or without cause unless the Articles provide that directors may only be removed with cause. If a director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in a shareholder vote to remove him. If less than the entire Board of Directors is to be removed, a director may not be removed if the number of votes sufficient to elect the director under cumulative voting is voted against the director's removal.

4.10. Board of Director Vacancies.

(a) Unless the Articles provide otherwise, if a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of directors, either the shareholders or the Board of Directors may fill the vacancy.

(b) If the vacant office was held by a director elected by a voting group of shareholders, only the holders of shares of that voting group are entitled to vote to fill the vacancy if it is filled by the shareholders.

(c) A vacancy that will occur at a specific later date (by reason of resignation effective at a later date) may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

(d) The term of a director elected to fill a vacancy expires at the next shareholders meeting at which directors are elected.

4.11. Director Compensation. Unless otherwise provided in the Articles by resolution of the Board of Directors, each director may be paid his/her expenses, if any, of attendance at each meeting of the Board of Directors or any committee thereof, and may be paid a stated salary as director or a fixed sum for attendance at each meeting of the Board of Directors or any committee thereof, or both. No such payment shall preclude any director from serving the corporation in any capacity and receiving compensation therefor.

4.12. Director Committees.

(a) Creation of Committees. Unless the Articles provide otherwise, the Board of Directors may create one (1) or more committees and appoint members of the Board of Directors to serve on them. Each committee shall have one (1) or more members, who serve at the pleasure of the Board of Directors.

(b) Selection of Members. The creation of a committee and appointment of members to it shall be approved by the greater of (1) a majority of all the directors in office when the action is taken or (2) the number of directors required by the Articles to take such action.

(c) Required Procedures. Sections 4.03 through 4.08 of this Article IV, which govern meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors, apply to committees and their members.

(d) Authority. Unless limited by the Articles, each committee may exercise those aspects of the authority of the Board of Directors which the Board of Directors confers upon such committee in the resolution creating the committee, provided, however, that a committee may not: (1) authorize distributions; (2) approve or propose to shareholders action that requires shareholder approval under the Arizona Business Corporation Act; (3) fill vacancies on the Board of Directors or on any of its committees; (4) amend the Articles of Incorporation without shareholder action as provided by law; (5) adopt, amend or repeal these Bylaws; (6) approve a plan of merger not requiring shareholder approval; (7) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; (8) authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except within limits specifically prescribed by the Board of Directors; or (9) fix the compensation of directors for serving on the Board of Directors or any committee of the Board of Directors.

4.13. Director Resignations. Any director or committee member may resign from his or her office at any time by written notice delivered to the Board of Directors, a Co-Chairman of the Board, or the corporation at its known place of business. Any such resignation will be effective upon its receipt unless some later time is therein fixed, and then from that time. The acceptance of a resignation will not be required to make it effective.

V. OFFICERS

5.01 In General. The Board of Directors shall elect not more than two Co-Chairmen, a Chief Executive Officer, a President, one or more Vice Presidents, a Chief Financial Officer, a Secretary, and such Assistant Secretaries and Assistant Treasurers as the Board may from time to time deem appropriate. All officers shall hold office only during the pleasure of the Board or until their successors are chosen and qualify. Any two of the above offices, except those of President and Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity when such instrument is required to be executed, acknowledged or verified by any two or more officers. The Board of Directors may from time to time appoint such other agents and employees with such powers and duties as the Board may deem proper. In its discretion, the Board of Directors may leave unfilled any offices except those of Co-Chairman, Chief Executive Officer, President, Chief Financial Officer and Secretary.

5.02 Co-Chairman of the Board. Each Co-Chairman shall have the responsibility for the implementation of the policies determined by the Board of Directors and for the administration of the business affairs of the Corporation. Each Co-Chairman shall, if present, preside over the meetings of the Board and of the stockholders on a rotating basis such that a Co-Chairman shall preside over no more than one consecutive Board meeting or one consecutive

stockholders meeting.

5.03 President. The President shall have the responsibility for the active management of the business and general supervision and direction of all of the affairs of the Corporation. The President shall perform such other duties as may be assigned by the Board of Directors or the Executive Committee. The President shall have the authority on the Corporation's behalf to endorse securities owned by the Corporation and to execute any documents requiring the signature of an executive officer. The President shall perform such other duties as the Board of Directors may direct.

5.04 Vice Presidents. The Vice Presidents, in the order of priority designated by the Board of Directors, shall be vested with all the power and may perform all the duties of the President in the latter's absence. They may perform such other duties as may be prescribed by the Board of Directors or the Executive Committee or the President.

5.05 Chief Financial Officer. The Chief Financial Officer shall have general supervision over the finances of the Corporation and shall perform such other duties as may be assigned by the Board of Directors or the President. If required by resolution of the Board, the Chief Financial Officer shall furnish bond (which may be a blanket bond) with such surety and in such penalty for the faithful performance of duty as the Board of Directors may from time to time require, the cost of such bond to be defrayed by the Corporation.

5.06 Secretary. The Secretary shall keep the minutes of the meetings of the stockholders and of the Board of Directors and shall attend to the giving and serving of all notices of the Corporation required by law or these Bylaws. The Secretary shall maintain at all times in the principal office of the Corporation at least one copy of the Bylaws with all amendments to date, and shall make the same, together with the minutes of the meetings of the stockholders, the annual statement of affairs of the Corporation and any voting trust or other stockholders agreement on file at the office of the Corporation, available for inspection by any officer, director or stockholder during reasonable business hours. The Secretary shall perform such other duties as may be assigned by the Board of Directors.

5.07 Assistant Treasurer and Secretary. The Board of Directors may designate from time to time Assistant Treasurers and Secretaries, who shall perform such duties as may from time to time be assigned to them by the Board of Directors or the President.

5.08. Salaries. The salaries of the officers of the corporation may be fixed from time to time by the Board of Directors or (except as to the President's own) left to the discretion of the President. No officer will be prevented from receiving a salary by reason of the fact that he or she is also a director of the corporation.

5.09. Additional Appointments. In addition to the officers contemplated in this Article V, the Board of Directors may appoint other agents of the corporation with such authority to perform such duties as may be prescribed from time to time by the Board of Directors.

VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.01. Certificates for Shares.

(a) Content. Certificates representing shares of the corporation shall, at a minimum, state on their face the name of the issuing corporation and that it is formed under the laws of the State of Arizona, the name of the person to whom issued, and the number and class of shares and the designation of the series, if any, the certificate represents. Such certificates shall be signed (either manually or by facsimile to the extent allowable by law) by one or more officers of the corporation, as determined by the Board of Directors, or, if no such determination is made, by any of a Co-Chairman of the Board (if any), the President, any Vice-President, the Secretary, or the Chief Financial Officer of the corporation, and may be sealed with a corporate seal or a facsimile thereof. Each certificate for shares shall be consecutively numbered or otherwise identified and will exhibit such information as may be required by law. If a supply of unissued certificates bearing the facsimile signature of a person remains when that person ceases to hold the office of the corporation indicated on such certificates or ceases to be the transfer agent or registrar of the corporation, they may still be issued by the corporation and countersigned, registered, issued, and delivered by the corporation's transfer agent and/or registrar thereafter, as though such person had continued to hold the office indicated on such certificate.

(b) Legend as to Class or Series. If the corporation is authorized to issue different classes of shares or different

series within a class, the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series (and the authority of the Board of Directors to determine variations for future series) shall be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the corporation will furnish a shareholder this information on request in writing and without charge.

(c) Shareholder List. The name and address of the person to whom shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation.

(d) Lost Certificates. In the event of the loss, theft, or destruction of any certificate representing shares of the corporation or of any predecessor corporation, the corporation may issue (or, in the case of any such shares as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register, and issue) a new certificate, and cause the same to be delivered to the registered owner of the shares represented thereby; provided that such owner shall have submitted such evidence showing the circumstances of the alleged loss, theft, or destruction, and his, her, or its ownership of the certificate, as the corporation considers satisfactory, together with any other facts that the corporation considers pertinent; and further provided that, if so required by the corporation, the owner shall provide a bond or other indemnity in form and amount satisfactory to the corporation (and to its transfer agent and/or registrar, if applicable).

6.02. Registration of the Transfer of Shares. Registration of the transfer of shares of the corporation shall be made only on the stock transfer books of the corporation. In order to register a transfer, the record owner shall surrender the shares to the corporation for cancellation, properly endorsed by the appropriate person or persons with reasonable assurances that the endorsements are genuine and effective. Unless the corporation has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the corporation as the owner, the corporation will be entitled to treat the registered owner of any share of the capital stock of the corporation as the absolute owner thereof and, accordingly, will not be bound to recognize any beneficial, equitable, or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may expressly be provided by applicable law.

6.03. Shares Without Certificates. The Board of Directors may authorize the issuance of uncertificated shares by the corporation and may prescribe procedures for the issuance and registration of transfer thereof and with respect to such other matters as the Board of Directors shall deem necessary or appropriate.

VII. DISTRIBUTIONS

7.01. Distributions. Subject to such restrictions or requirements as may be imposed by applicable law or the corporation's Articles or as may otherwise be binding upon the corporation, the Board of Directors may from time to time declare, and the corporation may pay or make, dividends or other distributions to its shareholders.

VIII. CORPORATE SEAL

8.01. Corporate Seal. The Board of Directors may provide for a corporate seal of the corporation that will have inscribed thereon any designation including the name of the corporation, Arizona as the state of incorporation, the year of incorporation, and the words "Corporate Seal."

IX. AMENDMENTS

9.01. Amendments. The corporation's Board of Directors may amend or repeal the corporation's Bylaws unless:

(1) the Articles or the Arizona Business Corporation Act reserve this power exclusively to the shareholders in whole or part; or

(2) the shareholders in adopting, amending, or repealing a particular Bylaw provide expressly that the Board of Directors may not amend or repeal that Bylaw.

The corporation's shareholders may amend or repeal the corporation's Bylaws even though the Bylaws may also be amended or repealed by its Board of Directors.

Exhibit 3.32

ARTICLES OF ORGANIZATION

OF

MERITAGE HOLDINGS, L.L.C.

The undersigned, a natural person of the age of eighteen years or more, acting as the organizer of a limited liability company under the Texas Limited Liability Company Act, hereby adopts the following Articles of Organization for the limited liability company (the "Company"):

ARTICLE ONE

The name of the Company is Meritage Holdings, L.L.C.

ARTICLE TWO

The period of duration of the Company is perpetual, subject to termination in accordance with the Regulations of the Company.

ARTICLE THREE

The purpose for which the Company is organized is to transact any and all lawful business for which limited liability companies may be organized under the Texas Limited Liability Company Act.

ARTICLE FOUR

The street address of the initial registered office of the Company is 350 North St. Paul Street, Suite 2900, Dallas, Texas 75201 and the name of the initial registered agent of the Company is CT Corporation System.

ARTICLE FIVE

The Company will not have managers, but will be managed by its member. The name and address of the sole member of the Company are:

Name	Address
Legacy/Monterey Homes, L.P.	4050 West Park Blvd. Plano, Texas 75093

ARTICLE SIX

The name and address of the organizer are:

Name	Address
Laurie S. Dennis.	1601 Elm Street Suite 3000 Dallas, Texas 75201

IN WITNESS WHEREOF, these Articles of Organization have been signed on this 22nd day of August, 2001.

/s/ Laurie S. Dennis

Laurie S. Dennis

Exhibit 3.33

REGULATIONS
OF
MERITAGE HOLDINGS, L.L.C.
A TEXAS LIMITED LIABILITY COMPANY

These Regulations of Meritage Holdings, L.L.C. ("Regulations"), dated as of September 1, 2001, are adopted and entered into by Legacy/Monterey Homes, L.P., an Arizona limited partnership, as the sole Member of Meritage Holdings, L.L.C., a Texas limited liability company formed and existing pursuant to its Articles of Organization.

ARTICLE I
DEFINITIONS

1.1 DEFINITIONS. As used in these Regulations, the following terms have the following meanings:

"Act" means the Texas Limited Liability Company Act and any successor statute, as amended from time to time.

"Affiliate" means any Person that directly or indirectly controls, is controlled by, or is under common control with the Person in question. As used in this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract, or otherwise.

"Capital Contribution" means any contribution by a Member to the capital of the Company.

"Code" means the Internal Revenue Code of 1986 and any successor statute, as amended from time to time.

"Company" means Meritage Holdings, L.L.C., a Texas limited liability company.

"Member" means any Person executing these Regulations as of the date of these Regulations as a member or hereafter admitted to the Company as a member, but does not include any Person who has ceased to be a member of the Company.

"Membership Interest" means the interest of a Member in the Company, including rights to distributions (liquidating or otherwise) and allocations.

"Person" means an individual or a corporation, limited liability company, partnership, trust, estate, unincorporated organization, association, or other entity.

"TBCA" means the Texas Business Corporation Act and any successor statute, as amended from time to time.

Other terms defined herein have the meanings so given them.

1.2 CONSTRUCTION. Whenever the context requires, the gender of all words used in these Regulations includes the masculine, feminine, and neuter. Unless the context makes clear to the contrary, all references to an "Article" or a "Section" refer to articles and sections of these Regulations, and all references to an "Exhibit" is to an Exhibit hereto, each of which is made a part hereof for all purposes. With respect to any matter or thing, "including" or "includes" means including, but not limited to, such matter or thing. "Herein," "hereof," and words of similar import refer to these Regulations and not to any particular section or subdivision of these Regulations.

ARTICLE II
ORGANIZATION

2.1 FORMATION. The Company has been organized as a Texas limited liability company by the filing of Articles of Organization (the "Articles") under and pursuant to the Act.

2.2 NAME. The name of the Company is "Meritage Holdings, L.L.C.," and all Company business must be conducted in that name or such other names that comply with applicable law as the Member may select from time to time.

2.3 REGISTERED OFFICE; REGISTERED AGENT; PRINCIPAL OFFICE IN THE UNITED STATES; OTHER OFFICES. The registered office of the Company required by the Act to be maintained in the State of Texas shall be the office of the initial registered agent named in the Articles or such other office as the Member may designate from time to time in the manner provided by law. The registered agent of the Company in the State of Texas shall be the initial registered agent named in the Articles or such other Person or Persons as the Member may designate from time to time in the manner provided by law. The

principal office of the Company in the United States shall be at such place as the Member may designate from time to time, which need not be in the State of Texas, and the Company shall maintain records there as required by Article 2.22 of the Act and shall keep the street address of such principal office at the registered office of the Company in the State of Texas. The Company may have such other offices as the Member may designate from time to time.

2.4 PURPOSES. The purpose of the Company is to transact any and all lawful business for which limited liability companies may be organized under the Act and to do all things necessary or incidental thereto to the fullest extent permitted by law.

2.5 REGULATIONS. These Regulations shall be the sole regulations governing the conduct of the Company.

2.6 FOREIGN QUALIFICATION. Before the Company conducts business in any jurisdiction other than the State of Texas, the Member shall cause the Company to comply, to the extent procedures are available and those matters are reasonably within the control of the Member, with all requirements necessary to qualify the Company as a foreign limited liability company in that jurisdiction. The Member shall execute, acknowledge, swear to, and deliver all certificates and other instruments conforming with these Regulations that are necessary or appropriate to qualify, continue, and (if continuing the foreign qualification is no longer necessary) terminate the Company as a foreign limited liability company in all such jurisdictions in which the Company may conduct business or cease to conduct business.

2.7 TERM. The Company commenced on the date of filing of the Articles with the Secretary of State of Texas and shall continue in existence until such time as the Articles or these Regulations may specify.

2.8 MERGERS AND EXCHANGES. The Company may be a party to a merger, consolidation, conversion, or other reorganization of the types permitted by the Act.

ARTICLE III
MEMBERSHIP

3.1 MEMBER. The sole Member of the Company is Legacy/Monterey Homes, L.P., an Arizona limited partnership, who is admitted to the Company as a Member effective contemporaneously with the execution by such Person of these Regulations.

3.2 LIABILITY TO THIRD PARTIES. No Member shall be liable for the debts, obligations, or liabilities of the Company (whether arising in contract, tort, or otherwise), including under a judgment, decree, or order of a court or arbitrator. The failure of the Company to observe any formalities or requirements relating to the exercise of its powers under these Regulations or the Act shall not be grounds for imposing personal liability on the Member for the debts, obligations, or liabilities of the Company.

3.3 RELIANCE. The Member shall be entitled to rely on the provisions of these Regulations, and the Member shall not be liable for any action or refusal to act taken in good faith and in reliance on the terms of these Regulations.

ARTICLE IV
CAPITAL CONTRIBUTIONS; DISTRIBUTIONS

4.1 INITIAL CONTRIBUTION. Contemporaneously with the execution by the Member of these Regulations, the Member shall make the Capital Contribution described in Exhibit A. No interest shall accrue on any contribution, and the Member shall not have the right to withdraw or be repaid any contribution, except as provided in these Regulations.

4.2 SUBSEQUENT CONTRIBUTIONS. Additional Capital Contributions may be made by the Member at its discretion.

4.3 DISTRIBUTIONS. The Company may make such distributions as are determined by the Member from time to time in its discretion. No distribution shall be made unless, after the distribution, the fair value of the assets of the Company (except property that is subject to a liability for which recourse of creditors is limited shall be included only to the extent that the fair value of that property exceeds that liability) exceeds the liabilities of the Company (other than liabilities to the Member with respect to its interest and liabilities for which the recourse of creditors is limited to specific property of the Company).

ARTICLE V

MANAGEMENT BY MEMBER

5.1 GENERALLY. The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed by or under the direction of, the Member. The acts of the Member shall be binding on the Company. Any Person dealing with the Company may rely on the authority of the Member in taking any action in the name of the Company without inquiry into the provisions of these Regulations or compliance herewith, regardless of whether that action is actually taken in accordance with the provisions of these Regulations and regardless of whether such action is for the purpose of apparently carrying on in the usual way the business and affairs of the Company. The Member shall not be personally liable for any of the debts, obligations, liabilities, or contracts of the Company by virtue of managing the Company's business, nor shall the Member be required to contribute or lend any funds to the Company other than any contribution otherwise required of it as a Member.

5.2 OFFICERS AND AGENTS.

(a) GENERALLY. The Member may, from time to time, designate one or more Persons to be officers of the Company. No officer need be a resident of the State of Texas or a

Member. Any officers so designated shall have such authority and perform such duties as the Member may, from time to time, delegate to them. The Member may assign titles to particular officers. Unless the Member decides otherwise, if the title is one commonly used for officers of a business corporation formed under the TBCA, the assignment of such title shall constitute the delegation to such officer of the authority and duties that are normally associated with that office, subject to any specific delegation of authority and duties made to such officer by the Member. Each officer shall hold office until his successor shall be duly designated and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same Person. The salaries or other compensation, if any, of the officers and agents of the Company shall be fixed from time to time by the Member and shall be reasonable with respect to the services rendered.

(b) RESIGNATION; REMOVAL. Any officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Member. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any officer may be removed as such, either with or without cause, by the Member whenever in his judgment the best interests of the Company will be served thereby; provided, however, that such removal shall be without prejudice to the contract rights, if any, of the Person so removed. Designation of an officer shall not of itself create contract rights. Any vacancy occurring in any office of the Company may be filled by the Member.

(c) PRESIDENT. The President shall be the Chief Executive Officer of the Company and, subject to the provisions of these Regulations, shall have general supervision of the affairs of the Company and shall have general and active control of all its business. He shall preside, when present, at all meetings of the Members. He shall see that all orders and resolutions of the Members are carried into effect. He shall have general authority to execute bonds, deeds and contracts in the name of the Company and affix the Company seal thereto; to cause the employment or appointment of such employees and agents of the Company as the proper conduct of operations may require, and to fix their compensation, subject to the provisions of these Regulations; to remove or suspend any employee or agent who shall have been employed or appointed under his authority or under authority of an officer subordinate to him; to suspend for cause, pending final action by the authority which shall have elected or appointed him, any officer subordinate to the President; and, in general, to exercise all the powers and authority usually appertaining to the chief executive officer of a corporation, except as otherwise provided in these Regulations.

(d) VICE PRESIDENTS. In the absence of the President or in the event of his inability or refusal to act, the Vice President, if any (or in the event there be more than one, the Vice Presidents in the order designated or, in the absence of any designation, then in the order of their election), shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall perform such other duties and have such other powers as the Member, the Chief Executive Officer or the Chief Operating Officer may from time to time prescribe. The Vice President in

charge of finance, if any, shall also perform the duties and assume the responsibilities described in this Article for the Treasurer, and shall report

directly to the Chief Executive Officer of the Company.

(e) SECRETARY. The Secretary shall attend and record minutes of the proceedings of all meetings of the Members. He shall file the records of such meetings in one or more books to be kept by him for that purpose. Unless the Company has appointed a transfer agent or other agent to keep such a record, the Secretary shall also keep at the Company's registered office or principal place of business a record of the original issuance of Membership Interests issued by the Company and a record of each transfer of those Membership Interests that have been presented to the Company for registration of transfer. Such records shall contain the names and addresses of all past and current Members of the Company and the Membership Interests held by each of them. He shall have custody of the company seal of the Company, if any, and he shall have authority to affix the same to any instrument requiring it. The Member may give general authority to any other officer to affix the seal of the Company, if any, and to attest the affixing by his signature. The Secretary shall keep and account for all books, documents, papers and records of the Company except those for which some other officer or agent is properly accountable. He shall have authority to sign Membership Interest certificates, if any, and shall generally perform all the duties usually appertaining to the office of the secretary of a corporation.

(f) TREASURER. The Treasurer, if any, shall have the custody of the Company funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Member or the Chief Executive Officer. He shall disburse the funds of the Company as may be ordered by the Member, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Member, at its regular meetings, or when the Member so requires, an account of all his transactions as Treasurer and of the financial condition of the Company. If required by the Member, he shall give the Company a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Member for the faithful performance of the duties of his office and for the restoration of the Company, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Company.

5.3 CONFLICTS OF INTEREST. The Member at any time and from time to time may engage in and possess interests in other business ventures of any and every type and description, independently or with others, whether or not such business ventures are in competition with the Company or relate to a business opportunity that might be beneficial to the Company, with no obligation to offer to the Company the right to participate in any such ventures not in competition with the Company. The Company may transact business with the Member or any Affiliate of the Member, including borrowing from or lending to the Member or any such other Person, without regard to whether the terms of any such transaction is less favorable to the

Company than those that the Company could obtain from any Person or Persons who or which are not Affiliated with the Company or the Member.

5.4 DUTIES OF MEMBER. The Member shall not be liable to the Company for any act or omission in the Member's capacity as Member or as the manager of the Company's business, even if the act or omission furthers the Member's own interest. In discharging its duties, the Member shall be fully protected in relying in good faith upon the records required to be maintained under Article 2.22 of the Act and upon such information, opinions, reports, or statements by any of its agents, or by any other Person as to matters the Member reasonably believes are within such other Person's professional or expert competence and who or which has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports, or statements as to the value and amount of the assets, liabilities, profits, or losses of the Company or any other facts pertinent to the existence and amount of assets from which distributions to the Member might be properly paid. Any repeal or amendment of this Section, or adoption of any other provision of the Articles or these Regulations inconsistent with this Section, shall be prospective only and shall not adversely affect any limitation on the liability to the Company of the Member existing at the time of such repeal or amendment or adoption of an inconsistent provision.

5.5 LIMITATIONS OF ARTICLES. The Member shall not cause or permit the Company to take any action that would violate any provision of the Articles.

5.6 PAYMENT OF EXPENSES AND COMPENSATION. The Company shall reimburse the Member for any fees and costs and out-of-pocket expenditures advanced by it relating to the formation of the Company and the preparation of the Articles, these Regulations, and associated documentation. Thereafter, all reasonable expenditures of the Company and the Member, with respect to the Member's duties and obligations contemplated by these Regulations, shall be paid by the Company. The Member shall be entitled to reasonable compensation for

services rendered on behalf of the Company, in an amount to be determined from time to time by the Member.

ARTICLE VI
INDEMNIFICATION

6.1 RIGHT TO INDEMNIFICATION. The Company shall indemnify the Member against any and all liability and reasonable expense that may be incurred by or in connection with or resulting from (a) any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (collectively, a "Proceeding"), (b) an appeal in such a Proceeding, or (c) any inquiry or investigation that could lead to such a Proceeding, all to the full extent permitted by applicable law. Upon a determination by the Member to do so, the Company may indemnify Persons who are or were an officer or agent of the Company both in their capacities as such and, if serving at the request of the Company as a director, manager, officer, trustee, employee, agent or similar functionary (collectively, along with officers and

agents of the Company, such Persons being referred to herein as "Company Functionaries") of another foreign or domestic corporation, limited liability company, trust, partnership, joint venture, sole proprietorship, employee benefit plan, or other enterprise, in each of those capacities, against any and all liability and reasonable expense that may be incurred by them in connection with or resulting from (a) any Proceeding, (b) an appeal in such a Proceeding, or (c) any inquiry or investigation that could lead to such a Proceeding, all to the full extent permitted by applicable law. The Company will pay or reimburse to the Member, and upon a determination by the Member to do so the Company may pay or reimburse to all Persons who are or were an officer, employee, or agent of the Company, in advance of the final disposition of the Proceeding, all reasonable expenses incurred by such Person who was, is or is threatened to be made a named defendant or respondent in a Proceeding to the full extent permitted by applicable law. The rights provided for in this Article VI shall be in addition to all rights to which any Company Functionary may be entitled under any agreement or determination of the Member or as a matter of law or otherwise.

6.2 INSURANCE. The Company may purchase or maintain insurance on behalf of any Company Functionary against any liability asserted against him and incurred by him in such a capacity or arising out of his status as a Company Functionary, whether or not the Company would have the power to indemnify him against the liability under the Act or these Regulations; provided, however, that if the insurance or other arrangement is with a Person that is not regularly engaged in the business of providing insurance coverage, the insurance or arrangement may provide for payment of a liability with respect to which the Company would not have the power to indemnify the person only if including coverage for the additional liability has been approved by the Member. Without limiting the power of the Company to procure or maintain any kind of insurance or arrangement, the Company may, for the benefit of persons indemnified by the Company, (a) create a trust fund, (b) establish any form of self-insurance, (c) secure its indemnification obligation by grant of any security interest or other lien on the assets of the Company, or (d) establish a letter of credit, guaranty, or surety arrangement. Any such insurance or other arrangement may be procured, maintained, or established within the Company or its Affiliates or with any insurer or other Person deemed appropriate by the Member, regardless of whether all or part of the stock or other securities thereof are owned in whole or in part by the Company. In the absence of fraud, the judgment of the Member as to the terms and conditions of such insurance or other arrangement and the identity of the insurer or other Person participating in an arrangement shall be conclusive, and the insurance or arrangement shall not be voidable and shall not subject the Member approving the insurance or arrangement to liability, on any ground, regardless of whether the Member participating in approving such insurance or other arrangement shall be beneficiaries thereof.

6.3 SAVINGS CLAUSE. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Person indemnified pursuant to this Article VI as to costs, charges, and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit, or proceeding, whether civil, criminal, administrative,

or investigative to the full extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE VII
TRANSFERS OF MEMBERSHIP INTEREST AND ADMISSION OF MEMBERS

7.1 DISPOSITION. The Membership Interest is transferable (in whole or in part), either voluntarily or by operation of law, by sale, assignment,

transfer, exchange, mortgage, pledge, grant, hypothecation, or otherwise, whether or not for consideration and whether absolutely or as security or encumbrance. Upon the transfer of the Membership Interest (in whole or in part), the transferee shall be admitted as a Member upon consent of the transferring Member at the time the transfer is completed.

7.2 ADMISSION OF ADDITIONAL MEMBERS. The Member may admit one or more additional Members and determine the amount of Capital Contribution(s) and the Membership Interest to be held by each new Member. Upon admission of any new Member, these Regulations shall be amended and restated as shall be agreed by the remaining Member and the new Member or Members so admitted, and shall provide (among other things) for allocations and distributions of profits and losses between the Members, voting, and other matters deemed appropriate by the Members.

ARTICLE VIII
TAXES

8.1 DISREGARD OF ENTITY. Pursuant to Treasury Regulation Section 301.7701-2(a) of the Code, the Company shall be disregarded for federal income tax purposes because it has a single Member, and shall be treated as a division of the Member.

8.2 TAX RETURNS. The Member shall cause to be prepared and filed any necessary federal and state income tax returns for the Company, including reporting the elections described in Section 8.3.

8.3 TAX ELECTIONS. The Company shall make the following elections on the appropriate tax returns:

(a) to elect to amortize the organizational expenses of the Company and the startup expenditures of the Company ratably over a period of sixty (60) months as permitted under Section 195 of the Code; and

(b) any other election, including whether the Company shall adopt a cash or accrual method of tax accounting, as the Member may deem appropriate.

ARTICLE IX
BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS

9.1 MAINTENANCE OF BOOKS. The Member shall cause the Company to keep books and records of account and shall keep records of the formal resolutions of the Member. The books of account for the Company shall be maintained on a cash or accrual basis (as determined by the Member) in accordance with the terms of these Regulations. The calendar year (or such other year as may be determined by the Member from time to time) shall be the accounting year of the Company.

9.2 ACCOUNTS. The Member shall establish and maintain one or more separate financial institution and/or investment accounts and arrangements for Company funds in the Company name and with financial institutions and firms that the Member may determine. The Member may not commingle the Company's funds with the funds of the Member; however, Company funds may be invested in a manner the same as or similar to the Member's investment of its own funds or investments by its Affiliates.

ARTICLE X
DISSOLUTION, LIQUIDATION, AND TERMINATION

10.1 DISSOLUTION. The Company shall dissolve and its affairs shall be wound up on the first to occur of the following:

(a) the election of the Member to do so; or

(b) the entry of a decree of judicial dissolution of the Company under Article 6.02 of the Act.

The Company shall not dissolve, in the absence of the Member's election to do so or a judicial order of dissolution, because of the Member's dissolution or bankruptcy, because of the transfer of all or any part of the Membership Interest to any other Person or Persons, or because of the Member's ceasing to be a Member upon or after the transfer of all or any part of the Membership Interest.

10.2 LIQUIDATION AND TERMINATION. On dissolution of the Company, the Member shall serve as liquidator. The liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of liquidation shall be a Company expense. Until final distribution, the liquidator shall continue to operate the Company assets subject to the provisions of these Regulations. The steps to be accomplished by the liquidator are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the liquidator shall cause a proper accounting to be made of the Company's assets, liabilities, and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;

(b) the liquidator shall pay, satisfy, or discharge from Company funds all of the debts, liabilities, and obligations of the Company (including all expenses incurred in liquidation) or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the liquidator may reasonably determine); and

(c) all remaining assets of the Company shall be distributed to the Member as follows:

(ii) the liquidator may sell any or all Company property; and

(iii) the net proceeds of sale of Company property and all Company property that has not been sold shall be distributed to the Member;

and those distributions shall be made by the end of the taxable year of the Company during which the liquidation of the Company occurs (or, if later, ninety (90) days after the date of the liquidation).

The distribution of cash and/or other property to a Member in accordance with the provisions of this Section 10.2 constitutes a complete distribution to the Member with respect to its Membership Interest and the Member's interest in the Company's property, and constitutes a compromise to which the Member has consented within the meaning of Article 5.02(D) of the Act.

10.3 ARTICLES OF DISSOLUTION. On completion of the distribution of Company assets as provided herein, the Company is terminated, and the Member (or such other Person or Persons as the Act may require or permit) shall file Articles of Dissolution with the Secretary of State of Texas, cancel any other filings made pursuant to Section 2.6, and take such other actions as may be necessary to terminate the Company.

ARTICLE XI
GENERAL PROVISIONS

11.1 OFFSET. Whenever the Company is obligated to pay any amount to the Member, any amounts that Member owes the Company may be deducted from that amount before payment.

11.2 ENTIRE AGREEMENT. These Regulations, including the Exhibits (which are integral parts of these Regulations), constitute the entire governing regulations of the Company, and the entire agreement between the Member and the Company regarding the Company's governance, and supersede all prior governing regulations of the Company, whether oral or written.

11.3 EFFECT OF WAIVER OR CONSENT. No waiver of any term or condition of these Regulations or consent to any breach or default hereof shall be enforceable unless it is in writing and signed by the Person against whom or which it is sought to be enforced. A waiver of or consent to any breach or default by any Person in the performance by that Person of its obligations with respect to the Company is not a waiver of or consent to or of any other breach or default in the performance by that Person of the same or any other obligations of that Person with respect to the Company. Failure on the part of a Person to complain of any act of any other Person or to declare any other Person in default of any obligations with respect to the Company, irrespective of how long that failure continues, does not constitute a waiver by that Person of its rights with respect to that default until the applicable statute-of-limitations period has run.

11.4 AMENDMENTS TO REGULATIONS OR ARTICLES. Except for amendments otherwise expressly contemplated herein, these Regulations may be amended or modified from time to time only by the Member. The Articles may be amended or modified from time to time only by the Member.

11.5 BINDING EFFECT. These Regulations are binding on and inure to the benefit of the Member and its legal representatives, successors, and assigns.

11.6 GOVERNING LAW; SEVERABILITY. THESE REGULATIONS ARE GOVERNED BY, AND SHALL BE ENFORCED UNDER AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF

THE STATE OF TEXAS. If any provision of these Regulations or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of these Regulations and the application of that provision to other Persons or circumstances is not affected thereby and that provision shall be enforced to the greatest extent permitted by law. In the event the Act is subsequently amended or interpreted in such a way to make any provision of these Regulations that was formerly invalid valid, such provision shall be considered to be valid from the effective date of such interpretation or amendment.

11.7 FURTHER ASSURANCES. In connection with these Regulations and the transactions contemplated hereby, the Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of these Regulations and those transactions.

11.8 CREDITORS. None of the provisions of these Regulations shall be for the benefit of or enforceable by any creditor of the Company.

IN WITNESS WHEREOF, the Member has executed these Regulations as of the date first set forth above.

LEGACY/MONTEREY HOMES, L.P.

By: MTH-Texas GP, Inc.,
its Sole General Partner

By: /s/ Richard T. Morgan

Richard T. Morgan, Vice President

EXHIBIT A

<TABLE>
<CAPTION>

NAME OF MEMBER	INITIAL CAPITAL CONTRIBUTION
<S>	<C>
Legacy/Monterey Homes, L.P.	1% General Partner Interest in Legacy Operating Company, L.P., a Texas limited partnership

</TABLE>

Exhibit 3.34

ARTICLES OF ORGANIZATION

OF

HULEN PARK VENTURE, LLC

Robert H. McKenzie-Smith, a natural person of the age of 18 years or older, adopts the following Articles of Organization for a limited liability company under the Texas Limited Liability Company Act, Vernon's Ann.Civ.St. Art 1528n, art 1.01, et seq

ARTICLE I

NAME. The name of the limited liability company, referred to in these Articles as the "Company", is HULEN PARK VENTURE, LLC.

ARTICLE II

DURATION. The period of duration of the Company is ten (10) years, beginning on the date these Articles of Organization are filed by the Texas Secretary of State.

ARTICLE III

PURPOSE. The purpose of which the Company is organized is to transact any or all lawful business for which limited liability companies may be organized under the Texas Limited Liability Company Act.

ARTICLE IV

PRINCIPAL PLACE OF BUSINESS, REGISTERED OFFICE AND AGENT. The address of the Company's principal place of business in Texas is 6309 North O'Connor Boulevard, Suite 118, in the City of Irving, Dallas County, Texas 75039. The name of the Company's initial registered agent, and the address of the initial registered office, are, respectively, Robert H. McKenzie-Smith and 6309 North O'Connor Boulevard, Suite 118, Irving, Texas 75039.

ARTICLE V

MANAGEMENT. The Company is to be managed by its so-called "Managers," as such term is defined in the Texas Limited Liability Company Act. The number of initial Managers of the Company is two (2), and the initial Managers shall serve until the Organization Meeting of the Managers of Hulen Park Venture, LLC, when their successors shall be elected and shall qualify. The initial Managers of the Company are the following:

Robert H. McKenzie-Smith
3113 Coronado Street
Irving, Texas 75062

Ronald G. Nonnemacher
222 Silver Creek
Duncanville, Texas 75116

ARTICLE VI

REGULATIONS. The power to adopt, alter, amend or repeal the Regulations of the Company, including the initial regulations, is vested entirely in the Managers identified within Article V, hereinabove.

ARTICLE VII

ORGANIZER. Robert H. McKenzie-Smith is the Organizer, and his business address is 6309 North O'Connor Boulevard, Suite 118, Irving Texas 75039.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Organization on behalf of the Company on this 7th day of July 1998.

/s/ Robert H. McKenzie-Smith

Robert H. McKenzie-Smith

Office of the
Secretary of State
Corporations Section
P.O. Box 13697
Austin, Texas 78711-3697

[SEAL OF STATE OF TEXAS]

STATEMENT OF CHANGE OF REGISTERED OFFICE OR
REGISTERED AGENT OR BOTH BY A CORPORATION,

LIMITED LIABILITY COMPANY OR LIMITED PARTNERSHIP

1. The name of the entity is Hulen Park Venture, LLC.

The entity's charter/certificate of authority/file number is 07039134-7

2. The registered office address as PRESENTLY shown in the records of the Texas secretary of state is: 6309 N. O'Connor Boulevard, Suite 118, Irving, Texas 75039

3. A. [X] The address of the NEW registered office is: (Please provide street address, city, state and zip code. The address must be in Texas.)

409 West Vickery Boulevard, Suite 200, Fort Worth, Texas 76104

OR B. [ ] The registered office address will not change.

4. The name of the registered agent as PRESENTLY shown in the records of the Texas secretary of state is Robert H. McKenzie-Smith

5. A. [ ] The name of the NEW registered agent is_____

OR B. [X] The registered agent will not change.

6. Following the changes shown above, the address of the registered office and the address of the office of the registered agent will continue to be identical, as required by the law.

7. The changes shown above were authorized by:

Business Corporations may select A or B	Limited Liability Companies may select D or E
Non-Profit Corporations may select A, B, or C	Limited Partnerships select F

A. [ ] The board of directors;

B. [ ] An officer of the corporation so authorized by the board of directors;

C. [ ] The members of the corporation in whom management of the corporation is vested pursuant to article 2.14C of the Texas Non-Profit Corporation Act;

D. [ ] Its members;

E. [X] Its managers; or

F. [ ] The limited partnership.

/s/ Robert H. McKenzie-Smith

(Authorized Officer of Corporation)
(Authorized Member or Manager of LLC)
(General Partner of Limited Partnership)

[SEAL OF STATE OF TEXAS]

Office of the
Secretary of State
Corporations Section
P.O. Box 13697
Austin, Texas 78711-3697

CHANGE OF REGISTERED AGENT/REGISTERED OFFICE

1. The name of the entity is Hulen Park Venture, L.L.C.

and the file number issued to the entity by the secretary of state is 070391347-S

2. The entity is: (Check one)

[ ] a business corporation, which has authorized the changes indicated below through its board of directors or by an officer of the corporation so authorized by its board of directors, as provided by the Texas Business Corporation Act.

[ ] a non-profit corporation, which has authorized the changes indicated below through its board of directors or by an officer of the corporation so authorized by its board of directors, or through its members in whom management of the corporation is vested pursuant to article 2.14C, as provided by the Texas Non-Profit Corporation Act.

[X] a limited liability company, which has authorized the changes indicated below through its members or managers, as provided by the Texas Limited Liability Company Act.

[ ] a limited partnership, which has authorized the changes indicated below through its partners, as provided by the Texas Revised Limited Partnership Act.

[ ] an out-of-state financial institution, which has authorized the changes indicated below in the manner provided under the laws governing its formation.

3. The registered office address as PRESENTLY shown in the records of the Texas secretary of state is 6309 N. O'Connor Boulevard, Suite 118, Irving, Texas 75039

4. [X] A. The address of the NEW registered office is: (Please provide street address, city, state and zip code. The address must be in Texas.)

4050 W. Park Boulevard; Plano, Texas 75093

OR [X] B. The registered office address will not change.

5. The name of the registered agent as PRESENTLY shown in the records of the Texas secretary of state is Robert H. McKenzie-Smith

6. [X] A. The name of the NEW registered agent is Richard T. Morgan

OR [ ] B. The registered agent will not change.

7. Following the changes shown above, the address of the registered office and the address of the office of the registered agent will continue to be identical, as required by law.

By: /s/ Richard T. Morgan

(A person authorized to sign on behalf of the entity)

Exhibit 3.35

REGULATIONS

Of

HULEN PARK VENTURE, LLC

ARTICLE I
OFFICES

The principal offices of Hulen Park Venture, LLC, a Texas Limited Liability Company (hereinafter the "Company") in the State of Texas shall be located at 4050 West Park Boulevard, in the City of Plano, County of Collin, Texas, or at an alternative location which may be designated by the Board of Managers of the Company from time to time by amendment hereto. The mailing address of the Company shall be 6309 North O'Connor Boulevard, Suite 118, Irving, Texas 75039. The Company may have such other offices, either within or without the State of Texas as the Board of Managers may designate, as the business of the Company may from time to time require.

The registered office of the Company required by the Texas Limited Liability Company Act to be maintained in the State of Texas may be, but need not be, identical with the principal office in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Managers.

ARTICLE II
HOLDERS OF UNITS OF MEMBERSHIP INTEREST

SECTION 1: ANNUAL MEETING. The annual meeting of the holders of Units of Membership Interest (the "Annual Owner's Meeting") shall be held on the First day of December in each year, beginning with the year 1998, at the hour of 3:30 P.M., for the purpose of electing Managers and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Texas such meeting shall be held on the next succeeding business day.

If the election of Managers shall not be held on the day designated herein for any annual meeting of the holders of Units of Membership Interest, or at any adjournment thereof the Board of Managers shall cause the election to beheld at a special meeting of the holders of Units of Membership Interest as soon thereafter as conveniently may be.

SECTION 2: SPECIAL MEETINGS. Special meetings of the holders of Units of Membership Interest, for any purpose or purposes, unless otherwise prescribed by statute, shall be called by the President or by the Board of Managers, and shall be called by the President at the request of the holders of not less than twenty percent (20%) of all the outstanding Units of Membership Interest of the Company entitled to vote at the meeting.

SECTION 3: PLACE OF MEETING. The Board of Managers may designate any place, either within or without the State of Texas, as a place of meeting for any annual meeting or for any

special meeting called by the Board of Managers. A waiver of notice signed by all holders of Units of Membership Interest entitled to vote in the meeting may designate any place, either within or without the State of Texas, as a place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the registered office of the Company in the State of Texas.

SECTION 4: NOTICE OF MEETING. Written or printed notice stating the place, day and hour of meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days, nor more than fifty (50) days, before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the officer or person calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the holder of any Unit of Membership Interest at his, her or its address as it appears on the Unit of Membership Interest transfer books of the Company, with postage thereon prepaid.

SECTION 5: CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. For the purpose of determining holders of Units of Membership Interest entitled to notice of or to vote at any meeting of holders of Units of Membership Interest or any adjournment thereof, or holders of Units of Membership Interest entitled to receive payment of any distribution, or in order to make a determination of holders of Units of Membership Interest for any other proper purpose, the Board of Managers of the Company may provide that the Unit of Membership Interest transfer book shall be closed for a stated period, but not to exceed, in any case, fifty (50) days. If the Unit of Membership Interest transfer book shall be closed for the purpose of determining holders of Units of Membership Interest entitled to notice of, or to vote at a meeting of holders of Units of Membership

Interest, such book shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the Unit of Membership Interest transfer book, the Board of Managers may fix in advance a date as the Record Date (herein so-called) for any such determination of holders of Units of Membership Interest, such date in any case to be not more than fifty (50) days and, in case of any meeting of holders of Units of Membership Interest, not less than ten (10) days prior to the meeting on which the particular action, requiring such determination of holders of Units of Membership Interest, is to be taken. If the Unit of Membership Interest transfer books are not closed and no Record Date is fixed for the determination of holders of Units of Membership Interest entitled to notice of, or to vote at a meeting of holders of Units of Membership Interest, or holders of Units of Membership Interest entitled to receive payment of a distribution, the date on which notice of the meeting is mailed, or the date on which the resolution of the Board of Managers declaring such distribution is adopted, as the case may be, shall be the Record Date for the determination of holders of Units of Membership Interest. When the determination of holders of Units of Membership Interest entitled to vote in any meeting of holders of Units of Membership Interest has been made as provided in this section, such determination shall apply to any adjournment thereof, except where the determination has been made through the closing of the Unit of Membership Interest transfer books and the stated period of closing has expired.

SECTION 6: VOTING LISTS. The officer or agent having charge of the Unit of Membership Interest transfer books for Units of Membership Interest of the Company shall make, at least ten

(10) days before each meeting of holders of Units of Membership Interest, a complete list of the holders of Units of Membership Interest entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address of and the number of Units of Membership Interest held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Company, and shall be subject to inspection by any holder of any Unit of Membership Interest at any time during the usual business hours. Such list shall also be produced and kept open at the time and place of the meeting, and shall be subject to the inspection of any holder of any Unit of Membership Interest during the whole time of the meeting. The original Unit of Membership Interest transfer book shall be prima facie evidence as to who are the holders of Units of Membership Interest entitled to examine such list or transfer books or to vote at any meeting of the holders of Units of Membership Interest.

SECTION 7: QUORUM. A majority of the outstanding Units of Membership Interest of the Company entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of holders of Units of Membership Interest. If less than the majority of the outstanding Units of Membership Interest are represented at a meeting, a majority of Units of Membership Interest so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The holders of Units of Membership Interest present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough holders of Units of Membership Interest to leave less than a quorum.

SECTION 8: PROXIES. At a meeting of holders of Units of Membership Interest, a shareholder may vote by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. Such proxies shall be filed with the Secretary of the Company before or after the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

SECTION 9: VOTING OF UNITS OF MEMBERSHIP INTEREST. Subject to the provisions of section 11 of this article II, each outstanding Unit of Membership Interest entitled to vote shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of the holders of Units of Membership Interest.

SECTION 10: VOTING OF UNITS OF MEMBERSFHP INTEREST BY CERTAIN HOLDERS. Units of Membership Interest standing in the name of another Company may be voted by such officer, agent or proxy as the by-laws of such Company may prescribe, or in the absence of such provision, as the Board of Directors of such Company may determine.

Units of Membership Interest held by an administrator, executor, guardian or conservator may be voted by him or her, either in person or by proxy, without transfer of such Units of Membership Interest unto his or her name. Units of Membership Interest standing in the name of trustee may be voted by him or her, either in person or by proxy, but no trustee shall be entitled to vote Units of Membership Interest held by him or her without a transfer of Units of Membership Interest into his or her name.

Units of Membership Interest standing in the name of receiver may be voted by such receiver, and Units of Membership Interest held by or under the control of the receiver may be voted by such receiver without the transfer thereof into his

or her name, if authority so to do be contained in an appropriate order of the court by which such receiver is appointed.

A shareholder whose Units of Membership Interest are pledged shall be entitled to vote such Units of Membership Interest until the Units of Membership Interest have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the Units of Membership Interest so transferred.

Units of Membership Interest of its own stock belonging to the Company or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding Units of Membership Interest at any given time.

SECTION 11: CUMULATIVE VOTING PERIOD. At each election for Managers, every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of Units of Membership Interest owned by him, her or it for as many persons as there are Managers to be elected and for whose election he, she or it has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such Managers multiplied by the number of his Units of Membership Interest shall equal, or by distributing such votes on the same principal among any number of candidates.

SECTION 12: INFORMAL ACTION BY HOLDERS OF UNITS OF MEMBERSHIP INTEREST. Any action required to be taken at a meeting of holders of Units of Membership Interest may be taken without a meeting, if the consent in writing, setting forth the action so taken, shall be signed by all the holders of Units of Membership Interest entitled to vote with respect to the subject matter thereof.

ARTICLE III
BOARD OF MANAGERS

SECTION 1: GENERAL POWERS. The business and affairs of the Company shall be managed by the Board of Managers.

SECTION 2: NUMBER, TENURE AND QUALIFICATIONS. Until the Organization Meeting of the Managers of the Company (hereinafter the "Organization Meeting"), the number of initial Managers of the Company shall be two (2). The aforesaid Organization Meeting shall take place within thirty (30) days following the date upon which the Articles of Organization of the Company are filed with the Secretary of the State of Texas. At the Organization Meeting, the owners of the Units of Membership Interest in the Company shall elect three (3) Managers of the Company to serve until the First Annual Owner's Meeting, or until their successors shall otherwise qualify. Thereafter, the number of Managers of the Company shall be three (3), excepting as otherwise established as provided herein. Each Manager shall hold office until the next Annual Owner's Meeting and until his or her successor shall have been elected and

qualified. Managers need not be residents of the State of Texas or holders of Units of Membership Interest of the Company.

SECTION 3: REGULAR MEETINGS. A regular meeting of the Board of Managers shall be held without other notice than this Regulation immediately after, and at the same place as, the Annual Owner's Meeting. The Board of Managers may provide, by resolution, the time and place, either within or without the State of Texas, for the holding of additional regular meetings without other notice than such resolution.

SECTION 4: SPECIAL MEETINGS. Special meetings of the Board of Managers may be called by or at the request of the President or any two Managers. The person or persons authorized to call special meetings of the Board of Managers may fix any place either within or without the State of Texas, as the place for holding any special meeting for the Board of Managers called by them.

SECTION 5: NOTICE. Notice of any special meeting shall be given at least two (2) days previously thereto by written notice delivered personally or mailed to each Manager at his business address, or by telegram. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any Manager may waive notice of any meeting. The attendance of a Manager at a meeting shall constitute a waiver of notice of such meeting, except where a Manager attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Managers need be specified nor notice or waiver of notice of such a meeting.

SECTION 6: QUORUM. A majority of the number of Managers fixed by Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Managers, but if less than such majority is present at a meeting, a majority of the Board of Managers present may adjourn the meeting from time to time without further notice.

SECTION 7: MANNER OF ACTING. The act of the majority of the Managers present at

a meeting at which a quorum is present shall be the act of the Board of Managers.

SECTION 8: VACANCIES. Any vacancy occurring in the Board of Managers may be filled by the affirmative vote of the majority of the remaining Managers though less than a quorum of the Board of Managers. A Manager elected to fill a vacancy shall be elected for the un-expired term of his predecessor in office. Any Managership to be filled by reason of an increase in the number of Managers shall be filled by election at an annual meeting or at a special meeting of holders of Units of Membership Interest called for that purpose.

SECTION 9: COMPENSATION. By resolution of the Board of Managers, the Managers may be paid their expenses, if any, of attendance at each meeting of the Board of Managers, and may be paid a fixed sum for attendance at each meeting of the Board of Managers, or a stated salary

as Manager. No such payment shall preclude any Manager from serving the Company in any other capacity and receiving compensation therefor.

SECTION 10: PRESUMPTION OF ASSENT. A Manager of the Company who is present at a meeting of the Board of Managers at which action regarding any matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting, or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof, or shall forward his dissent by registered mail to this Secretary of the Company immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Manager who voted in favor of such action.

ARTICLE IV
OPERATING OFFICERS

The Operating Officers of the Company shall be one or more Managers of the Company, appointed from time to time by the Board of Managers.

ARTICLE V
CONTRACTS; LOANS; CHECKS; DEPOSITS

SECTION 1: CONTRACTS. The Board of Managers may authorize any Manager or Managers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the Company, and such authority may be general or confined to specific instances.

SECTION 2. LOANS. No loan shall be contracted on behalf of the Company and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Managers. Such authority shall be confined to specific instances.

SECTION 3: CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Company, shall be signed by such Manager or Managers, or agent or agents of the Company and in such manner as shall from time to time be determined by the resolution of the Board of Managers.

SECTION 4: DEPOSITS. All funds of the Company not otherwise employed shall be deposited from time to time to the credit of the Company at such banks, trust companies or depositories as the Board of Managers may select.

ARTICLE VI
CERTIFICATES FOR UNITS OF MEMBERSHIP INTEREST AND THEIR TRANSFER

Certificates representing Units of Membership Interest of the Company shall be in such forms as shall be determined by the Board of Managers. Such certificates shall be signed by two (2) Managers of the Company. All certificates for Units of Membership Interest shall be consecutively numbered or otherwise identified. The name and address of the person, to whom the Units of Membership Interest represented thereby are issued, with the number of Units of

Membership Interest and date of issue, shall be entered on the Unit of Membership Interest transfer books of the Company. All certificates surrendered to the Company for transfer shall be canceled, and no new certificate shall be issued until the former certificate for a like number of Units of Membership Interest shall have been surrendered and canceled, except in case of a lost, destroyed or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the Company as the Board of Managers may prescribe.

Transfer of Units of Membership Interest of the Company shall be made only on the Unit of Membership Interest transfer books of the Company by the holder of record thereof or by the legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Company, and on surrender for cancellation of the certificate for such Units of Membership

Interest. The person in whose names Units of Membership Interest stand on the books of the Company shall be deemed by the Company to be the owner thereof for all purposes.

ARTICLE VII
FISCAL YEAR

The fiscal year of the Company shall begin on the first day of January and end on the thirty-first day of December each year.

ARTICLE VIII
DISTRIBUTIONS

The Board of Managers may from time to time declare, and the Company may pay, distributions on its outstanding Units of Membership Interest in the manner and upon the terms and conditions provided by law and its articles of Organization.

ARTICLE IX
SEAL

The Board of Managers shall provide a company seal that shall be circular in form, and shall have inscribed thereon the name of the Company, the year of Organization, and the state of Organization.

ARTICLE X
WAIVER OF NOTICE

Whenever any notice is required to be given to any shareholder or Manager by the Company under the provisions of these Regulations, or under the provisions of the Articles of Organization or under the provisions of the Texas Limited Liability Company Act, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XI
AMENDMENTS

These Regulations may be altered, amended or repealed, and new Regulations may be adopted by the Board of Managers at any regular or special meeting of the Board of Managers.

ARTICLE XII
MISCELLANEOUS PROVISIONS

SECTION 1: POWER TO ALTER OR AMEND. These Regulations may be altered or amended by the affirmative vote of a majority of the Units of Membership Interest issued and outstanding and entitled to vote, at any regular or special meeting of the holders of Units of Membership Interest, if notice of the proposed alteration or amendment be contained in the notice of the meeting, or by a resolution adopted by the affirmative vote of a majority of the whole Board of Managers at a regular or special meeting, provided that the amendments so adopted shall first have been proposed by a resolution passed by the vote of a majority of the whole Board of Managers at its last preceding meeting, and that the notice calling the meeting at which the amendments are to be and are adopted shall specify by designated number, the section or sections of the Regulations involved, and shall embody a copy of the section or sections proposed to be added or deleted, or in case it is proposed to amend any section or sections, shall embody a copy of such section or sections in proposed amended form.

SECTION 2: ADVANCE NOTICE OF GENERAL MATTERS. No business shall be transacted at an annual meeting of holders of Units of Membership Interest, except such business as shall be (a) specified in the notice of meeting given as provided in Section 5 of this Article II, (b) otherwise brought before the meeting by or at the direction of the Board of Managers, or (c) otherwise brought before the meeting by any holder of any Unit of Membership Interest of record entitled to vote at the meeting, in compliance with the procedure set forth in this Section 2. For business to be brought before an annual meeting by a holder of any Unit of Membership Interest pursuant to (c) above, the holder of such Unit of Membership Interest must have given timely notice in writing to the Secretary. To be timely, a such notice must be delivered to, or mailed to and received at, the principal executive offices of the Company not less than ten (10) nor more than sixty (60) days prior to the meeting; provided, however, that if less than twenty (20) days' notice or prior public disclosure of the meeting is given or made to holders of Units of Membership Interest, notice by the holder of such Unit of Membership Interest will be timely if received not later than the close of business on the third (3d) business day following the day on which such notice of the date of the meeting, or such public disclosure, was given or made. Notice shall be deemed to have been given at least twenty (20) days in advance of the annual meeting if the annual meeting is called on the date indicated by Section 2 of Article II, hereof, without regard to when notice or public disclosure thereof is given or made. Notice of actions to be brought before the annual meeting pursuant to (c), above, shall set forth, as to each matter the holder of the Unit of Membership Interest proposes to bring before the annual meeting; (i) a brief description of the business desired to be brought before

the annual meeting and the reasons for bringing such business before the annual meeting, (ii) the name and address, as they appear on the Company's books, of each holder of Units of Membership Interest proposing such business, (iii) the classes and number of Units of Membership Interest of the Company that are owned of

record and beneficially by such person or entity, and (iv) any material interest of such person or entity in such business other than his interest as a holder Units of Membership Interest of the Company. Notwithstanding anything in these Regulations to the contrary, no business shall be conducted at an annual meeting except in accordance with the provisions set forth in this Section 2, of Article XII. If the chairman of the annual meeting determines that any business was not properly brought before the meeting in accordance with provisions prescribed by these Regulations, he shall so declare to the meeting, and to the extent permitted by law any such business not properly brought before the meeting shall not be transacted.

ADVANCE NOTICE OF NOMINATIONS. Only persons who are nominated in accordance with the provisions set forth in these Regulations shall be eligible to be elected as Managers at an annual or special meeting of holders of Units of Membership Interest. Nomination for election to the Board of Managers shall be made by the Board of Managers, or a Nominating Committee appointed by the Board of Managers. Nomination for election of any person to the Board of Managers may also be made by any holder or one or more Unites of Membership Interest if written notice of the nomination of such person shall have been delivered to the Secretary of the Company at the principal office of the Company not later than the close of business on the fifth (5th) business day following the date on which notice is first given to holders of Units of Membership Interest of the meeting at which such election is to be held. Each such notice shall set forth: (a) the name and address of the holder or one or more Units of Membership Interest who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the person or entity promulgating such nomination is a holder of record of Units of Membership Interest of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the person or entity promulgating such nomination and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the person or entity promulgating such nomination; (d) such other information regarding each nominee proposed by such person or entity promulgating such nomination as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission if the nominee had been nominated by the Board of Managers; and, (e) the written consent of each nominee to serve as a Manager of the Company if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

EXECUTION FOR IDENTIFICATION. These Regulations are executed for identification by the Initial Managers of HULEN PARK VENTURE, LLC, a Texas Limited Liability Company, at its Organization Meeting of September 1998.

/s/ John R. Landon
- --------------------
John R. Landon
Manager

/s/ Richard T. Morgan

Richard T. Morgan
Manager

/s/ Robert H. McKenzie-Smith
- ----------------------------
Robert H. McKenzie-Smith
Manager

AGREEMENT FOR THE SALE AND TRANSFER OF UNITS OF MEMBERSHIP INTEREST IN HULEN PARK VENTURE, LLC

STATE OF TEXAS Section
Section
Section KNOW ALL MEN BY THESE PRESENTS:
Section
COUNTY OF TARRANT Section

Whereas, Hulen Park Venture, LLC (herein the "Company"), is a Texas Limited Liability Company formed for the purpose of undertaking the acquisition, development and sate of a 177.48 acre tract of land out of the Isabel Flores Survey, Abstract No. 507, Tarrant County, Texas, which tract of land is more particularly identified by the survey performed and staked on the ground on 21 April 1998 by Tommy D. Burks, State of Texas Professional Land Surveyor No. 3668, a copy of which survey is appended as Exhibit "A," to the Minutes of the Organization Meeting of the Board of Managers of Hulen Park Venture, LLC, and incorporated herein by this reference for all purposes (herein the "Property"); and,

Whereas, Legacy/Monterey Homes, L.P. (herein "Legacy") is a Texas Limited Partnership acting by and through its President, John R. Landon, an individual

residing in Dallas County, Texas, and Chairman of the Board of Managers of the Company; and,

Whereas, The Palladium Group, Inc. (herein "Palladium"), is a Texas Corporation acting by and through its President, Joy D. McKenzie-Smith; and,

Whereas, Robert H. McKenzie-Smith (herein "McKenzie-Smith") is an individual residing in Tarrant County, Texas, a member of the Board of Managers of the Company, and Chief Operating Officer of the Company; and,

Whereas, Legacy is the owner of seventy-five percent (75%) of the total of all interests in the Company, with such ownership represented by Seven Hundred Fifty (750) Units of Membership Interest in the Company; and,

Whereas, Palladium is the owner of twenty-five percent (25%) of the total of all interests in the Company, with such ownership represented by Two Hundred Fifty (250) Units of Membership Interest in the Company; and,

Whereas, Legacy desires to acquire the interests in the Company owned by Palladium and to assume full operational control of the business and affairs of the Company; and,

Whereas, Palladium desires to sell and convey its interest in the Company to Legacy and to relinquish any and all control of the business and affairs of the Company to Legacy; and,

Whereas, Robert H. McKenzie-Smith desires to resign his positions as Chief Operating Officer of the Company and Member of the Board of Managers of the Company;

Now, Therefore, premises considered, Legacy, Palladium, McKenzie-Smith and the Company COVENANT and AGREE as follows:

1. For and in consideration of Ten Dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Palladium, Palladium does herewith sell and convey to Legacy Two Hundred and Fifty (250) Units of Membership Interest in the Company, being the total of all interests in the Company owned by Palladium.

2. McKenzie-Smith herewith resigns his positions as Chief Operating Officer and a member of the Board of Managers of the Company.

3. Legacy and the Company herewith ratify all actions taken by McKenzie-Smith for and in behalf of the Company in his capacity as Chief Operating Officer of the Company and as a Member of the Board of Managers of the Company. Legacy and the Company likewise assume responsibility for all obligations and liabilities of the Company, including contractual obligations and liabilities, and holds harmless McKenzie-Smith and Palladium from and against any and all claims by third parties in any way pertaining to the Property, or to the business and affairs of the Company.

4. Without limitation, Legacy and the Company specifically assume responsibility for all duties, obligations and payments for services resulting from service contracts pertaining to the Property with USA Professional Services Group, Inc.

This AGREEMENT FOR THE SALE AND TRANSFER OF UNITS OF MEMBERSHIP INTEREST IN HULEN PARK VENTURE, LLC, is made in Tarrant County, Texas, as of 25 November 1999, among and between, Legacy/Monterey Homes, LP., a Texas Limited Partnership, The Palladium Group, Inc., a Texas Corporation, Hulen Park Venture, LLC, a Texas Limited Liability Company, and Robert H. McKenzie-Smith, an individual.

LEGACY MONTEREY HOMES, L.P.

/s/ John R. Landon
- ----------
By: John R. Landon
Its: President

/s/ Robert H. McKenzie-Smith

Robert H. McKenzie-Smith
Individually

THE PALLADIUM GROUP, INC.

/s/ Joy D. McKenzie Smith
- ----------
By: Joy D. McKenzie-Smith
Its: President

HULEN PARK VENTURE, LLC.

/s/ John R. Landon

By: John R. Landon
Its: Manager

Exhibit 3.36

FORM 207
(REVISED 5/01)

This space reserved for office use.

Return in Duplicate to:
Secretary of State
P.O. Box 13697
Austin, TX 78711-3697
FAX: 512/463-5709

FILING FEE: $750

CERTIFICATE OF LIMITED PARTNERSHIP PURSUANT TO ARTICLE 6132a-1

1. NAME OF LIMITED PARTNERSHIP

The name of the limited partnership is as set forth below:

MTH Homes - Texas, L.P.

The name must contain the words "Limited Partnership," or "Limited," or the abbreviation "L.P.," or "Ltd." as the last words or letters of its name. The name must not be the same as, deceptively similar to or similar to that of an existing corporate, limited liability company, or limited partnership name on file with the secretary of state. A preliminary check for "name availability" is recommended.

2. PRINCIPAL OFFICE

The address of the principal office in the United States where records of the partnership are to be kept or made available is set forth below:

Address: 6613 N. Scottsdale Road, #200

City	State	Zip Code	Country
Scottsdale	AZ	85250	USA

3. REGISTERED AGENT AND REGISTERED OFFICE

[X] A. The initial registered agent is a corporation by the name set forth below:

OR C T Corporation System

[ ] B. The initial registered agent is an individual resident of the state whose name is set forth below:

First Name_____ Middle Initial_____ Last Name_____ Suffix_____

C. The business address of the registered agent and the registered office address is:

Street Address	City	Zip Code
		TX
c/o 350 North St. Paul Street	Dallas	75201

4. GENERAL PARTNER INFORMATION

The name, mailing address, and the street address of the business or residence of each general partner is as follows:

LEGAL ENTITY: The general partner is a legal entity named:

MTH - Texas GP II, Inc.

INDIVIDUAL: The general partner is an individual whose name is set forth below:

First Name_____ M.I._____ Last Name_____ Suffix_____

MAILING ADDRESS OF GENERAL PARTNER 1

Mailing Address	City	State	Zip Code
6613 N. Scottsdale Road, #200	Scottsdale	AZ	85250

STREET ADDRESS OF GENERAL PARTNER 1

Street Address	City	State	Zip Code
6613 N. Scottsdale Road, #200	Scottsdale	AZ	85250

LEGAL ENTITY: The general partner is a legal entity named:

INDIVIDUAL: The general partner is an individual whose name is set forth below:

Partner 2 - - First Name_____ M.I._____ Last Name_____ Suffix_____

MAILING ADDRESS OF GENERAL PARTNER 2

Mailing Address_____ City_____ State_____ Zip Code_____

STREET ADDRESS OF GENERAL PARTNER 2

Street Address_____ City_____ State_____ Zip Code_____

5. SUPPLEMENTAL INFORMATION

Text Area:

[The attached addendum are incorporated herein by reference.]

EFFECTIVE DATE OF FILING

[X] A. This document will become effective when the document is filed by the secretary of state.

OR

[ ] B. This document will become effective at a later date, which is not more than ninety (90) days from the date of its filing by the secretary of state. The delayed effective date is:

EXECUTION

The undersigned sign this document subject to the penalties imposed by law for the submission of a false or fraudulent document.

Name Name_____

MTH-TEXAS GP, INC.
By Larry W. SEAY, VP-Treasurer

/s/ Larry W. Seay

SIGNATURE OF GENERAL PARTNER 1 SIGNATURE OF GENERAL PARTNER 2

Exhibit 3.37

AGREEMENT OF LIMITED PARTNERSHIP
OF
MTH HOMES-TEXAS, L.P.

THIS AGREEMENT OF LIMITED PARTNERSHIP is made and entered into to be effective as of the 18th day of June 2002, by and among MTH-Texas GP II, INC., an Arizona corporation, as the "General Partner," and the parties executing this Agreement as "Limited Partners" on the signature pages attached hereto.

W I T N E S E T H:

NOW, THEREFORE, for and in consideration of the premises, the mutual covenants and conditions contained herein, the Capital Contributions of the Partners and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto form this Partnership and agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 CERTAIN DEFINITIONS. Unless the context otherwise requires, the following terms shall have the following meanings for the purposes of this Agreement:

"Act" shall mean the Texas Revised Limited Partnership Act, as amended from time to time.

"Additional Capital Contributions" shall mean, with respect to any Partner, any additional contributions of money or property made to the capital of the Partnership by such Partner in accordance with the terms of Section 4.2 hereof.

"Administrative Overhead Expenses" shall mean all direct costs and expenses attributable to the Partnership incurred by the General Partner relating to legal, accounting, tax preparation, information reporting, travel expenses in connection with Partnership management and administration, and any other direct costs or expenses of Partnership management and administration.

"Affiliate" shall mean, with respect to any Person, any other Person controlling, controlled by or under common control with that first Person, or, with regard to a Person who is an individual, a member of such Person's family, whether by blood or marriage. As used in this definition, the term "control" means (a) with respect to any corporation or other entity having voting shares, or the equivalent thereof, and its elected directors, managers or Persons performing similar functions, the ownership or power to vote more than fifty percent (50%) of the shares, or the equivalent thereof, that have the power to vote for the election of directors, managers or Persons performing similar functions, and (b) with respect to any other entity, the ability to direct its business and affairs.

"Agreement" shall mean this Agreement of Limited Partnership of MTH Homes-Texas, L.P. as the same may be amended, modified, supplemented or restated from time to time in accordance with the provisions of this Agreement.

"Bankrupt" or "Bankruptcy" with respect to a Person shall mean that the Person has:

(a) Made an assignment for the benefit of creditors;

(b) Filed a voluntary petition in bankruptcy;

(c) Been adjudicated as bankrupt or insolvent;

(d) Filed a petition or answer seeking for himself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation;

(e) Filed an answer or other pleading admitting or failing to contest the material allegations of a petition filed against him in any proceeding of this nature;

(f) Sought, consented to or acquiesced in the appointment of a trustee, receiver or liquidator for himself or of all or any substantial part of his properties;

(g) If, within one hundred twenty (120) days after the commencement of any proceeding against him seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, the proceeding has not been dismissed; or

(h) If, within ninety (90) days after the appointment without his consent or acquiescence of a trustee, receiver or liquidator for himself or of all or any substantial part of his properties, the appointment is not vacated or stayed, or if, within ninety (90) days after the expiration of any such stay, the appointment is not vacated.

"Capital Account" shall mean a financial account to be established and maintained by the Partnership for each Partner as computed from time to time in accordance with Section 4.8 hereof and Subchapter K of the Code and Treasury Regulations promulgated thereunder and the provisions of this Agreement.

"Capital Contribution" shall mean, with respect to any Partner, the gross amount of all contributions of money or property to the capital of the Partnership by such Partner pursuant to Article IV hereof, including Initial Capital Contributions and any Additional Capital Contributions.

"Certificate of Limited Partnership" shall mean the certificate required by Section 2.01 of the Act, as filed with the Secretary of State of the State of Texas.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and all rulings and regulations (including, without limitation, Treasury Regulations) promulgated thereunder. All references herein to Sections of the Code shall include any corresponding provision or provisions of succeeding law.

"Disposition" shall mean any sale, transfer, encumbrance, gift, donation, assignment, pledge, hypothecation, mortgage or other alienation of all or any part of a Partnership Interest, whether voluntary or involuntary, and whether during the lifetime of the Person involved or upon or after his death or dissolution, including, but not limited to, any Disposition by operation of law, by court order, by judicial process or by foreclosure, levy or attachment.

"Fiscal Year" of the Partnership shall mean the twelve (12) month period ending on December 31 of each year; provided, however, that the initial Fiscal Year of the Partnership shall commence on the date hereof and end on December 31, 2002.

"General Partner" shall mean MTH-Texas GP II, Inc., an Arizona corporation and its successors and assigns pursuant to this Agreement.

"Initial Capital Contributions" shall mean, with respect to any Partner, any initial contributions of money or property made to the capital of the Partnership by such Partner in accordance with the terms of Section 4.1 hereof.

"Limited Partner" shall mean any Person executing this Agreement as a Limited Partner on the Limited Partner signature page attached hereto and any Persons hereafter admitted as limited partners pursuant hereto, but excluding from the date of any withdrawal any such Person hereafter withdrawing as a limited partner from the Partnership.

"Liquidator" shall have the meaning assigned to such term in Article XII hereof, and shall be the General Partner unless otherwise provided herein.

"Liquidation and Dissolution" shall mean the liquidation and dissolution of the Partnership pursuant to this Agreement resulting in a distribution to the Partners of all or substantially all of the Partnership Assets.

"Liquidation Gain or Loss" shall mean the net gain or loss realized and recognized for federal income tax purposes upon the Liquidation and Dissolution of the Partnership.

"Liquidation Proceeds" shall mean the amount, if any, by which all proceeds received by the Partnership in connection with the Liquidation and Dissolution of the Partnership as determined in accordance with the cash basis method of accounting, exceeds the sum of all cash expenditures of any kind or nature incurred by the Partnership and attributable to such Liquidation and Dissolution (including payments of all outstanding indebtedness and Liquidation and Dissolution expenses), as determined in accordance with the cash basis method of accounting.

"Majority in Interest" shall mean those Partners whose aggregate Partnership Interests equal more than fifty percent (50%) of the aggregate Partnership Interests of all Partners in the group or class entitled to vote on a given matter.

"Operating Expenses" shall mean the expenses incurred by or on behalf of the Partnership in acquiring, owning, holding, developing, manufacturing, selling, managing or operating the Partnership Property, both within and outside the United States, including, without limitation, all Administrative Overhead Expenses and other expenses, as the case may be.

"Organizational Costs" shall mean expenses incurred incident to the organization of the Partnership, including, but not limited to, fees and expenses of accountants, legal and tax counsel and other experts; filing costs; and other costs and expenses incurred in the organization of the Partnership.

"Other Partnership Expenses" shall mean any expenses of the Partnership not constituting Operating Expenses or Organizational Costs.

"Partners" shall mean the General Partner, the Limited Partner and their successors and assigns, unless otherwise indicated. "Partner" shall mean any one of the Partners.

"Partnership" shall mean the limited partnership created and existing pursuant to this Agreement, as such limited partnership may from time to time be constituted or reconstituted.

"Partnership Assets" or "Partnership Property" shall mean any and all assets, properties and contract rights of the Partnership, including, without limitation, the Partnership Business and all other projects and activities assigned to or undertaken by the Partnership.

"Partnership Business" shall mean all activities considered or undertaken by the Partnership pursuant to the terms and provisions of this Agreement as more fully described in Article III hereof.

"Partnership Indebtedness" shall mean all debts, obligations and liabilities of the Partnership or incurred by the General Partner on behalf of the Partnership.

"Partnership Interest" shall mean the interest of a Partner in the Partnership, including without limitation, rights to distributions (liquidating or otherwise), allocations, information and to vote, consent or approve, all of which shall be based upon the Partner's Partnership Percentage.

"Partnership Percentage" with respect to each Partner shall mean such Partner's percentage share of the Partnership Interest allocable to all of the Partners, which percentage shall initially be as provided below:

<TABLE>
<S> <C>
General Partner: 1.0%
Limited Partner: 99.0%
</TABLE>

"Partnership Term" or "Term of the Partnership" shall mean the term of the Partnership as provided in Section 2.5 hereof.

"Profits" and "Losses" shall mean, for any period, the net profits or net losses of the Partnership for Federal income tax purposes during such period determined under Section 702 of the Code.

"Required Interest" shall mean the Partners holding a majority of the Partnership Interest.

"Revenues" shall mean all amounts received by the Partnership attributable to the Partnership Business.

"Seventy-Five Percent in Interest" shall mean those Partners whose aggregate Partnership Interests equal more than seventy-five percent (75%) of the aggregate Partnership Interest of all Partners in the group or class entitled to vote on a given matter.

"Tax Matters Partner" shall mean the General Partner, or any other Partner designated in Section 10.8 hereof as the "tax matters partner", as that term is defined in Section 6231(a)(7) of the Code.

"Termination Event" shall mean the occurrences described in Section 12.1 hereof which cause the Partnership to be liquidated and dissolved.

"Treasury Regulation" or "Treas. Reg." shall mean one or more of those certain regulations promulgated by the United States Department of the Treasury in connection with the interpretation and enforcement of the Code.

SECTION 1.2 TERMS GENERALLY. The definitions in Section 1.1 shall apply equally to both the singular and plural forms of the terms defined.

Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The term "Person" or "Party" includes individuals, corporations, partnerships, limited partnerships, limited liability companies, trusts, associations and other entities. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

ARTICLE II

GENERAL TERMS OF THE PARTNERSHIP

SECTION 2.1 Formation of Partnership and Organization Certificate. (a) The parties to this Agreement hereby form, constitute and establish the Partnership as a Texas limited partnership pursuant to the Act upon and subject to the terms of this Agreement.

(b) The General Partner shall (i) promptly file an appropriate Certificate of Limited Partnership as required by the Act, (ii) comply with all other legal requirements, and (iii) do such other filing, recording, publishing and acts, all as may be appropriate to comply with all requirements of the Act and this Agreement for the formation and operation of the Partnership.

(c) The Partners shall immediately execute, and hereby agree to execute, any and all such certificates and other documents as the General Partner considers necessary or desirable (i) for the formation of the Partnership, and (ii) as may be necessary or appropriate to comply with the requirements for the transaction of business or ownership or leasing of property by a limited

partnership in all jurisdictions, including, but not limited to Texas, where the Partnership may from time to time desire to conduct business or own or lease property.

(d) Except as provided in the Act, the Partnership shall have no obligation to deliver or mail to any Partner any certificate of limited partnership, amendment, dissolution or cancellation of the Partnership.

SECTION 2.2 PARTNERSHIP NAME. The business of the Partnership shall be conducted under the name "MTH Homes-Texas, L.P.", "Hammonds Homes", and/or under such other name or names as the General Partner may determine from time to time. The General Partner shall promptly execute and file with the proper offices in each county in each jurisdiction in which the Partnership conducts business or owns property one or more certificates as required by the fictitious name act, assumed name act or similar statute in effect in each such jurisdiction.

SECTION 2.3 PRINCIPAL PLACE OF BUSINESS. The principal place of business of the Partnership shall be located at 6613 N. Scottsdale Road, Suite 200, Scottsdale, AZ 85250, provided that the General Partner may, from time to time, change the location or jurisdiction of the Partnership's principal place of business. The Partnership may maintain other offices as may be designated from time to time by the General Partner for the purpose of carrying out the business of the Partnership. The General Partner shall give the Limited Partner written notice of any change in the principal place of business of the Partnership.

SECTION 2.4 ADDRESSES OF PARTNERS. The principal place of business of the General Partner is located at 6613 N. Scottsdale Road, Suite 200, Scottsdale, AZ 85250. The name and address of the Limited Partners are set forth on the signature pages hereto.

SECTION 2.5 TERM OF PARTNERSHIP. The term of the Partnership shall commence on the date of the filing of the Certificate of Limited Partnership with the Secretary of State of the State of Texas as described in Section 2.1 hereof and shall continue in existence until the earlier of (i) December 31, 2042, or (ii) the date the Partnership is sooner dissolved under Article XII hereof, and thereafter, to the extent provided herein and by applicable law, until wound up and terminated as provided therein.

SECTION 2.6 TITLE AND OWNERSHIP. The interest of each Partner in the Partnership shall be personal property for all purposes. All real and other property owned by the Partnership shall be deemed owned by the Partnership as an entity, and legal and beneficial title to such property shall be retained and held by the Partnership. No Partner individually shall have any ownership of such property and each Partner hereby waives any right to partition the property of the Partnership.

SECTION 2.7 REGISTERED OFFICE; REGISTERED AGENT. The registered office of the Partnership shall be located at 6613 N. Scottsdale Road, #200, Scottsdale, Arizona 88250, and the Partnership's registered agent for service of process at such address shall be the General Partner. The General Partner may change the registered office or the registered agent for service of process, or

both, pursuant to the Act.

ARTICLE III

PURPOSE AND BUSINESS OF THE PARTNERSHIP

SECTION 3.1 PURPOSE AND BUSINESS. (a) The initial purpose of the Partnership shall be: (i) to engage in any and all activities which may be related or incidental to real estate acquisition and development; (ii) to pursue such other and additional opportunities and activities which are allowed by the Act as the General Partner determines to be appropriate, in its sole and absolute discretion; and then (ii) to dissolve, liquidate and terminate the Partnership. The general purpose of the Partnership shall be to engage in and carry on any and all business and additional activities that the General Partner desires to engage in or carry on which are not prohibited by the Act.

(b) The Partnership shall be authorized to do all things allowed to be done under the Act and other applicable Texas law to accomplish the same.

SECTION 3.2 LIMITATIONS ON THE BUSINESS OF THE PARTNERSHIP. All terms and conditions of this Agreement shall be subject to, and limited by, the following provisions with respect of the ability of the Partnership to conduct its business and the Partnership shall comply with each and every one of the following terms and conditions at all times:

(a) The Partnership shall not engage in any other business or activities which are unrelated to the Partnership Business outlined above, and the Partnership Business shall not be extended except by written agreement of a Majority in Interest of the Partners.

(b) The Partnership shall not require any Limited Partner to guarantee any obligation of the Partnership or require any Limited Partner to contribute any additional capital to the Partnership, except as provided in Section 4.2 below.

SECTION 3.3 MANAGEMENT OF THE PARTNERSHIP. The General Partner shall be solely responsible for the management of the affairs of the Partnership including, without limitation, the management of the Partnership Assets and the Partnership Business.

ARTICLE IV

CAPITAL CONTRIBUTIONS AND PARTNERSHIP INTERESTS

SECTION 4.1 Initial Capital Contributions. The Partners shall make Initial Capital Contributions as follows:

(a) The General Partner has contributed One Hundred Dollars ($100.00) cash to the capital of the Partnership. The General Partner shall not be required to make any Additional Capital Contributions to the Partnership, but may from time to time contribute other funds, contracts, commitments and agreements.

(b) The Limited Partners' contributions to the Partnership shall be the Initial Capital Contribution of each Limited Partner as specified on the signature pages hereto.

SECTION 4.2 ADDITIONAL CONTRIBUTIONS AND GENERAL PARTNER LOANS. (a) Unless a Majority in Interest of the Partners agree in writing in advance, no Limited Partner shall be obligated or allowed to contribute Additional Capital Contributions to the capital of the Partnership in excess of its Initial Capital Contribution.

(b) If the General Partner determines the cash requirements of the Partnership from time to time to be greater than the cash available, the General Partner may make loans to the Partnership or arrange for loans to be made to the Partnership from third parties in such amounts that the General Partner reasonably deems necessary or appropriate. Any such loans will be evidenced by Partnership notes and shall bear interest at a market rate, which in the case of loans from the General Partner will mean a floating rate equal to the lesser of (i) the maximum rate permitted by applicable law or (ii) two percent (2%) over the "Prime Rate" established by Guaranty Bank, or its successor bank, from time to time.

(c) The provisions of this Section 4.2 are for the benefit of the Partnership and the Partners only and are not meant to, nor shall they, inure to the benefit of any third party not a party to this Agreement.

SECTION 4.3 Compromise and Release of Contribution Obligations. A

Partner's obligation to make Capital Contributions to the Partnership shall not be compromised or released except by written agreement of all of the Partners.

SECTION 4.4 OBLIGATIONS SECURED. Each Partner hereby grants to the Partnership a lien and security interest on his interest in the Partnership to secure payment of any and all contributions and the performance of any and all obligations of such Partner required or permitted hereunder. The Partnership's rights and remedies relating to such lien shall be those of a secured creditor under Article IX of the Texas Uniform Commercial Code, Tex. Bus. & Com. Code Ann. (Vernon 1968). Each Partner, upon request of the General Partner, shall execute and deliver to the General Partner such additional security agreements and/or financing statements as the General Partner may deem necessary or desirable to perfect the above described lien.

SECTION 4.5 CLASSES OF LIMITED PARTNERS. There shall initially be one (1) class of Limited Partners. The Partnership may establish additional classes of Limited Partners as determined by the General Partner and approved by all of the Limited Partners.

SECTION 4.6 INTEREST OF EACH PARTNER. As provided in Article V hereof, one hundred percent (100%) of the net profits and net losses of the Partnership shall be allocated to, or charged against, the Partners, based upon each Partner's Partnership Percentage.

SECTION 4.7 CAPITAL ACCOUNTS. A Capital Account shall be established and maintained for each Partner.

(a) Each Partner's Capital Account shall be increased by (i) the amount of Capital Contributions by that Partner to the Partnership, (ii) the fair market value of property contributed by that Partner to the Partnership (net of liabilities secured by such contributed property that the Partnership is considered to assume or take subject to under section 752 of the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) allocations to that Partner of Partnership

income and gain (or items thereof), including income and gain exempt from tax and income and gain described in Treas. Reg. Section 1.704-1(b)(2) (iv)(g), but excluding income and gain described in Treas. Reg. Section 1.704-1(b) (4)(i).

(b) Each Partner's Capital Account shall be decreased by (i) distributions to that Partner by the Partnership, (ii) the fair market value of property distributed to that Partner by the Partnership (net of liabilities secured by such distributed property that such Partner is considered to assume or take subject to under section 752 of the Code), (iii) allocations to that Partner of expenditures of the Partnership described in section 705(a)(2)(B) of the Code, and (iv) allocations of Partnership loss and deduction (or items thereof), including loss and deduction described in Treas. Reg. Section 1.704-1(b)(2) (iv)(g), but excluding items described in Paragraph 4.7(b)(iii) above and loss or deduction described in Treas. Reg. Section 1.704-1(b)(4)(i) or Section 1.704-1(b)(4)(iii).

(c) The Partners' Capital Accounts shall also be maintained and adjusted as permitted by the provisions of Treas. Reg. Section 1.704-1(b)(2)(iv)(f) and as required by the other provisions of Treas. Reg. Section 1.704-1(b)(2)(iv) and 1.704-1(b)(4), including adjustments to reflect the allocations to the Partners of depreciation, depletion, amortization, and gain or loss as computed for book purposes rather than the allocation of the corresponding items as computed for tax purposes, as required by Treas. Reg. Section 1.704-1(b)(2)(iv)(g).

(d) A Partner that has more than one Partnership Interest shall have a single Capital Account that reflects all such Partnership Interests, regardless of the class of Partnership Interest owned by such Partner and regardless of the time or manner in which such Partnership Interests were acquired.

(e) Upon the transfer of all or part of a Partnership Interest, the Capital Account of the transferor that is attributable to the transferred Partnership Interest or portion thereof shall carry over to the transferee Partner in accordance with the provisions of Treas. Reg. Section 1.704-1 (b)(2)(iv)(1).

SECTION 4.8 INCOME ACCOUNTS. The General Partner shall maintain a separate income account for each Partner. At the end of each fiscal year, the General Partner shall credit each Partner's Partnership Percentage of the net profits or net losses of the Partnership to each Partner's income account as provided herein. After any authorized withdrawals have been deducted from a Partner's income account, any balance or deficit remaining in the account shall be transferred to, or charged against, that Partner's Capital Account.

ARTICLE V

ALLOCATIONS AND TAX MATTERS

SECTION 5.1 ALLOCATION OF INCOME AND LOSS. All allocations of each item of income, gain, loss, deduction or credit of the Partnership shall be made to the Partners in accordance with their respective Partnership Percentages, except that, if Section 704(c) of the Code or the Regulations promulgated thereunder require a different allocation, all such items will be allocated as required thereby. Additionally, the Partners may, by unanimous agreement,

specially allocate items of income, credit, gain, loss, deduction or conduct of the Partnership to one or more Partners.

SECTION 5.2 NONRECOURSE DEDUCTIONS. The Partnership's nonrecourse deductions, if any, shall be allocated separately to and among the Partners in accordance with their Partnership Percentages before determining any net profit or net loss to be allocated to and among the Partners. It is intended that such allocation be in accordance with the Partners' interests in the Partnership within the meaning of Treas. Reg. Section 1.704-1T(B)(4)(iv)(a).

SECTION 5.3 QUALIFIED INCOME OFFSET PROVISIONS. (a) Notwithstanding anything else to the contrary herein, to the extent the allocation of any loss or deduction would cause the sum of the deficit balance (if any) of a Capital Account of any Partner to exceed any such Partner's share of the Partnership's minimum gain, such Partner will not be allocated, as of the end of the Partnership's taxable year to which such allocation relates, a loss or deduction which will cause or increase a deficit balance in such Partner's Capital Account in excess of any dollar amount of such deficit balance that such Partner is obligated to restore upon liquidation. For purposes of this subsection, the Capital Account of each Partner shall be reduced as provided in Treas. Reg. Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6). A Partner who unexpectedly receives an adjustment, allocation or distribution described above as of the end of the Partnership's taxable year to which such allocation relates which causes or increases a deficit balance in such Partner's Capital Account (in excess of any dollar amount of such deficit balance that such Partner is obligated to restore upon liquidation) and which causes the sum of such excess deficit Capital Account balance of such Partner to exceed such Partner's share of the Partnership's Minimum Gain, as defined in the Treasury Regulations, will be allocated items of income and gain in an amount and manner sufficient to eliminate such deficit balance as quickly as possible.

(b) To the extent this Section 5.3 prevents the allocation of a deduction or loss to a Partner, such deduction or loss shall be allocated to the other Partner or Partners who bear the burden of an economic loss corresponding to such loss or deduction. Solely for purposes of illustration (and not by way of limitation), any Partnership deductions or losses that are funded through indebtedness with respect to which the General Partner has liability and with respect to the allocation thereof to any Partner is limited under this Section 5.3, such deductions or losses are to be allocated to the General Partner.

SECTION 5.4 Tax Allocations of Items of Income, Gain, Loss and Deduction. (a) For federal, state and local income tax purposes, except as otherwise provided in this Section 5.4, each item of income, gain, loss and deduction of the Partnership shall be allocated among the Partners in accordance with the book allocations set forth in Sections 5.1 through 5.3 hereof.

(b) To the extent of any recapture income resulting from a sale or other taxable disposition of a Partnership Asset, the amount of any gain from such disposition allocated to (or recognized by) a Partner for federal income tax purposes shall be deemed to be recapture income to the extent such Partner (or his predecessor in interest) has been allocated or has claimed any deduction directly or indirectly giving rise to the treatment of such gain as recapture income.

SECTION 5.5 INCONSISTENT TREATMENT OF PARTNERSHIP ITEM. If any Partner intends to file a notice of inconsistent treatment under Section 6222(b) of the Code, then such

Partner shall give reasonable notice under the circumstances to the other Partners of such intent and the manner in which the Partner's intended treatment of an item is (or may be) inconsistent with the treatment of that item by the other Partners.

ARTICLE VI

DISTRIBUTIONS

SECTION 6.1 OPERATING DISTRIBUTIONS. The General Partner shall in its sole discretion determine whether and when to distribute available cash (if

any) generated from the operations and investments of the Partnership, from the sale of any Partnership Property which is not made pursuant to the Liquidation and Dissolution of the Partnership and from any other ongoing activities of the Partnership. Any such distributions shall be made pro rata to the Partners, in accordance with each Partner's Partnership Percentage.

SECTION 6.2 Distribution of Liquidation Proceeds and Remaining Assets. (a) As a part of the Liquidation and Dissolution of the Partnership, the Liquidator shall pay or make reasonable provision to pay all claims and obligations, including all contingent, conditional or unmatured claims and obligations, known to the Partnership and all claims and obligations which are known to the Partnership but for which the identity of the claimant is unknown. If there are sufficient Partnership Assets, such claims and obligations shall be paid in full. If there are insufficient Partnership Assets, such claims and obligations shall be paid or provided for according to their priority and, among claims and obligations of equal priority, ratably to the extent of Partnership Assets available therefor.

(b) Liquidation Proceeds derived from the Liquidation and Dissolution of the Partnership, and all remaining Partnership Assets, shall be distributed as follows:

(i) first, to creditors, including Partners who are creditors, to the extent otherwise permitted by law, in satisfaction of liabilities of the Partnership (whether by payment or the making of reasonable provision for payment thereof) other than liabilities for which reasonable provision for payment has been made;

(ii) then, to the Partners in proportion to their positive Capital Accounts until they have received an amount equal to their Capital Accounts before the distribution; and

(iii) then, to the Partners in proportion to their Partnership Percentages.

(c) Should Partnership Assets other than cash be distributed, the amount by which the fair market value of the Partnership Assets, if any, to be distributed pursuant to this Article exceeds or is less than the basis of such Partnership Assets shall, to the extent not otherwise recognized by the Partnership, be taken into account in computing Liquidation Gain or Loss of the Partnership for purposes of crediting or charging the Capital Accounts of, and distributing Liquidation Proceeds to, the Partners.

ARTICLE VII

STATUS AND OBLIGATIONS OF LIMITED PARTNERS

SECTION 7.1 AUTHORITY OF LIMITED PARTNERS. No Limited Partner shall participate in the management or control of the business of, or transact any business for, the Partnership, or have the power to act for or bind the Partnership, said powers (as between the Limited Partner and the General Partner) being vested solely and exclusively in the General Partner.

SECTION 7.2 LIMITED LIABILITY OF LIMITED PARTNERS. No Limited Partner shall have any personal liability whatsoever, whether to the Partnership, to any of the Partners or to the creditors of the Partnership, for the debts of the Partnership or any of its losses beyond the amount contributed or required to be contributed to the Partnership pursuant to Article IV hereof and except as otherwise required by law. The preceding sentence shall not, however, be construed to limit or prohibit, in any respect, the use by the General Partner of any undistributed funds of the Partnership (regardless of whether previously allocated to the Capital Account of any Partner) for Partnership purposes or payment of Partnership debts.

SECTION 7.3 VOTING OF LIMITED PARTNERS. (a) Limited Partners shall have the right to vote upon any matter requiring the vote of the Limited Partners as set out elsewhere in this Agreement or in the Act, including, without limitation, the ability to vote to remove the General Partner upon the affirmative vote of seventy-five percent (75%) in Interest of the Limited Partners.

(b) Those matters to be voted on by the Limited Partners can be done by written consent. Such a written consent may be utilized at any meeting of the Partners, or it may be utilized in obtaining approval by the Partners without a meeting.

SECTION 7.4 RESTRICTIONS OF LIMITED PARTNERS. (a) No Limited Partner shall have the right to withdraw from the Partnership or to receive a return of any of its contributions to the Partnership until the Partnership is terminated and its affairs wound up in accordance with Section 8.04 of the Act and this Agreement. A Limited Partner will breach this Agreement if he or she (1) attempts to withdraw from the Partnership, (2) interferes in the management

of the Partnership affairs, (3) engages in conduct which could result in the Partnership losing its tax status as a partnership, (4) engages in conduct that tends to bring the Partnership into disrepute, (5) owns a Partnership Interest that becomes subject to a charging order, attachment, garnishment or similar legal proceedings, (6) breaches any confidentiality provisions of this Agreement, or (7) fails to meet any commitment to the Partnership. A Limited Partner who is in breach of this Agreement shall be liable to the Partnership for damages caused by the breach. The Partnership may offset for the damages against any distribution or return of capital to the Limited Partner who has breached this Agreement; and

(b) No Limited Partner shall have the right or power to cause the dissolution and winding up of the Partnership by court decree or otherwise.

ARTICLE VIII

POWERS, RIGHTS, DUTIES, AND LIABILITIES OF GENERAL PARTNER

SECTION 8.1 Authority and Duties of General Partner. The General Partner shall exercise ordinary business judgment in managing the affairs of the Partnership.

(a) The General Partner shall have full, exclusive and complete discretion in the management and control of the affairs and business of the Partnership, subject to the terms hereof. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or granted the General Partner under any other provisions of this Agreement, but subject to any express limitations set forth in this Agreement, the General Partner shall have full power and authority to do all things that it considers necessary, proper or desirable to conduct the business of the Partnership, including, without limitation, the power and authority (without the vote or consent of any Limited Partner) to do the following:

(i) Negotiate and execute on behalf of the Partnership any contracts under such terms and obligations as it, in its sole and absolute discretion, considers in the best interest of the Partnership and/or necessary, appropriate or desirable for the conduct of the Partnership Business or the implementation of its powers under this Agreement, including, without limitation, taking title to Partnership Assets in its own name on behalf of the Partnership;

(ii) Perform all obligations of the Partnership and enforce all rights of the Partnership under the terms and conditions of all contracts and agreements entered into by or on behalf of the Partnership including, without limitation, payment of Operating Expenses and Other Partnership Expenses;

(iii) Employ and compensate, and dismiss from employment, any and all employees, agents, independent contractors, brokers, attorneys and accountants;

(iv) Lease or license all or any portion of the Partnership Assets for any Partnership purpose and to acquire, dispose of, sell, transfer, exchange, mortgage, pledge, encumber or hypothecate any or all of the Partnership Assets;

(v) Acquire and maintain insurance covering any or all Assets of the Partnership and its activities;

(vi) Control any matters affecting the rights and obligations of the Partnership (including initiating or defending litigation, incurring legal expenses and settling claims and litigation);

(vii) Distribute Partnership Assets to the Partners in accordance with the terms set forth herein;

(viii) Do all acts and things necessary or desirable to accomplish the objectives of the Partnership;

(ix) Apply for and obtain any governmental approvals or certificates with respect to the operations of the Partnership or the ownership or use of the Partnership Properties;

(x) Admit additional Limited Partners and assignees or transferees of Limited Partners to the Partnership as new or substituted Limited Partners pursuant to Article XI hereof;

(xi) Submit a Partnership claim or liability to arbitration;

(xii) Participate in any plans or proceedings for the foreclosure, reorganization, consolidation, merger or liquidation of any corporation or organization that has issued securities owned by the Partnership and, incident to that participation, deposit securities with, and transfer title of securities to, any protective or other committee established to further or defeat any such plan or proceeding; and

(xiii) Execute, acknowledge, deliver, file, and record any and all instruments or documents affecting any and/or all of the foregoing.

(b) Subject to the duties and powers reserved to the Partners hereunder, and further subject to the availability of funds to perform such duties, the General Partner, on behalf of the Partnership, shall have the right, authority, power, duty and obligation to implement all decisions of the Partners, to conduct the business and affairs of the Partnership and, without limiting the generality of the foregoing, to conduct or cause to be conducted the following functions of the Partnership:

(i) Maintain the books and records of the Partnership, and prepare and deliver, or cause to be prepared and delivered, to the Partners tax returns and reports of the state of business and affairs of the Partnership and the Partnership Business, as generally provided in Article X hereof;

(ii) Except as otherwise provided herein, maintain all funds of the Partnership in the Partnership's name as generally provided in Section 8.7 hereof, subject to withdrawal on the signature of the General Partner or its duly appointed agents;

(iii) Take reasonable and prudent steps to ensure that the Partnership obtains and maintains satisfactory insurance in such amounts and with such companies as shall be deemed reasonably satisfactory to the General Partner to protect the interests of the Partnership and the Partners; and

(iv) Transmit to all of the Partners annual financial reports in accordance with Section 10.5.

(c) Each Partner agrees that the consent by the General Partner to the admission of Limited Partners from time to time or to the submission of a Partnership claim or liability to arbitration shall constitute the consent of the Partnership to such admission or submission. Any

and all acts heretofore taken by the General Partner that are permitted under this Section 8.1 are hereby ratified and confirmed by the Partners as the acts and deeds of the Partnership.

SECTION 8.2 TIME DEVOTED TO PARTNERSHIP. The General Partner shall devote such time to Partnership Business as it deems necessary or appropriate to manage and supervise Partnership Business and affairs in an efficient manner; provided, that nothing in this Agreement shall preclude the employment of any agent, third party or Affiliate to manage or provide other services with respect to the Partnership's Assets or business subject to the control of the General Partner and provided that the General Partner, in all instances, retains general control over and continues to generally supervise the day-to-day operations of the Partnership. In this connection, the General Partner shall provide, furnish or perform in good faith and in a diligent and efficient manner all normal and customary business and administrative duties and services necessary to conduct the Partnership's business in an expeditious and economical manner.

Nothing contained in this Agreement shall in any way or manner limit the General Partner or the Limited Partner or any director, officer, employee or agent of the Partners in participating as a general partner, limited partner, owner, principal, consultant, director, manager, officer, agent, representative or otherwise in any business which could be deemed to be competing with the Partnership Business.

SECTION 8.3 LIMITATIONS ON AUTHORITY. (a) The authority of the General Partner over the conduct of the affairs and business of the Partnership shall be subject only to such limitations as are expressly stated in this Agreement or imposed by applicable law. Without the prior consent of all of the Limited Partners, the General Partner shall not be empowered or authorized to:

(i) Possess property or assign any rights in specific property on behalf of the Partnership other than for a Partnership purpose;

(ii) Require any Partner to make any contribution to the capital of the Partnership not provided for herein;

(iii) Use the Partnership's funds or the Partnership Assets in any manner except for the primary benefit of the Partnership;

(iv) Do business in any jurisdiction or political subdivision in which the General Partner and the Partnership have not previously taken such steps as may be necessary to assure for the Limited Partners the same limited liability as is provided for limited partners in other limited partnerships formed under the Act;

(v) Commingle Partnership funds with those of any other Person; or

(vi) Acquire any properties in exchange for interests in the Partnership, other than as provided in Article IV, Section 8.1(a)(x) and Article XI hereof.

SECTION 8.4 LIABILITY OF GENERAL PARTNER. (a) The General Partner shall be liable in the manner set forth in the Act for all Partnership Indebtedness except as otherwise

provided in the documents creating such Indebtedness; provided, however, all Partnership Indebtedness shall be paid or discharged first with the Partnership Assets (including insurance proceeds) before the General Partner shall be obligated to pay or discharge any such debt or obligation with its personal assets.

(b) To the extent permitted by applicable law, the General Partner (which, for the purpose of this Section 8.4(b), shall include any Affiliate of the General Partner or a director, officer, employee, agent or partner of the General Partner or its Affiliates) shall not be liable, responsible or accountable in damages or otherwise to the Partnership or any Partner for any action taken, or failure to act, based upon errors of judgment or other fault (including negligence) in connection with the business and affairs of the Partnership.

SECTION 8.5 INDEMNIFICATION. The General Partner and its officers, directors, employees, agents and its and their Affiliates shall have no liability to the Partnership or any Partner for any loss suffered by the Partnership or any Partner which arises out of any action or inaction, including any negligent action of the General Partner or its officers, directors, employees, agents or its or their Affiliates. The General Partner and its officers, directors, employees, agents and its and their Affiliates shall be indemnified by the Partnership against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims, including any claims based in whole or in part on the negligence of the General Partner or its officers, directors, employees, agents or its or their Affiliates, sustained by them in connection with their conduct of the Partnership business in accordance with this Agreement to the maximum extent permitted by the Act and applicable law. Expenses of the General Partner (including legal fees and expenses) incurred or to be incurred in defending any proceeding shall be paid by the Partnership in advance of the final disposition of such proceeding.

SECTION 8.6 RIGHT OF THIRD PARTIES TO RELY ON AUTHORITY OF GENERAL PARTNER.

(a) Notwithstanding any other provision of this Agreement to the contrary, no lender or purchaser of property of the Partnership, shall be required to look to the application of proceeds hereunder or to verify any representation by the General Partner as to the extent of the interest in the Partnership Assets that the General Partner is entitled to encumber, sell, convey, transfer, assign or otherwise use, and any such lender or purchaser shall be entitled to rely exclusively on the representations of the General Partner as to its authority to enter into such financing or sale arrangements and shall be entitled to deal with the General Partner as if it were the sole Party in interest therein, both legally and beneficially.

(b) In no event shall any Person dealing with the General Partner or the General Partner's representative with respect to any business or property of the Partnership be obligated to ascertain that the terms of this Agreement have been complied with, and no such Person shall be obligated to inquire into the necessity or expedience of any act or action of the General Partner or the General Partner's representative.

SECTION 8.7 PARTNERSHIP ACCOUNTS. The funds of the Partnership shall be deposited in such account or accounts as are designated by the General Partner. All withdrawals

from or charges against such accounts shall be made by the General Partner or by its duly authorized representatives.

ARTICLE IX

FEES AND EXPENSES OF THE GENERAL PARTNER AND CERTAIN OTHER FEES AND EXPENSES

SECTION 9.1 Fees and Reimbursement of General Partner's Expenses. (a) Upon the General Partner's request, the Partnership shall reimburse the General Partner or any Affiliate of the General Partner for, or pay, the following, whenever incurred:

(i) Principal and interest on loans incurred by the General Partner or any Affiliate of the General Partner in order to extend a loan to the Partnership for any purpose permitted under this Agreement;

(ii) Any fees and expenses of third parties or costs of services or goods of third parties directly attributable to the formation or operation of the Partnership or its business; and

(iii) Any other Operating Expenses (whether expensed or capitalized) which have been incurred by the General Partner or any Affiliate of the General Partner for the benefit of the Partnership.

(b) Should the amount of the reimbursement to which the General Partner or any Affiliate of the General Partner is entitled under this Section 9.1 exceed the funds available to the Partnership for such reimbursement, the Partnership shall reimburse the General Partner or such Affiliate to the extent of the funds available therefor, and any excess amount not reimbursed shall be deemed to be a loan by the General Partner or such Affiliate to the Partnership to be repaid by the Partnership as funds become available for such purpose, regardless of the source of such funds.

ARTICLE X

PARTNERSHIP MEETINGS, ACCOUNTING MATTERS, BOOKS AND RECORDS, AND BANKING

SECTION 10.1 MEETINGS OF THE PARTNERS. (a) A meeting of the Partners may be called by the General Partner or by a Majority in Interest of the Limited Partners by making a written request therefor to the General Partner. In such event, the General Partner shall give notice of the meeting so called within ten (10) days after such a request for a meeting is furnished. The notice will state the nature of the business to be transacted, and no other business will be considered at the meeting.

(b) A meeting of the Partners will be held not less than ten (10) nor more than sixty (60) days after the date of the mailing of the notice of such meeting. Partners may vote in person or by proxy at any such meeting on matters permitted to be voted on pursuant to this Agreement.

(c) The presence in person or by proxy of the General Partner and a Majority in Interest of the Limited Partners shall constitute a quorum. When a quorum is present at any meeting, the affirmative vote of the General Partner and a Majority in Interest of the Limited Partners shall decide any question brought before such meeting, unless the question is one on which, by express provision of law or this Agreement, a different vote is required, in which case such express provision shall govern and control the decision of such question.

(d) The Partners present at a duly constituted meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Partners to leave less than a quorum.

(e) Any vote that may be taken at a meeting can be taken by written consent in lieu of a meeting if the Partners holding the required Partnership Interest execute such written consent.

SECTION 10.2 Fiscal Year and Accounting Method. The Fiscal Year of the Partnership shall end on December 31 of each year.

SECTION 10.3 BOOKS OF ACCOUNT. There shall be kept books of account at the offices of the Partnership or its Affiliates in which shall be entered fully and accurately each and every transaction of the Partnership. The books shall be kept using the method of accounting selected by the General Partner. For the Term of the Partnership and for a period of four (4) years thereafter, the General Partner shall maintain and preserve all books of account and other relevant documents.

SECTION 10.4 ANNUAL REPORT. At the end of each Fiscal Year, the General Partner shall prepare financial statements of the Partnership as of the close of such Fiscal Year prepared in accordance with accounting principles selected by the General Partner consistently applied, including a balance sheet and a statement of income or loss. The financial statements shall also be accompanied by a cash flow statement for such year and a summary of all payments made to the General Partner or any Affiliate during the year. A copy of such statements for each Fiscal Year shall be made available by the General Partner to each of the Partners not later than one hundred twenty (120) days after the end of the Fiscal Year of the Partnership.

SECTION 10.5 ANNUAL REPORT OF GENERAL PARTNER. Within one hundred twenty (120) days after the close of its Fiscal Year, the General Partner shall make available to the Limited Partners a statement of the operations of the Partnership for such year and plans for the future.

SECTION 10.6 AUDIT REQUEST. The General Partner may, but shall not be required to, cause the books and records of the Partnership to be audited, at the expense of the Partnership, by an accounting firm selected by the General Partner.

SECTION 10.7 TAX RETURNS. The General Partner shall cause to be prepared by an accountant selected by the General Partner all federal, state and local income tax returns and reports in accordance with the operations conducted pursuant to the terms of this Agreement. The cost of preparing such income and other tax returns and reports shall be paid by the Partnership. Not less than fifteen (15) days prior to the required filing date (as such date may be

extended) for the Partnership's federal income tax return or any state or local income tax return, the General Partner shall furnish a copy of such return proposed to be filed to all Partners, together with such additional forms and information as may be required by the Partners in order for the Partners to file their own returns reflecting the Partnership's operations. In addition, not more than thirty (30) days after the date on which such return is filed, the General Partner shall furnish a copy of the return so filed to all Partners.

SECTION 10.8 TAX MATTERS PARTNER. The General Partner is hereby designated the "tax matters partner" as that term is defined in Section 6231(a)(7) of the Code.

SECTION 10.9 TAX ELECTIONS. For tax purposes, the Partnership shall elect to use the Fiscal Year as its taxable year, and to report income, loss, deductions and credits under the method of accounting selected by the General Partner. At the sole option and election of the General Partner:

(a) the Partnership may elect to deduct expenses incurred in organizing the Partnership ratably over a sixty (60) month period as provided in Section 709 of the Code;

(b) the Partnership may elect to treat all start-up expenditures as deferred expenses and to deduct such expenses over a sixty (60) month period as provided in Section 195 of the Code;

(c) the Partnership may file an election under section 754 of the Code; provided, that the General Partner agrees to make an election under Section 754 of the Code upon the written request of any Partner; and

(d) all additional elections regarding federal income tax matters or state or local matters shall be made by the General Partner.

SECTION 10.10 OTHER INFORMATION. The General Partner may release such information concerning the operations of the Partnership to such Persons as may be customary in the industry or required by law or regulation or by order of any regulatory body.

ARTICLE XI

DISPOSITION OF PARTNERSHIP INTERESTS

SECTION 11.1 TRANSFERS GENERALLY. (a) Except as otherwise provided in this Article XI, no Partner shall engage in or suffer a Disposition without the prior written consent of the General Partner, which consent may be withheld in the General Partner's sole discretion, and unless such Disposition complies with all applicable securities laws, rules and regulations as generally described herein.

(b) No Disposition, partial or otherwise, may be made except in compliance with the then applicable rules and regulations of any governmental authority and in compliance with all applicable laws.

(c) Any Disposition permitted under this Article XI shall be in writing. The assignee shall expressly agree in writing to be bound by all the terms of this Agreement, and shall assume and agree to perform all the assignor's agreements and obligations hereunder existing as of or arising subsequent to such assignment pertaining to such interests transferred pursuant hereto.

(d) No Person to whom any interest in the Partnership is transferred shall make any further Disposition except in accordance with the terms and conditions hereof.

(e) If a Disposition of an interest in the Partnership shall take place pursuant to the provisions of this Article, then the General Partner promptly thereafter shall cause to be filed with the proper authorities one or more certificates amending any fictitious or Assumed Name Certificate of the Partnership in order to reflect such change.

(f) Any purported assignment or Disposition of a Partnership Interest not permitted by this Article XI shall be null and void and of no further force or effect whatsoever.

(g) In the event of a Disposition, whether by sale, exchange, dissolution of a Partner or otherwise, the General Partner may have the Partnership file the proper election under Section 754 of the Code to adjust the basis of the Partnership Assets to reflect such transfer. Any resulting change in the Partnership net income or net loss due to such basis adjustment shall be allocated solely to the successor Partner or Partners. The General Partner retains the option to avoid making such election when the resulting basis adjustment would be too minor to justify the additional administrative costs incurred in accounting for the adjustment.

SECTION 11.2 Permitted Disposition of Partnership Interests. Subject to the provisions of Sections 11.1, 11.4 and 11.6 hereof, each of the following Dispositions of Partnership Interests by Limited Partners shall be permitted without further condition (unless otherwise specified below):

(a) Any Disposition of all or any part of the Partnership Interest owned by a Partner to a Person who is another Partner at the time of such Disposition;

(b) Subject to the prior approval of the General Partner, a Disposition resulting from a Limited Partner's bona fide pledge of all or a portion of his Partnership Interest as security of indebtedness of such Limited Partner incurred contemporaneously with the making of such pledge, provided that the pledgee agrees in writing with the General Partner that, prior to foreclosing or otherwise realizing upon the Partnership Interest so pledged as a result of a default in the payment or other terms of the obligation secure by such pledged Partnership Interest, the pledgee will offer to sell such Partnership Interest to the Partnership as if it were a Limited Partner proposing to make a Disposition of the Partnership Interest in the manner stated in Section 11.3 hereof, and the pledging Limited Partner shall be bound by and shall join in the conveyance of the pledged Partnership Interest so purchased by the Partnership; and,

SECTION 11.3 RIGHT OF FIRST REFUSAL. (a) Subject to Sections 11.1 and 11.6 hereof, any Disposition of a Partnership Interest by a Limited Partner (other than a Disposition described in Section 11.2 hereof) shall not be made except in accordance with the terms of this Section 11.3. In that regard, in the event a Limited Partner (the "Proposing Limited Partner")

shall desire to sell all or any portion of its Partnership Interest in the Partnership to any third party and shall have received a bona fide written offer therefor which is acceptable to it and such offer complies with the provisions of this Section 11.3, it shall, within ten (10) days of receipt of the proposed offer give a written "Notice of Sale" to the General Partner. The Notice of Sale shall state that a bona fide offer has been received by the Proposing Limited Partner from such third party and shall contain the following information:

(i) the price, terms and conditions of sale;

(ii) the Partnership Interest (the "Option Interest") proposed to be sold;

(iii) the name and address of the third party to whom such Partnership Interest is proposed to be sold; and

(iv) a copy of the written offer.

The Notice of Sale shall further contain an affirmative offer by the Proposing Limited Partner to sell such Option Interest to the Partnership for the same consideration and upon the same terms and conditions set forth in the Notice of

Sale.

(b) The Partnership shall have the option, at the discretion of the General Partner for a period of thirty (30) days (the "Partnership Option Period") from the date such Notice of Sale is provided to it, within which to exercise its right of first refusal to purchase all or any part of the Option Interest by notifying such Proposing Limited Partner of such election in writing prior to the expiration of the thirty (30) day period.

(c) It is expressly agreed that the remedy at law for breach of any of the obligations set forth is inadequate in view of (i) the complexities and uncertainties in measuring the actual damages that would be sustained by reason of the failure of a Partner to comply fully with each of the obligations contained herein, and (ii) the uniqueness of the Partnership Business and the Partnership relationship created hereby. Accordingly, each of the aforesaid obligations shall be, and is hereby expressly made, enforceable by specific performance in addition to any other remedy available at law and in equity.

(d) Any bona fide third party offer must comply with all of the following requirements:

(i) the proposed offer shall include an offer to buy the designated portion of the Proposing Limited Partners' Option Interest;

(ii) the proposed purchase price of the Option Interest shall be payable solely in lawful money of the United States and, if not payable in its entirety in cash, shall under no circumstances provide as security for payment of the non-cash portion any charge, encumbrance or hypothecation of any of the Option Interest;

(iii) the offer shall contain provisions whereby the proposed purchaser is obligated to comply with the provisions of Sections 11.1 and 11.6 hereof prior to the or at closing;

(iv) the offer shall be by a principal identified in the offer, and not an agent acting on behalf of an undisclosed principal, and such principal shall not be an Affiliate of the Proposing Limited Partner; and,

(v) the prospective purchaser shall evidence its compliance with, or exemption from, all applicable federal and state securities laws.

(e) Notwithstanding anything to the contrary contained in this Section 11.3, no Disposition pursuant to this Section 11.3 shall be permitted in the event that any Partner is engaged in any exercise of its rights under Section 11.4 hereof prior to the Partnership's receipt of the Notice of Sale pursuant to this Section 11.3.

SECTION 11.4 SUBSTITUTE LIMITED PARTNERS. (a) No assignee of any or all of a Partnership Interest who is not a Partner at the time of the Disposition shall be admitted to the Partnership as a substitute Limited Partner in place of the assigning Limited Partner unless all other provisions of this Article XI have been met and all of the following requirements are met:

(i) The assigning Limited Partner shall have designated such intention in the instrument of assignment;

(ii) The General Partner shall have consented in writing, which consent the General Partner may, in its sole and absolute discretion, refuse to give;

(iii) Each assigning Limited Partner and each assignee shall have performed all such acts and executed and delivered all such documents at such assigning Limited Partner's expense (including opinions of counsel) as the General Partner may reasonably require to preserve the limited partnership or tax status of the Partnership or to comply with applicable securities laws;

(iv) Each assigning Limited Partner and each assignee shall have executed and delivered all such documents at such assigning Limited Partner's expense (including a power of attorney) as the General Partner may reasonably deem necessary or desirable to effectuate such admission;

(v) The assignee shall have accepted, adopted and approved in writing all of the terms and provisions of this Agreement as the same may have been amended;

(vi) The assignee shall have paid or, at the discretion of the General Partner, obligated itself to pay, all or part of the reasonable expenses of such admission (including, but not limited to,

the costs of preparing and filing any amendment to this Agreement to effectuate the admission); and

(vii) In the opinion of counsel to the Partnership, or upon receipt of other evidence satisfactory to counsel to the Partnership, such Disposition or offer to the assignee would not result in the violation of applicable federal and state securities laws, or the termination of the Partnership for federal and/or state income tax purposes.

(b) Upon the effectiveness of a Disposition of a Partnership Interest under this Section 11.4 and if such Disposition has complied with this Article XI, the General Partner, if consent to admit the assignee as a substitute Limited Partner is obtained pursuant to this Section 11.4, shall execute, file and record with the appropriate governmental agencies such documents (including amendments to this Agreement) as are necessary to effect the substitution of the assignee as a substituted Limited Partner.

(c) The Partnership shall treat a Person who becomes a substituted Limited Partner pursuant to the provisions of this Section 11.4 as the substituted Limited Partner with respect to the Partnership Interest assigned from the date such assignment and admission are effective under this Section 11.4, notwithstanding the time consumed in preparing an amendment to this Agreement and, if required, filing the necessary documents with governmental agencies necessary to effect the substitution.

(d) Any Person admitted to the Partnership as a substituted Limited Partner shall be subject to and bound by all provisions of this Agreement as if originally a Party to this Agreement, and such Person's assignor is not released from his liability to the Partnership as provided by law.

SECTION 11.5 DISPOSITIONS BY GENERAL PARTNER. (a) Subject to Sections 11.1 and 11.4 hereof, the General Partner shall not make or suffer a Disposition of its general partner's Partnership Interest without the affirmative vote or written consent of all of the Limited Partners, except the General Partner may make a Disposition of its general partner's Partnership Interest to any Affiliate of the General Partner.

(b) Any Person to which the entire interest of the General Partner in the Partnership is assigned in compliance with this Section 11.5 shall become the "General Partner" of the Partnership and shall be substituted for the General Partner by the execution of appropriate amendments to this Agreement and the filing of appropriate documents with governmental agencies necessary to effect the assignment.

(c) Except as permitted in this Section 11.5 hereof, the General Partner shall not be permitted to withdraw from the Partnership; provided, however, that nothing in this Section 11.5 shall be deemed to prohibit or limit the ability of the General Partner to give the notice specified in Section 12.1, or construed to mean that the occurrence with respect to the General Partner of the events of withdrawal specified in Section 12.1 constitutes a breach of this Agreement by such General Partner.

SECTION 11.6 ADDITIONAL RESTRICTIONS ON DISPOSITIONS. THE PARTNERSHIP INTERESTS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE STATE SECURITIES LAWS OF TEXAS OR ANY OTHER STATE. WITHOUT SUCH REGISTRATION, SUCH SECURITIES MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED AT ANY TIME WHATSOEVER, EXCEPT UPON DELIVERY TO THE PARTNERSHIP OF AN OPINION OF COUNSEL SATISFACTORY TO THE GENERAL PARTNER OF THE PARTNERSHIP THAT REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER AND/OR THE

SUBMISSION TO THE GENERAL PARTNER OF THE PARTNERSHIP OF SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY TO THE GENERAL PARTNER TO THE EFFECT THAT ANY SUCH TRANSFER WILL NOT BE IN VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED, AND/OR APPLICABLE STATE SECURITIES LAWS, AND/OR ANY RULE OR REGULATION PROMULGATED THEREUNDER. ADDITIONALLY, ANY SALE OR OTHER TRANSFER OF THE PARTNERSHIP INTERESTS IS SUBJECT TO CERTAIN RESTRICTIONS THAT ARE SET FORTH IN THIS AGREEMENT OF LIMITED PARTNERSHIP AND ANY DISPOSITION OF THE SECURITIES REPRESENTED BY THIS INSTRUMENT SHALL BE MADE ONLY AS PROVIDED HEREIN.

SECTION 11.7 Right to Deal Exclusively with Limited Partners. For all purposes of this Agreement, the General Partner shall be entitled to deal with each Limited Partner as the sole party in interest with respect to his Partnership Interest, regardless of any actual knowledge the General Partner may have to the contrary; provided, however, that (i) as to any assignee of a Partnership Interest of whom the General Partner has actual knowledge, the General Partner may distribute to such assignee the amounts assignor would otherwise be entitled, (ii) an assignee, for federal income tax purposes only

and to the extent required by law, shall be entitled merely to receive distributions and to be allocated items of income, gain, loss, deduction or credit to which his assignor would otherwise be entitled, but no such successor may become a substituted Limited Partner except pursuant to Section 11.4 hereof.

ARTICLE XII

LIQUIDATION, DISSOLUTION, TERMINATION AND WINDING UP

SECTION 12.1 Events Deemed to Cause Liquidation and Dissolution. (a) Subject to the provisions of Section 12.9 hereof, the Partnership shall be liquidated and dissolved upon the first to occur of the following "Termination Events":

(i) the sale, forfeiture, abandonment or other disposition of all or substantially all of the Partnership Assets;

(ii) the unanimous consent of the Partners;

(iii) the giving of notice to the Limited Partners by the General Partner, at least ninety (90) days before the prospective date of termination, of the election of the General Partner to dissolve, wind up the affairs of and terminate the Partnership;

(iv) the expiration of the term specified in Section 2.5 hereof;

(v) the occurrence of any of the following events of withdrawal of a sole General Partner from the Partnership as the sole general partner:

A) the withdrawal of the General Partner from the Partnership without substitution of a permitted assignee as the substitute General Partner of the Partnership;

B) the withdrawal of the General Partner upon the assignment by such General Partner of its entire interest in the Partnership (including, without limitation, as specified in Section 11.5 hereof);

C) the General Partner shall become a Bankrupt or suffer an event of Bankruptcy;

D) the issuance of a certificate or decree of dissolution or the equivalent thereof of the General Partner (other than in connection with (A) a merger, consolidation, or other reorganization to which the General Partner is a Party, or (B) an exchange, sale, or other transfer of all or substantially all of the assets of the General Partner); or

(vi) the entry of a decree of judicial dissolution of the Partnership.

(b) Notwithstanding any provision of this Agreement which might state or imply to the contrary, the death, insanity, incompetency, dissolution or Bankruptcy of any Limited Partner, or the seizure and sale of any Partnership Interest of a Limited Partner, shall not be a Termination Event.

SECTION 12.2 APPOINTMENT OF LIQUIDATOR. (a) If the Partnership is dissolved for any reason, then, subject to Section 12.2(b) hereof, the General Partner shall act as Liquidator.

(b) In the event that the dissolution is caused by the occurrence of an event of withdrawal by the General Partner described in Section 12.1(a)(v) hereof, or the wrongful dissolution of the Partnership by the General Partner, then such Person or Persons as are selected by a Majority in Interest of the Limited Partners shall act as Liquidator.

(c) Within thirty (30) days after the death, dissolution, removal or resignation of the Liquidator appointed pursuant to the foregoing provisions of this Section 12.2, a successor Liquidator (who shall have and succeed to all the rights, powers and duties of the original Liquidator) shall be appointed by a Majority in Interest of the Limited Partners. The right to appoint a successor Liquidator in the manner provided herein shall be recurring and continuing for so long as the functions and services of the Liquidator are authorized to continue under the provisions hereof, and every reference herein to the "Liquidator" shall be deemed to refer also to any successor Liquidator appointed in the manner herein provided.

(d) If the Partnership is dissolved for any reason and if, within thirty (30) days following the date of dissolution or other time period provided in Section 12.2(c) hereof, a Liquidator or successor Liquidator has not been

appointed in the manner provided in the foregoing provisions of this Section 12.2, any interested Party shall have the right to make application to a court of competent jurisdiction, on cause shown, for appointment of such

Liquidator or successor Liquidator pursuant to the Act, and the said court shall be fully authorized and empowered to appoint and designate such Liquidator or successor Liquidator who shall have all the powers, duties, rights and authorities of the Liquidator herein provided.

(e) The Liquidator (if other than the General Partner) appointed as provided in Section 12.2 hereof shall be entitled to receive reasonable and customary compensation for its services.

SECTION 12.3 TERMINATION AND WINDING UP. (a) If the Partnership is dissolved pursuant to this Article XII, the Liquidator shall wind up the Partnership's Business, shall proceed to cause the Assets to be sold and shall distribute the Liquidation Proceeds as provided under Section 6.2 herein. During such period, the business and affairs of the Partnership shall be conducted so as to maintain and preserve the Partnership Assets in a manner consistent with the orderly Liquidation and Dissolution of the Partnership.

(b) The Liquidator shall have sufficient business expertise and competence to conduct the winding up and termination of the Partnership and, in the course thereof, to cause the Partnership to perform any contracts that the Partnership has theretofore or (subject to the limitations hereinafter set forth) may thereafter enter into. The Liquidator shall proceed with such termination and winding up in as expeditious a manner as is reasonably practicable. The holders of interests in the Partnership shall continue to share distributions, income (including gain) and losses during the period of termination and winding up in accordance with Articles V and VI hereof.

(c) The Liquidator shall have full right and unlimited discretion to determine the time, manner, terms and consideration to be received with respect to any sale, exchange or transfer of Partnership Assets pursuant to such termination and winding up, having due regard for the activity and condition of the relevant market and general financial and economic conditions.

(d) Except as expressly provided in this Section 12.3, the Liquidator shall have and may exercise, without further authorization or consent of any of the parties hereto or their legal representatives or successors in interest, all of the powers conferred upon the General Partner under the terms of this Agreement to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time. Without limiting the foregoing powers, the Liquidator shall have the right to wind up the Partnership and may in such winding up, do the following:

(i) Cause some or all of the Partnership Assets to be sold and distribute the Liquidation Proceeds and other Partnership assets as provided in Section 6.2 hereof.

(ii) Except in respect of (A) all Partnership Assets on which a single, non-severable mortgage or other lien will be in effect after such distribution, and (B) any Partnership Assets which the Liquidator shall determine are not readily severable or distributable in kind, have the right but not the obligation to distribute, in kind, all or any portion of the Partnership Assets, if any, to the Partners as set forth in Section 6.2 hereof.

(iii) Continue to manage and operate any business of the Partnership during the period of such termination and winding up.

(iv) Make sales, exchanges and transfers and, incident thereto, make deeds, bills of sale, and assignments of assets of the Partnership (provided that the Liquidator may not impose personal liability upon any of the Partners under any such instrument).

(v) The power to borrow funds as, in the good faith judgment of the Liquidator, may be reasonably required to pay debts, obligations and expenses of the Partnership, and to execute and/or grant deeds of trust, mortgages, security agreements, pledges and collateral assignments upon and encumbering any of the Partnership Assets as security for repayment of such loans or as security for payment of any other indebtedness of the Partnership (provided that the Liquidator shall not have the power to create any personal obligation of any of the Partners to repay such loans or indebtedness).

(vi) Settle, release, compromise or adjust any claims asserted to be owing by or to the Partnership and file, prosecute or

defend lawsuits and legal proceedings in connection with any such matter.

SECTION 12.4 RESERVES. After making payment or provision for payment of all debts and liabilities of the Partnership and all expenses of liquidation, the Liquidator may set up, for a period not to exceed five (5) years, such cash reserves as the Liquidator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership.

SECTION 12.5 DISTRIBUTIONS. Upon the winding up and termination of the business and affairs of the Partnership, the Partnership Assets remaining after payment (or provision for payment) of all Partnership liabilities (including, without limitation, liabilities owed to the General Partner or any Affiliate of the General Partner) and establishment of reserves pursuant to Section 12.4 hereof shall be distributed to the Partners in accordance with Section 6.2 hereof. Distributions pursuant to this Section 12.5 may be made in cash and/or kind as the Liquidator in its sole and absolute discretion shall determine.

SECTION 12.6 REPORTS. Within a reasonable period of time following the completion of the liquidation of the Partnership's Assets, the Liquidator shall supply to each of the Partners a statement reviewed by the Partnership's independent accountants which shall set forth the Partnership Assets and the liabilities of the Partnership as of the date of complete liquidation, each Partner's portion of distributions pursuant to Section 12.5 hereof, and the amount retained as reserves by the Liquidator pursuant to Section 12.4 hereof.

SECTION 12.7 SOURCE OF RETURN. Each holder of an interest in the Partnership shall look solely to the Partnership Assets for all distributions with respect to the Partnership and his Capital Account (including the return thereof) and share of Profits or Losses thereof and shall have no recourse therefor (upon dissolution or otherwise) against the Partnership, the General Partner or the Liquidator. The Liquidator may vary the proportions and the mix of the Partnership Assets distributed to the various Partners to the extent required to effect an in-kind distribution of the Partnership Assets, and accordingly, the Liquidator, in its sole and absolute

discretion, may compel a Partner to accept a distribution in-kind from the Partnership even though the percentage of the Partnership Assets distributed to such Partner exceeds the percentage of that Partnership Assets which is equal to the percentage in which such Partner shares in the distributions from the Partnership.

SECTION 12.8 REQUIRED FILINGS. Upon the completion of the liquidation of the Partnership and the distribution of all Partnership Assets, the Partnership shall terminate and the Liquidator shall (and is hereby given the authority to) execute and record all documents required to effectuate the dissolution and termination of the Partnership.

SECTION 12.9 ELECTION TO CARRY ON BUSINESS. In the event of an occurrence of any Termination Event (other than withdrawal of the General Partner) that, but for this Section 12.9, would constitute a dissolution under Section 12.1 hereof, the General Partner may, if and to the extent permitted under the Act, elect to carry on the business of the Partnership. In the event of a withdrawal of the General Partner described in Section 12.1 that, but for this Section 12.9, would constitute a dissolution under Section 12.1 hereof, then the Partners (other than the General Partner who has suffered an event of withdrawal) may, if and to the extent permitted under the Act, and within ninety (90) days following the occurrence of such event, elect to carry on the business of the Partnership by affirmative vote of all of the remaining Partners and, if they so elect, shall agree to the appointment of one or more new General Partners, all as provided by the Act. Such election to continue the business of the Partnership shall be in writing.

ARTICLE XIII

POWER OF ATTORNEY

SECTION 13.1 GRANT OF POWER OF ATTORNEY. The Limited Partners hereby irrevocably constitute and appoint the General Partner, and its successors and assigns, as their true and lawful attorney and agent (with full power of substitution to each) with full power and authority in their name, place and stead to execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (i) the Certificate of Limited Partnership of this Partnership, this Agreement, fictitious or assumed name certificates and other certificates and instruments that the General Partner considers necessary or appropriate to qualify or continue the Partnership as a limited partnership or conduct the business of the Partnership in any jurisdictions in which the Partnership may conduct business or own or lease property, (ii) amendments to this Agreement, the Certificate of Limited Partnership of this Partnership and other instruments that the General Partner considers necessary or appropriate to effect a change or modification of the Partnership in accordance with the terms

of this Agreement including, without limitation, those amendments relating to the admission of additional or substitute Partners or the withdrawal of Partners, (iii) all certificates of dissolution, conveyances and other instruments that the General Partner considers necessary or appropriate to effect the acquisition, disposition, pledge, mortgage, hypothecation, encumbrance or exchange of any Partnership Assets (irrespective of whether legal title to such Partnership Assets is in the name of the Partnership, a nominee or one or more Partners), or the dissolution and termination of the Partnership, and (iv) any other instrument that is now or may hereafter be required by law to be filed on behalf of the Partnership.

SECTION 13.2 NATURE OF POWER OF ATTORNEY. The power of attorney granted herein shall be considered to be coupled with an interest, shall be irrevocable and shall survive the death, incompetency, dissolution or termination of existence of any or all of the Limited Partners. Any Person dealing with the Partnership may conclusively presume and rely upon the fact that any such instrument executed by the attorney and agent herein appointed is valid and binding without further inquiry.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.1 ENTIRE AGREEMENT. This Agreement is the entire agreement among the parties hereto relating to the subject matter hereof. It supersedes all prior oral and written agreements pertaining to the subject matter hereof and may not be amended except as provided in Section 14.4 hereof.

SECTION 14.2 APPLICABLE LAW. This Agreement shall be governed by, and interpreted and enforced in accordance with the laws of the State of Texas, except as may otherwise be required by the laws of any jurisdiction in which the Partnership conducts business and then only to the extent necessary to enable the Partnership to conduct business in such other jurisdiction.

SECTION 14.3 NOTICE. Any notice, statement, report, demand or other communication required by this Agreement shall be considered given at the time set forth in the last sentence hereof if a written copy is personally delivered, or mailed postage prepaid, certified or registered mail, return receipt requested, and deposited in the United States mail, or sent by a nationally recognized express or overnight courier service. For purposes of notice, the addresses of the Limited Partners shall be as set forth on the Signature Page hereof, as amended from time to time, and the address of the Partnership and the General Partner shall be as set forth in Sections 2.3 and 2.4 hereof. Any Limited Partner may change his address for notices by giving notice to the General Partner. The General Partner may change its address or the address of the Partnership by giving notice to the Limited Partners. Any notice or other communication will be considered to have been given when (i) personally delivered, (ii) if sent by mail, as of the third business day after the date on which it is deposited in the United States mail in compliance with the terms of this Section 14.3, or (iii) if sent by a nationally recognized express or overnight courier service, on the next business day after pickup of the notice by such service.

SECTION 14.4 AMENDMENTS. (a) Amendments to this Agreement may be proposed by the General Partner or by the Limited Partners by submitting the proposed amendment to all Partners in writing. Any such amendment will be approved only upon (and at the time of receipt of) the affirmative vote or written consent of the General Partner and a Majority in Interest of the Partners.

(b) No amendment that, in the opinion of counsel to the Partnership, changes the limited liability status of any Limited Partner or his participation in any material adverse respect in the income (including gain), losses, credits, capital or distributions of the Partnership may be made without the affirmative vote or written consent of such Limited Partner, except as provided

in Paragraph (a) above. No amendment that, in the opinion of counsel to the Partnership, would cause the Partnership to be treated as an association taxable as any entity other than a limited partnership for federal income tax purposes may be made without the affirmative vote or written consent of all Partners.

SECTION 14.5 CONSENT AND WAIVER. No consent or waiver, express or implied, by any Party hereto of any right or any breach or default by any other Party hereto in the performance of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other right or any other breach or default in the performance by such Party of the same or any other obligations of such Party hereunder. Failure on the part of any Party to complain of any act or failure to act of another Party or to declare another Party in default,

irrespective of how long such failure continues, shall not constitute a waiver by such Party of its rights hereunder.

SECTION 14.6 HEADINGS AND CAPTIONS. The Article and Section headings and other captions contained in this Agreement are inserted only as a matter of convenience, do not form a part of this Agreement and in no way define, limit, extend or describe the scope of this Agreement or the intent of the parties or of any provision hereof.

SECTION 14.7 SUCCESSORS AND ASSIGNS. This Agreement and all the terms and provisions hereof shall be binding upon and (subject to the provisions of Article XI hereof) inure to the benefit of the Partners and their respective legal representatives, heirs, successors and assigns.

SECTION 14.8 REFERENCES AND GENDER. All references to "Articles", "Sections", "Subsections" and "Paragraphs" contained herein are, unless specifically indicated otherwise, references to articles, sections, subsections and paragraphs of this Agreement. Whenever herein the singular number is used, the same shall include the plural where appropriate, and words of any gender shall include each other gender where appropriate.

SECTION 14.9 INVALID PROVISIONS. If any provision of this Agreement or the application thereof to any Person or circumstance is held to be illegal, invalid or unenforceable to any extent under present or future laws effective during the term of this Agreement, such provision shall be fully severable and the remainder of this Agreement and the application of such provisions to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law. In that regard, this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of each such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and still be legal, valid and enforceable.

SECTION 14.10 MULTIPLE COUNTERPARTS. This Agreement may be executed in any number of identical counterparts, each of which for all purposes is to be deemed an original, and

all of which constitute, collectively, one agreement; provided, that in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

SECTION 14.11 THIRD PARTY BENEFICIARY. Nothing in this Agreement shall be deemed to create any right in any creditor or other Person not a Party hereto (other than the permitted successors and assigns of a Party hereto), and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of any other Party except as aforesaid.

SECTION 14.12 ADDITIONAL ACTS. In connection with this Agreement, as well as all transactions contemplated by this Agreement, each Partner agrees to execute and deliver such additional documents or perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions provided herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first hereinabove written.

SIGNATURE PAGE
TO
LIMITED PARTNERSHIP AGREEMENT OF
MTH HOMES-TEXAS, L.P.
GENERAL PARTNER SIGNATURE PAGE

DATED: June 18, 2002

<TABLE>
<CAPTION>

GENERAL PARTNER	INITIAL CONTRIBUTION	PARTNERSHIP PERCENTAGE
<S>	<C>	<C>
MTH-Texas GP II, Inc. an Arizona corporation	$100.00	1. 0%

By: /s/ John R. Landon

John R. Landon
Title: Co-Chairman, President and
Chief Executive Officer

Address: 6613 N. Scottsdale Road,
Suite 200
Scottsdale, Arizona 85250

</TABLE>

SIGNATURE PAGE
TO
LIMITED PARTNERSHIP AGREEMENT OF
MTH HOMES-TEXAS, L.P.
LIMITED PARTNER SIGNATURE PAGE

The undersigned Limited Partner hereby agrees to become Limited Partners in MTH Homes-Texas, L.P., pursuant to the terms of the Agreement, and agrees to make the capital contribution set forth opposite its name.

<TABLE>
<CAPTION>

LIMITED PARTNERS	INITIAL CAPITAL CONTRIBUTION	PARTNERSHIP PERCENTAGE
<S>	<C>	<C>
MTH-Texas LP II, Inc., an Arizona corporation By: /s/ John R. Landon --- John R. Landon Title: Co-Chairman, President and Chief Executive Officer Address: 6613 N. Scottsdale Road, Suite 200 Scottsdale, Arizona 85250	$900.00	99.0%

</TABLE>

Exhibit 3.38

ARTICLES OF ORGANIZATION
OF

MTH-CAVALIER, LLC

Pursuant to A.R.S. Section 29-632, the undersigned states as follows:

1. The name of the limited liability company is MTH-Cavalier, LLC.

2. The address of the registered office in Arizona is 8501 E. Princess Drive, Suite 290, Scottsdale, Arizona 85255, located in the County of Maricopa.

3. The statutory agent's name and address are C. Timothy White, Esq., c/o Greenberg Traurig, LLP, 2375 E. Camelback Road, Suite 700, Phoenix, Arizona 85016.

4. Management of the limited liability company is reserved to the Members. The name and address of the sole Member at the time of formation of the limited liability company are Monterey Homes Construction, Inc., 8501 E. Princess Drive, Suite 290, Scottsdale, Arizona 85255.

Dated: December 19, 2002 Signed: /s/ Harry J. Friedman

Harry J. Friedman, Esq.

The undersigned, having been designated to act as Statutory Agent, hereby consents to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

/s/ C. Timothy White

C. Timothy White, Esq.

Exhibit 3.39

OPERATING AGREEMENT
OF
MTH-CAVALIER, LLC

THIS OPERATING AGREEMENT (the "Agreement") is made and entered into as of the 19th day of December, 2002, by and between MONTEREY HOMES CONSTRUCTION, INC, an Arizona corporation, as the sole member (the "Member"), and MTH-CAVALIER, LLC, an Arizona limited liability company (the "Company").

1. FORMATION. The Member has formed an Arizona limited liability company under the name "MTH-CAVALIER, LLC " pursuant to the Arizona Limited Liability Company Act (the "Act"), effective upon the filing of the Articles of Organization (the "Articles") for the Company.

2. PRINCIPAL OFFICE AND PLACE OF BUSINESS. The principal office and place of business (the "Principal Office") of the Company shall be 8501 E. Princess Drive, Suite 290, Scottsdale, Arizona 85255, or such other place as the Member from time to time shall determine.

3. AGENT FOR SERVICE OF PROCESS. The agent for service of process for the Company shall be C. Timothy White, Esq., c/o Greenberg Traurig, LLP, 2375 E. Camelback Road, Suite 700, Phoenix, Arizona 85016, or such other person as the Member shall appoint from time to time.

4. PURPOSE. The Company shall have the power to pursue any and all activities necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of such purposes as are determined from time to time by the Member that are permissible under the Act.

5. TERM. The term of the Company shall commence on the filing date of the Articles and shall continue until dissolved.

6. CAPITAL CONTRIBUTIONS. The Member may make capital contributions to the Company in such amounts and at such times as the Member shall determine in the Member's sole discretion.

7. DISTRIBUTIONS OF AVAILABLE CASH FLOW. Distributions of available cash flow shall be made in such amounts and at such times as the Member shall determine in the Member's sole discretion.

8. MANAGEMENT. The Member shall have full, exclusive and complete power to manage and control the business and affairs of the Company, and the decisions and acts of the Member shall bind the Company. The Member shall have all of the rights and powers provided to a member of a member-managed limited liability company by law, including the power and authority to execute instruments and documents, to mortgage or dispose of any real property held

in the name of the Company, and to take any other actions on behalf of the Company, whether or not such actions are for carrying on the business of the Company in its usual way.

9. OFFICERS. The Member may appoint Officers, from time to time, with such other titles as it may select, including the titles of Chairman, Chief Executive Officer, President, Vice President, Treasurer and Secretary, to act on behalf of the Company. An Officer shall have such power and authority as the Member may delegate to any such person.

10. BANKING RESOLUTION. The Member shall open all banking accounts as it deems necessary and enter into any deposit agreements as are required by the financial institution at which such accounts are opened. The Member and such other persons or entities designated in writing by the Member shall have signing authority with respect to such bank accounts. Funds deposited into such accounts shall be used only for the business of the Company.

11. INDEMNIFICATION OF THE MEMBER. The Company, its receiver or trustee shall indemnify, defend and hold harmless the Member and its Affiliates (each, an "Actor"), to the extent of the Company's assets, for, from and against any liability, damage, cost, expense, loss, claim or judgment incurred by the Actor arising out of any claim based upon acts performed or omitted to be performed by the Actor in connection with the business of the Company, including without limitation, attorneys' fees and costs incurred by the Actor in settlement or defense of such claims. Notwithstanding the foregoing, no Actor shall be so indemnified, defended or held harmless for claims based upon acts or omissions in breach of this Agreement or which constitute fraud, gross negligence, or willful misconduct. Amounts incurred by an Actor in connection with any action or suit arising out of or in connection with Company affairs shall be reimbursed by the Company. "Affiliate" means a person or entity who, with respect to the Member: (a) directly or indirectly controls, is controlled by or is under common control with the Member; (b) owns or controls 10 percent or more of the outstanding voting securities of the Member; (c) is an officer, director, shareholder, partner or member of the Member; or (d) if the Member is

an officer, director, shareholder, partner or member of any entity, the entity for which the Member acts in any such capacity.

12. LIABILITY. No Actor shall be personally liable, responsible, or accountable in damages or otherwise to the Company for any act or omission performed or omitted by such Actor in connection with the Company or its business. The Member's liability for the debts and obligations of the Company shall be limited as set forth in the Act and other applicable law.

13. REIMBURSABLE EXPENSES. The Company will reimburse the Member for all actual out-of-pocket third-party expenses incurred in connection with the carrying out of the duties set forth in this Agreement.

14. RECORDS. The Member shall keep or cause to be kept at the Principal Office of the Company the following: (a) a written record of the full name and business, residence or mailing address of the Member; (b) a copy of the initial Articles of Organization and all amendments thereto; (c) copies of all written operating agreements and all amendments to such agreements, including any prior written operating agreements no longer in effect; (d) copies of any written and signed promises by the Member to make capital contributions to the Company; (e) copies of the Company's federal, state and local income tax returns and reports, if any, for the

three most recent years; (f) copies of any prepared financial statements of the Company for the three most recent years; and (g) minutes of every meeting as well as any written consents or actions taken without a meeting.

15. DISSOLUTION. The Company shall be dissolved upon the election of the Member. A Withdrawal Event with respect to the Member shall not dissolve the Company, unless any assignees of the Member's interest do not elect to continue the Company and admit a member within 90 days of such Withdrawal Event. "Withdrawal Event" shall mean those events and circumstances set forth in Section 29-733 of the Act.

16. FILING UPON DISSOLUTION. As soon as possible following the dissolution of the Company, the Member shall execute and file a Notice of Winding Up with the Arizona Corporation Commission as required by the Act.

17. LIQUIDATION. Upon dissolution of the Company, it shall be wound up and liquidated as rapidly as business circumstances permit, the Member shall act as the liquidating trustee, and the assets of the Company shall be liquidated and the proceeds thereof shall be paid (to the extent permitted by applicable law) in the following order: (a) first, to creditors, including the Member if it is a creditor, in the order and priority required by applicable law; (b) second, to a reserve for contingent liabilities to be distributed at the time and in the manner as the liquidating trustee determines in its sole discretion; and (c) third, to the Member.

18. ARTICLES OF TERMINATION. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets have been distributed, Articles of Termination shall be executed and filed by the liquidating trustee with the Arizona Corporation Commission as required by the Act.

19. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the state of Arizona, without regard to any conflicts of laws principles to the contrary.

20. SEVERABILITY. If any provision of this Agreement shall be conclusively determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby.

21. BINDING EFFECT. Except as otherwise provided herein, this Agreement shall inure to benefit of and be binding upon the Member and its respective successors and assigns.

22. TITLES AND CAPTIONS. All article, section and paragraph titles and captions contained in this Agreement are for convenience only and are not a part of the context hereof.

23. PRONOUNS AND PLURALS. All pronouns and any variations thereof are deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the appropriate person may require.

24. NO THIRD PARTY RIGHTS. This Agreement is intended to create enforceable rights between the parties hereto only, and creates no rights in, or obligations to, any other persons.

25. AMENDMENTS. This Agreement may not be amended except by a written document executed by the Member and the Company.

26. CREDITORS. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first above written.

MEMBER:

MONTEREY HOMES CONSTRUCTION, INC., an Arizona corporation

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: VP

COMPANY:

MTH-CAVALIER, LLC, an Arizona limited liability company

By: Monterey Homes Construction, Inc., an Arizona corporation, its sole member

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: President

Exhibit 5.1

May 6, 2003

Meritage Corporation
8501 East Princess Drive
Suite 290
Scottsdale, Arizona 85255

Each of the subsidiaries of Meritage
Corporation listed on Schedule I
attached hereto

c/o Meritage Corporation
8501 East Princess Drive
Suite 290
Scottsdale, Arizona 85255

Ladies and Gentlemen:

Reference is made to the Registration Statement on Form S-4, including amendments and exhibits thereto (the "Registration Statement"), for the proposed offer to exchange (the "Exchange Offer") by Meritage Corporation (the "Company") and each of the guarantor subsidiaries listed on Schedule I attached hereto (collectively, the "Guarantors"), of up to an aggregate of $50 million in principal amount of its 9.75% Senior Notes due 2011 (the "Exchange Notes") for an equal principal amount of its outstanding 9.75% Senior Notes due 2011 (the "Outstanding Notes") and the guarantees by the Guarantors of the Exchange Notes. The Outstanding Notes were issued, and the Exchanges Notes are issuable, pursuant to an Indenture, dated May 30, 2001, by and among the Company, the Guarantors and Wells Fargo Bank, National Association, as Trustee (the "Indenture").

Based on the foregoing, and subject to the qualifications and limitations set forth herein, we advise you that:

1. The Exchange Notes, when issued, authenticated and delivered by the Company and the Trustee in accordance with the terms of the Indenture, and when issued in exchange for Outstanding Notes as contemplated in the Registration Statement, will be legally binding and valid obligations of the Company, entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms.

2. The guarantees by the Guarantors to be endorsed on the Exchange Notes, when the Exchange Notes are issued, authenticated and delivered by the Company and the Trustee in accordance with the terms of the Indenture, and when issued as contemplated in the Registration Statement, will be legally binding and valid obligations of the Guarantors enforceable against each of them in accordance with their terms.

In rendering this opinion, we have reviewed and relied upon the Indenture, the Outstanding Notes, the form of Exchange Notes and such documents, records, and other instruments of the Company and the Guarantors as we have deemed necessary.

The opinions set forth above are subject to the following qualifications:

(i) The opinions are subject to and may be limited by (a) applicable bankruptcy, insolvency, liquidation, fraudulent conveyance or transfer, moratorium, reorganization, or other similar laws affecting creditors' rights generally; (b) general equitable principles and rules of law governing specific performance, estoppel, waiver, injunctive relief, and other equitable remedies (regardless of whether enforcement is sought in a proceeding at law or in equity), and the discretion of any court before which a proceeding may be brought; (c) duties and standards of good faith, reasonableness and fair dealing imposed on creditors and parties to contracts; (d) the limitation in certain circumstances of provisions imposing liquidated damages, penalties, forfeitures, late payment charges or increases in interest rates upon delinquency in payment or the occurrence of a default; and (e) a court determination that any fees payable pursuant to a provision requiring the payment of attorneys' fees is reasonable. Further, we express no opinion regarding the enforceability of Section 4.03 of the Indenture.

(ii) We express no opinion with respect to the validity and enforceability of indemnification or contribution provisions to the extent they purport to provide indemnity against (or contribution in respect of) any violation by the indemnified party of any state or federal securities laws or regulations, or against the gross negligence, willful misconduct, or illegal

acts of the indemnified party, or release such party from the consequences thereof, or with respect to provisions purporting to waive access to legal or equitable remedies or defenses (including proper jurisdiction, venue and forum non conveniens).

(iii) We have assumed: (a) the genuineness of the signatures and the authenticity of documents submitted to us as originals, and the conformity to originals of all documents submitted to us as certified or photostatic copies; (b) that such documents accurately describe the mutual understanding of the parties as to all matters contained therein and that no other agreements or undertakings exist between the parties that would affect the documents relating to the transactions contemplated by such documents and agreements; (c) the due authorization, execution, and delivery of the documents discussed herein by all parties thereto except the Company

and the Guarantors, that such documents will be valid and binding upon, and enforceable in accordance with their terms against, all parties thereto except the Company and the Guarantors, and that the execution, delivery, and performance of such documents by parties other than the Company and the Guarantors will not violate any provision of any charter document, law, rule, regulation, judgment, order, decree, agreement or other document binding upon or applicable to such other parties or their respective assets; (d) the accuracy, completeness, and genuineness of all representations and certifications made to or obtained by us, including those of public officials; (e) the accuracy and completeness of records of the Company and the Guarantors; and (f) that no fraud or dishonesty exists with respect to any matters relevant to our opinions.

(iv) We express no opinion regarding compliance by the Company or any Guarantor with any financial covenants required to be maintained by them under any agreement or document, or as to the financial ability of the Company or any Guarantors to meet its obligations under the documents described herein.

(v) Except as otherwise provided herein, the opinions herein are limited solely to the laws of the State of Arizona and the laws of the United States of America which are, in our experience, normally applicable to transactions of the type contemplated by the note documents, including the issuance and sale of the Outstanding Notes and the Exchange Notes. Because certain of the documents referred to herein are governed by New York and other laws, we have assumed, without investigation, that the laws of the State of New York or such other jurisdictions are the same as the laws of the State of Arizona. We express no opinion on the law of any other jurisdiction or principles of conflicts of law and can assume no responsibility for the applicability or effect of any such laws or principles. Further, we express no opinion as to compliance with statutes and ordinances, the administrative decisions, and the rules and regulations of counties, towns, municipalities and special political subdivisions (whether created or enabled through legislative action at the federal, state or regional level), and judicial decisions to the extent that they deal with any of the foregoing, or as to compliance with any fiduciary duties, whether arising under state or federal laws.

(vi) This opinion letter is limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated. Without limiting the foregoing, the opinions expressed in this letter are based upon the law and facts as we understand them in effect on the date hereof, and we assume no obligation to revise or supplement this opinion should such law be changed by legislative action, judicial decision, or otherwise, or should any facts or other matters upon which we have relied be changed.

We hereby consent to the filing of the opinion as an exhibit to the Registration Statement and to the use of our name in the Registration Statement.

Very truly yours,

/s/ Snell & Wilmer, L.L.P.

SCHEDULE I

LIST OF SUBSIDIARY GUARANTORS

Monterey Homes Arizona, Inc.
Meritage Paseo Crossing, LLC
Monterey Homes Construction, Inc.
Meritage Paseo Construction, LLC
Meritage Homes of Arizona, Inc.
Meritage Homes Construction, Inc.
MTH-Texas GP, Inc.
MTH-Texas LP, Inc.
Legacy/Monterey Homes, L.P.
Meritage Homes of Northern California, Inc.
Hancock-MTH Builders, Inc.
Hancock-MTH Communities, Inc

Legacy Operating Company, L.P.
MTH-Texas GP II, Inc.
MTH-Texas LP II, Inc.
MTH-Homes Nevada, Inc.
Meritage Holdings, L.L.C.
Hulen Park Venture, L.L.C.
MTH-Homes Texas, L.P.
MTH-Cavalier, LLC

Exhibit 10.3

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "AGREEMENT") is effective as of April 15, 2003 by and between MERITAGE CORPORATION, a Maryland corporation (the "COMPANY") and Steven J. Hilton, an individual ("EXECUTIVE").

RECITALS

WHEREAS, Executive is currently the Co-Chief Executive Officer and Co-Chairman of the Company;

WHEREAS, the Company desire to continue to obtain the services of Executive, and Executive desires to provide services to the Company, in accordance with the terms, conditions and provisions of this Agreement;

NOW THEREFORE, in consideration of the covenants and mutual agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in reliance upon the representations, covenants and mutual agreements contained herein, the Company and Executive agree as follows:

1. EMPLOYMENT. Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive as Co-Chief Executive Officer of the Company, and Executive agrees to diligently perform the duties associated with such position. Executive will report directly to the Board of Directors. Executive will devote substantially all of his business time, attention and energies to the business of the Company and will comply with the policies and guidelines established by the Company from time to time applicable to its senior management executives.

2. TERM. Executive will be employed under this Agreement for a term of three (3) years beginning as of the date hereof and ending on the third anniversary of the date hereof, unless Executive's employment is terminated earlier pursuant to Section 7. This Agreement may be extended by a written agreement between Executive and the Company. If no written agreement is entered into on or before the end of the term, all obligations under this Agreement shall terminate, and Executive will continue his employment on an at-will basis.

3. DIRECTOR STATUS. For so long as Executive is Co-Chief Executive Officer, the Company shall use commercially reasonable efforts, subject to applicable law and regulation of the New York Stock Exchange ("NYSE"), to cause Executive to be nominated for election as a director and to be recommended to the stockholders for election as a director. Upon any termination of employment as Co-Chief Executive Officer, Employee will be deemed to have resigned from the Board of Directors, unless (a) the Executive is not terminated for Cause (as defined below) and owns 5% or more of the Company's common stock outstanding, or (b) within 30 days thereof a majority of the independent directors of the Board (as defined by rules of the NYSE) vote to enable Executive to continue on the Board through the balance of his term.

4. SALARY. The Company will pay Executive a base salary equal to $500,000 per year (the "BASE SALARY"). The salary increase will be retroactive to July 1, 2002. The Base

Salary will be payable in accordance with the payroll practices of the Company in effect from time to time. The Base Salary may be raised, but not lowered, without Executive's consent.

5. INCENTIVE COMPENSATION. Executive will be entitled to incentive compensation based on the achievement of certain performance targets pursuant to the plan specified in Exhibit A hereto, pro rated as appropriate (the "BONUS"). The targets and plan will be adjusted annually and mutually agreed upon. The Bonus will be due and payable in accordance with Exhibit A.

6. EXECUTIVE BENEFITS. During the term of this Agreement, Executive will be entitled to reimbursement of reasonable and customary business expenses. The Company will provide to Executive such fringe benefits and other Executive benefits as are regularly provided by the Company to its senior management (e.g., health and long-term disability insurance, paid vacation, etc.); provided, however, that nothing herein shall preclude the Company from amending or terminating any employee or general executive benefit plans or programs. In addition, the Company shall provide the Executive with the benefits set forth on Exhibit B, which benefits may not be terminated or reduced during the term hereof.

7. TERMINATION.

A. Voluntary Resignation by Executive (other than for Good Reason).

(1) If Executive voluntarily terminates his employment

with the Company (for reasons other than Good Reason), then the Company will be obligated to pay Executive's Base Salary through the Date of Termination. No Bonus shall be payable.

(2) Upon a voluntary resignation without Good Reason, if the Company chooses to have the provisions of Section 8 (Restrictive Covenant) apply, it shall provide written notice to Executive of this decision within 30 days of the Date of Termination, and shall pay (i) Executive's Base Salary for, depending on its election of the length of the Restriction Period, either one or two years, (ii) an amount equal to, depending on the Company's election of the length of the Restriction Period, either one or two times the average of Executive's Bonus of the preceding two years, and (iii) COBRA premiums to pay for health and dental benefits for the lesser of two years or the period that the Company is required to offer COBRA coverage as a matter of law. Items (i) and (ii) shall be payable in accordance with normal payroll practices over the term of the covenant (the "Termination Payments"). The written notice of the Company shall identify whether it is establishing a one or two year Restriction Period.

(3) For a period of two years of any voluntary resignation without Good Reason, the Executive shall be required to advise the Company, within ten days thereof, when and if Executive's beneficial ownership of the Company's common stock falls below 800,000 shares (subject to adjustment for any stock split, reverse stock split or recapitalization). Within 30 days of such notice, the Company shall have the right, by written notice to the Executive, to cause the provisions of Section 8 (Restrictive Covenant) to become effective, provided the Company makes monthly Termination Payments for the balance of the two-year term. For purposes of this paragraph, Executive's beneficial ownership shall include all shares held by his wife, his children,

and any family limited partnership or trust established for the benefit of Executive, his wife, or children, as well as any entity controlled by Executive, his wife, or children.

B. Termination without Cause or Resignation for Good Reason. If Executive's employment with the Company is terminated by the Company without Cause or Executive resigns for Good Reason, then Company will be obligated to pay (i) Executive's Base Salary for two years, payable in accordance with normal payroll practices, (ii) an amount equal to two times the average of Executive's Bonus of the preceding two years, which will be payable in a lump sum within 30 days of the Date of Termination, and (iii) COBRA premiums to pay for health and dental benefits for Executive and his family for the lesser of two years or the period that the Company is required to offer COBRA coverage as a matter of law; provided that (i) and (ii) shall apply only if Executive sends written notice tno the Company within 30 days of the Date of Termination that he agrees that the non-compete provisions of Section 8 shall apply. If Executive elects not to send such notice, the payments in (i) and (ii) shall not be made, and the provisions of Section 8 shall not apply. In addition, upon such a termination, all of Executive's options granted after the date hereof (previous options being governed by Executive's prior agreements) shall accelerate and become vested without further action and, to the extent permitted under the plan's governing documents, Executive shall have a period of one year from the Date of Termination to exercise such options.

C. Termination upon Death or Disability. If Executive's employment is terminated as a result of Executive's death or Disability, then the Company will be obligated to pay (i) Executive's then current Base Salary through the Date of Termination, (ii) a pro rated amount of Executive's Bonus for the year, payable at the time set forth in Section 5, and (iii) Executive's COBRA premiums for the lesser of two years or the period that the Company is required to offer COBRA coverage as a matter of law. In addition, upon such a termination, the Executive's options granted shall accelerate and become vested without further action and, to the extent permitted under the plan's governing documents, Executive shall have a period of one year from the Date of Termination to exercise such options. If Executive dies or becomes disabled during any period that the Company is obliged to make payments under Section 7(A) or Section 7(B), the Company shall make a lump sum payment to Executive (or his estate) of any unpaid amount within thirty (30) days of such death or disability.

D. Termination for Cause by the Company.

(1) If the Company discharges Executive for Cause, then the Company will be obligated to pay Executive's Base Salary through the Date of Termination. No bonus shall be payable.

(2) Upon a termination for Cause, the provisions of Section 8 (Restrictive Covenant) shall automatically become applicable for the two-year period set forth therein, without any further payment

due Executive.

E. Definitions. For purposes of this Agreement:

(1) "CAUSE" and "GOOD REASON" shall have the meanings ascribed to them in the Amended and Restated Change of Control Agreement (the "Change of Control Agreement"), effective as of July 1, 2002,

(2) "DATE OF TERMINATION" shall mean (i) if this Agreement is terminated as a result of Executive's death, the date of Executive's death, (ii) if this Agreement is terminated by Executive, the date on which he notifies the Company in writing, (iii) if this Agreement is terminated by the Company for Disability, the date a notice of termination is given, (iv) if this Agreement is terminated by the Company for Cause, the date a notice of termination is given to Executive by the Company, or (v) if this Agreement is terminated by the Company without Cause, 30 days after a date of notice of termination is given to Executive by the Company, and

(3) "DISABILITY" shall mean a disability that results in Executive being medically unable to fulfill his duties under this Agreement for six consecutive months.

F. Procedures for Determining Cause. The procedures set forth in Section 10 of the Change of Control Agreement shall apply in connection with any notice of termination under this Agreement.

8. RESTRICTIVE COVENANT. In consideration of Executive's employment, but subject to Section 7, Executive agrees to the following:

A. During the Restriction Period (as defined below), Executive will not, directly or indirectly, either as an Executive, partner, owner, lender, director, adviser or consultant or in any other capacity or through any entity:

(1) engage in any production homebuilding or home sales or within 100 miles of any Company project, provided, that Executive (a) may own stock in the Company and less than 1% of any other publicly traded homebuilder, and (b) may engage in custom homebuilding, land banking or lot or land development; provided, however, that Executive may not directly or indirectly engage in the sale of finished lots within the restricted area described above, unless at least 10 business days prior to any offer to a third party, the lots are offered to the Company, and if the Company (or its nominee) determines to purchase the property, the applicable selling party negotiates a sale in good faith. If no such sale is then consummated, then the applicable selling party may pursue a sale with a third party. If the terms of such third-party sale are materially different than the offer made to the Company, the Company (or its nominee) will have the right of first refusal to purchase the lots within three business days of notice of the proposed sale to such a third party. This notice must contain the specific terms and conditions thereof and the proposed buyer. If the Company (or a nominee) does not respond to the right of first offer within 10 days or the right of first refusal within three days, the Company will be deemed to have waived the applicable right. The Company or nominee can substitute cash for any non-cash consideration (at the fair market value thereof). This right will arise again if the third party offer is materially modified or amended.

(2) hire any person who is, or within the six month period preceding the date of such activity was, an employee of or consultant to the Company (other than as a result of a general solicitation for employment); or

(3) solicit any customer or supplier of the Company for a production homebuilding business or otherwise attempt to induce any such customer or supplier to discontinue or materially modify its relationship with the Company.

B. The provisions of this Section 8 shall begin as of the date hereof, will survive the termination of this agreement under Section 7 and will expire either one or two years from the Date of Termination, at the Company's election, provided that, to the extent required, the notices under Section 7(A) or 7(B) are given and the payments made as provided therein (the "RESTRICTION PERIOD").

C. Executive represents to the Company that he is willing and able to engage in businesses that are not competing businesses hereunder and

that enforcement of the restrictions set forth in this Section 8 would not be unduly burdensome to Executive. Executive hereby agrees that the period of time provided for in this Section 8 and other provisions and restrictions set forth herein are reasonable and necessary to protect the Company and its successors and assigns in the use and employment of the goodwill of the business conducted by Executive. Executive further agrees that damages cannot compensate the Company in the event of a violation of this Section 8 and that, if such violation should occur, injunctive relief shall be essential for the protection of the Company and its successors and assigns. Accordingly, Executive hereby covenants and agrees that, in the event any of the provisions of this Section 8 shall be violated or breached, the Company shall be entitled to obtain injunctive relief against the party or parties violating such covenants without bond but upon due notice, in addition to such further or other relief as may be available at equity or law. Obtainment of such an injunction by the Company shall not be considered an election of remedies or a waiver of any right to assert any other remedies which the Company has at law or in equity. No waiver of any breach or violation hereof shall be implied from forbearance or failure by the Company to take action thereof. The prevailing party in any litigation, arbitration or similar dispute resolution proceeding to enforce this provision will recover any and all reasonable costs and expenses, including attorneys' fees.

D. Executive agrees that the period of time in which this Section 8 is in effect shall be extended for a period equal to the duration of any breach of this Section 8 by Executive.

E. For purposes of Sections 8 and 9, the term "COMPANY" includes Meritage Corporation and its subsidiaries and affiliates.

9. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION.

A. It is understood that in the course of Executive's employment with Company, Executive will become acquainted with Company Confidential Information (as defined below). Executive recognizes that Company Confidential Information has been developed or acquired at great expense, is proprietary to the Company, and is and shall remain the exclusive property of the Company. Accordingly, Executive agrees that he will not, disclose to others, copy, make any

use of, or remove from Company's premises any Company Confidential Information, except as Executive's duties may specifically require, without the express written consent of the Company, during Executive's employment with the Company and thereafter until such time as Company Confidential Information becomes generally known, or readily ascertainable by proper means by persons unrelated to the Company.

B. Upon any termination of employment, Executive shall promptly deliver to the Company the originals and all copies of any and all materials, documents, notes, manuals, or lists containing or embodying Company Confidential Information, or relating directly or indirectly to the business of the Company, in the possession or control of Executive.

C. Executive hereby agrees that the period of time provided for in this Section 9 and other provisions and restrictions set forth herein are reasonable and necessary to protect the Company and its successors and assigns in the use and employment of the goodwill of the business conducted by Executive. Executive further agrees that damages cannot compensate the Company in the event of a violation of this Section 9 and that, if such violation should occur, injunctive relief shall be essential for the protection of the Company and its successors and assigns. Accordingly, Executive hereby covenants and agrees that, in the event any of the provisions of this Section 9 shall be violated or breached, the Company shall be entitled to obtain injunctive relief against the party or parties violating such covenants, without bond but upon due notice, in addition to such further or other relief as may be available at equity or law. Obtainment of such an injunction by the Company shall not be considered an election of remedies or a waiver of any right to assert any other remedies which the Company has at law or in equity. No waiver of any breach or violation hereof shall be implied from forbearance or failure by the Company to take action thereof. The prevailing party in any litigation, arbitration or similar dispute resolution proceeding to enforce this provision will recover any and all reasonable costs and expenses, including attorneys' fees.

D. "COMPANY CONFIDENTIAL INFORMATION" shall mean confidential, proprietary information or trade secrets of Company and its subsidiaries and affiliates including without limitation the following: (1) customer lists and customer information as compiled by Company; (2) Company's internal practices and procedures; (3) Company's financial condition and financial results of operation; (4) supply of materials information, including sources and costs, designs, information on land and lot inventories, and current and prospective projects; (5) strategic planning, manufacturing, engineering, purchasing, finance, marketing, promotion, distribution, and selling activities; (6) all other information which Executive has a reasonable basis to consider

confidential or which is treated by Company as confidential; and (7) all information having independent economic value to Company that is not generally known to, and not readily ascertainable by proper means by, persons who can obtain economic value from its disclosure or use. Notwithstanding the foregoing provisions, the following shall not be considered "Company Confidential Information": (i) the general skills of the Executive as an experienced real estate and homebuilding entrepreneur and senior management level employee; (ii) information generally known by senior management executives within the homebuilding and/or land development industry; (iii) persons, entities, contacts or relationships of Executive that are also generally known in the industry; and (iv) information which becomes available on a

non-confidential basis from a source other than Executive which source is not prohibited from disclosing such confidential information by legal, contractual or other obligation.

10. SEVERABILITY. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any applicable law, then such provision will be deemed to be modified to the extent necessary to render it legal, valid and enforceable, and if no such modification will make the provision legal, valid and enforceable, then this Agreement will be construed as if not containing the provision held to be invalid, and the rights and obligations of the parties will be construed and enforced accordingly.

11. ASSIGNMENT BY COMPANY. Nothing in this Agreement shall preclude the Company from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation or entity that assumes this Agreement and all obligations and undertakings hereunder. Upon such consolidation, merger or transfer of assets and assumption, the term "Company" as used herein shall mean such other corporation or entity, as appropriate, and this Agreement shall continue in full force and effect.

12. ENTIRE AGREEMENT. This Agreement, the Change of Control Agreement with Executive, and any agreements concerning stock options or other benefits, embody the complete agreement of the parties hereto with respect to the subject matter hereof and supersede any prior written, or prior or contemporaneous oral, understandings or agreements between the parties that may have related in any way to the subject matter hereof. This Agreement may be amended only in writing executed by the Company and Executive. Notwithstanding the foregoing, nothing in this Agreement is intended to affect any previous agreements pertaining to the grant of options to the Executive, including without limitation, provisions in Executive's prior Change of Control Agreement, providing for acceleration upon a change-in-control.

13. GOVERNING LAW. This Agreement and all questions relating to its validity, interpretation, performance and enforcement, shall be governed by and construed in accordance with the internal laws, and not the law of conflicts, of the State of Arizona.

14. NOTICE. Any notice required or permitted under this Agreement must be in writing and will be deemed to have been given when delivered personally or by overnight courier service or three days after being sent by mail, postage prepaid, at the address indicated below or to such changed address as such person may subsequently give such notice of:

if to Parent or Company: Meritage Corporation
8501 E. Princess Drive, Suite 290
Scottsdale, Arizona 85255
Attention: Chief Financial Officer

with a copy to: Snell & Wilmer L.L.P.
One Arizona Center
400 E. Van Buren Street
Phoenix, Arizona 85004-0001
Phone: (602) 382-6252
Fax: (602) 382-6070
Attn: Steven D. Pidgeon, Esq.

if to Executive: Steven J. Hilton
9586 Havasupai
Scottsdale, Arizona 85255
Phone: (480) 515-0480

with a copy to: Gallagher & Kennedy, P.A.
2575 E. Camelback Road, Suite 1100
Phoenix, Arizona 85016-9225
Phone: (602) 530-8407
Fax: (602) 530-8500
Attn: Jay A. Zweig, Esq.

15. ARBITRATION. Any dispute, controversy, or claim, whether contractual or non-contractual, between the parties hereto arising directly or indirectly out of or connected with this Agreement, relating to the breach or alleged breach of any representation, warranty, agreement, or covenant under this Agreement, unless mutually settled by the parties hereto, shall be resolved by binding arbitration in accordance with the Employment Arbitration Rules of the American Arbitration Association (the "AAA"). Any arbitration shall be conducted by arbitrators approved by the AAA and mutually acceptable to Company and Executive. All such disputes, controversies, or claims shall be conducted by a single arbitrator, unless the dispute involves more than $50,000 in the aggregate in which case the arbitration shall be conducted by a panel of three arbitrators. If the parties hereto are unable to agree on the arbitrator(s), then the AAA shall select the arbitrator(s). The resolution of the dispute by the arbitrator(s) shall be final, binding, nonappealable, and fully enforceable by a court of competent jurisdiction under the Federal Arbitration Act. The arbitrator(s) shall award damages to the prevailing party. The arbitration award shall be in writing and shall include a statement of the reasons for the award. The arbitration shall be held in Phoenix, Arizona. The arbitrator(s) shall award reasonable attorneys' fees and costs to the prevailing party.

16. WITHHOLDING; RELEASE; NO DUPLICATION OF BENEFITS. All of Executive's compensation under this Agreement will be subject to deduction and withholding authorized or required by applicable law. The Company's obligation to make any post-termination payments hereunder (other than salary payments and expense reimbursements through a date of termination), shall be subject to receipt by the Company from Executive of a mutually agreeable release, and compliance by Executive with the covenants set forth in Sections 8 and 9 hereof. In order to avoid duplication, any payments or benefits due under Executive's Change of Control Agreement dated February 1, 2000, as amended and restated, will be reduced by any payments or benefits provided hereunder.

17. SUCCESSORS AND ASSIGNS. This Agreement is solely for the benefit of the parties and their respective successors, assigns, heirs and legatees. Nothing herein shall be construed to provide any right to any other entity or individual.

[REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

MERITAGE CORPORATION, a
Maryland corporation

By: /s/ Peter Ax

Name: Peter Ax

Title: Director

EXECUTIVE: STEVEN J. HILTON

/s/ Steven J. Hilton

EXHIBIT A

INCENTIVE COMPENSATION SCHEDULE

2003 CEO BONUS COMPENSATION

BASE SALARY $500,000 (effective July 1, 2002)

PART I - BONUS SUMMARY - BUDGET BASED PORTION

Bonus	100% or more	1.2% of pre-tax net income before bonus
	95% - 100%	0.9% of pre-tax net income before bonus
	90% - 95%	0.6% of pre-tax net income before bonus
	<90%	No budget-based bonus earned

PART II - BONUS SUMMARY - ROA/ROE-BASED PORTION

If the Company's 2003 return on assets and return on equity meets or exceeds the top 1/3 of the below list of publicly traded homebuilders, an additional 0.45% of pre-tax net income will be earned.

Bonus shall be paid in a reasonable time frame after year-end, but, in any event, no later than February 15 of each year. Co-CEOs do not have to wait until the Form 10-K is filed with the SEC.

List of homebuilders for purposes of ROA/ROE calculation:

Toll Brothers	M/I Schottenstein
Hovnanian	WCI Communities
Ryland Group	Technical Olympics USA
MDC Holdings	Wm Lyon Homes
Standard Pacific	Dominion Homes
Beazer Homes	

EXHIBIT B

SPECIFIED BENEFITS

1. Payments (including a tax gross up) of up to annually for Executive to purchase life insurance in the amount of $5,000,000.

2. Payments (including a tax gross up) of up annually for Executive to purchase disability insurance providing for monthly payments of an estimated $20,000 per month.

3. Executive Supplemental Savings Plan enabling deferred compensation in excess of 401(k) limitations.

4. Supplemental Retirement Benefits Program to provide the Executive retirement payments equal to 60% of his final five years average base salary beginning at age 65 and continuing through death.

EXHIBIT 10.4

AMENDED AND RESTATED
Effective April 15, 2003
(Original Date: February 1, 2000)

CHANGE OF CONTROL AGREEMENT

Dear Steve:

The Board of Directors believes that it is in the best interests of Meritage Corporation ("Meritage"), and its shareholders to take appropriate steps to allay any concerns you (sometimes referred to herein as "Executive") may have about your future employment opportunities with Meritage and its subsidiaries (Meritage and its subsidiaries are collectively referred to as the "Company"). As a result, the Board has decided to offer to you the benefits described below.

1. TERM OF AGREEMENT.

This Agreement is effective immediately and will continue in effect as long as you are employed by Meritage, unless you and Meritage agree in writing to its termination.

2. SEVERANCE PAYMENT.

If your employment with the Company is terminated without "Cause" (as defined in Section 8) at any time within 90 days prior to or within two years following a "Change of Control" (as defined in Section 6), you will receive the "Severance Payment" described below. You will also receive the Severance Payment if you terminate your employment for "Good Reason" (as defined in Section 7) at any time within two years following a Change of Control.

The Severance Payment equals the sum of (i) three times the higher of (x) your annual base salary on the date of termination of your employment, or (y) your annual base salary on the date preceding the Change of Control, and (ii) three times the highest of the following: (x) your average incentive compensation for the two years prior to termination of your employment, (y) your incentive compensation for the year preceding the year in which the Change of Control occurred, or (z) your "Minimum Incentive Compensation Amount" (as defined below in Section 4).

The Severance Payment will be paid in one lump sum as soon as administratively feasible following termination of your employment, but in no event more than 30 days following termination of your employment.

You are not entitled to receive the Severance Payment if your employment is terminated for Cause, if you terminate your employment without Good Reason, or if your employment is terminated by reason of your "Disability" (as defined in Section 10(d)) or your death (unless death or disability occurs after a notice of termination). In addition, you are not entitled to receive the Severance Payment if your employment is terminated by you or the Company for any or no reason prior to 90 days before a Change of Control occurs or more than two years after a Change of Control has occurred.

In order to receive the Severance Payment, you must execute any release reasonably requested by the Company.

The Severance Payment will be paid to you without regard to whether you look for or obtain alternative employment following termination of your employment with the Company.

3. BENEFITS CONTINUATION.

If you are entitled to severance under Section 2, you will continue to receive life, disability, accident and group health insurance benefits substantially similar to those which you were receiving immediately prior to termination of your employment for a period of 24 months following termination of your employment. Such benefits shall be provided on substantially the same terms and conditions as they were provided prior to the Change of Control, provided that, if coverage for such benefits is not available under the plans of the Company, the Company shall pay Executive an amount in cash equal to the cost of your obtaining such alternative coverage.

Benefits otherwise receivable pursuant to this Section also shall be reduced or eliminated if and to the extent that you receive comparable benefits from any other source (for example, another employer); provided, however, you shall have no obligation to seek, solicit or accept employment from another employer in order to receive such benefits.

4. INCENTIVE COMPENSATION.

If you are employed by the Company on the day on which a Change of

Control occurs, the incentive compensation to which you will be entitled (pursuant to any performance-based incentive compensation program established by the Company) for the calendar year in which the Change of Control occurs will equal at least the "Minimum Incentive Compensation Amount." The "Minimum Incentive Compensation Amount" will equal the incentive compensation to which you would have been entitled if the year were to end on the day on which the Change of Control occurs, based upon performance up to that date. In measuring financial performance, financial results through the date of the Change of Control will be annualized.

5. STOCK OPTION ACCELERATION.

Notwithstanding anything in this Agreement or in any option agreement to the contrary, upon a Change of Control, any stock options granted to you after the date hereof (previous options being governed by Executive's prior agreements) shall accelerate and become vested without further action and, to the extent permitted under the plan's governing documents, Executive shall have a period of one year from the date of termination to exercise such options.

6. CHANGE OF CONTROL DEFINED.

For purposes of this Agreement, the term "Change of Control" shall mean and include the following transactions or situations:

(a) The acquisition of beneficial ownership, directly or indirectly, of securities having 33% or more of the combined voting power of Meritage's then outstanding securities by any "Unrelated Person" or "Unrelated Persons" acting in concert with one another. For purposes

of this Section, 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 purposes of this Section, 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 Meritage to an Unrelated Person or Unrelated Persons acting in concert with one another.

(c) Any consolidation or merger of Meritage with or into an Unrelated Person, unless immediately after the consolidation or merger the holders of the common stock of Meritage 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

(d) A change during any period of two consecutive years of a majority of the members of the Board of Directors of Meritage 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.

7. GOOD REASON DEFINED.

For purposes of this Agreement, the term "Good Reason" shall include the following circumstances: (a) if the Company assigns you duties that are materially inconsistent with, or constitute a material reduction of powers or functions associated with, your position, duties, or responsibilities with the Company, or a material adverse change in your titles, authority, or reporting responsibilities, or in conditions of your employment, (b) if your base salary is reduced or the potential incentive compensation (or bonus) to which you may become entitled to at any level of performance by you or the Company is reduced, (c) if the Company fails to cause any successor to expressly assume and agree to be bound by the terms of this Agreement, (d) any purported termination by the Company of your employment for grounds other than for "Cause," (e) if the Company relieves you of your duties other than for "Cause," or (f) if you are required to relocate to an employment location that is more than fifty (50) miles from Scottsdale, Arizona. The Company and you further acknowledge and agree that, if following a Change of Control, you do not serve or are not serving as Co-Chairman and Chief Executive Officer (or sole Chairman and Chief Executive Officer) of the parent corporation of the surviving organization, you have experienced a material reduction of powers or functions associated with your position, duties or responsibilities with the Company such that Good Reason shall be deemed to exist.

8. CAUSE DEFINED.

For purposes of this Agreement, the term "Cause" will exist if you have

engaged in malfeasance that materially harms the Company or its stockholders, or if you are convicted of a felony that is materially detrimental to the Company or its stockholders.

9. CEILING ON BENEFITS.

The Internal Revenue Code (the "Code") places significant tax burdens on you and the Company if the total payments made to you due to a Change of Control exceed prescribed limits. For example, if your limit is $749,999 (because your "Base Period Income" (as defined below) is $250,000) and the "Total Payments" (as defined below) exceed the limit by even $1.00, you are subject to an excise tax under Section 4999 of the Code of 20% of all amounts paid to you in excess of $250,000. If your limit is $749,999, you will not be subject to an excise tax if you receive exactly $749,999. If you receive $750,000, you will be subject to an excise tax of $100,000 (20% of $500,000).

In order to avoid this excise tax and the related adverse tax consequences for the Company, by signing this Agreement, you agree that the present value of your Total Payments will not exceed an amount equal to 2.99 times your Base Period Income. This is the maximum amount which you may receive without becoming subject to the excise tax imposed by Section 4999 of the Code or which the Company may pay without loss of deduction under Section 280G of the Code.

"Base Period Income" is an amount equal to your "annualized includible compensation" for the "base period" as defined in Sections 280G(d) (1) and (2) of the Code and the regulations adopted thereunder. Generally, your "annualized includible compensation" is the average of your annual taxable income from the Company for the "base period," which is the five calendar years prior to the year in which the Change of Control occurs. These concepts are complicated and technical and all of the rules set forth in the applicable regulations apply for purposes of this Agreement.

Your "Total Payments" include the sum of the Severance Payment and any other "payments in the nature of compensation" (as defined in Section 280G of the Code and the regulations adopted thereunder).

If Meritage believes that these rules will result in a reduction of the payments to which you are entitled under this Agreement, it will so notify you within 60 days following delivery of the "Notice of Termination" described in Section 10. You and Meritage will then, at Meritage's expense, retain legal counsel, certified public accountants, and/or a firm of recognized executive compensation consultants to provide an opinion or opinions concerning whether your Total Payments exceed the limit discussed above.

Meritage will select the legal counsel, certified public accountants and executive compensation consultants. If you do not accept one or more of the parties selected by Meritage, you may provide Meritage with the names of legal counsel, certified public accountants and/or executive compensation consultants acceptable to you. If Meritage does not accept the party or parties selected by you, the legal counsel, certified public accountants and/or executive compensation consultants selected by you and Meritage, respectively, will select the legal counsel, certified public accountants and/or executive compensation consultants to provide the opinions required.

At a minimum, the opinions required by this Section must set forth (a) the amount of your Base Period Income, (b) the present value of the Total Payments, and (c) the amount and present value of any excess parachute payments.

If the opinions state that there would be an excess parachute payment, your payments under this Agreement will be reduced to the extent necessary to eliminate the excess.

You will be allowed to choose which payment should be reduced or eliminated, but the payment you choose to reduce or eliminate must be a payment determined by such legal counsel, certified public accountants, and/or executive compensation consultants to be includible in Total Payments. You will make your decision in writing and deliver it to Meritage within 30 days of your receipt of such opinions. If you fail to so notify Meritage, it will decide which payments to reduce or eliminate.

If the legal counsel, certified public accountants, and/or executive compensation consultants selected to provide the opinions referred to above so requests, in connection with the opinion required by this Section, a firm of recognized executive compensation consultants, selected by you and Meritage pursuant to the procedures set forth above, shall provide an opinion, upon which such legal counsel, certified public accountants, and/or executive compensation consultants may rely, as to the reasonableness of any item of compensation as reasonable compensation for services rendered before or after the Change of

Control.

If Meritage believes that your Total Payments will exceed the limitations of this Section, it will nonetheless make payments to you, at the times stated above, in the maximum amount that it believes may be paid without exceeding such limitations. The balance, if any, will then be paid after the opinions called for above have been received.

If the amount paid to you by Meritage is ultimately determined, pursuant to the opinion referred to above or by the Internal Revenue Service, to have exceeded the limitation of this Section, the excess will be treated as a loan to you by Meritage and shall be repayable on the 90th day following demand by Meritage, together with interest at the "applicable federal rate" provided in Section 1274(d) of the Code.

In the event that the provisions of Sections 280G and 4999 of the Code are repealed without succession, this Section shall be of no further force or effect.

The Company does not intend to provide duplicative benefits. As a result, benefits otherwise receivable pursuant to this Agreement shall be reduced or eliminated if and to the extent that you receive such benefits pursuant to any employment agreement you may have with the Company.

10. TERMINATION NOTICE AND PROCEDURE.

Any termination by the Company or you of your employment shall be communicated by written Notice of Termination to you if such Notice of Termination is delivered by the Company and to the Company if such Notice of Termination is delivered by you, all in accordance with the following procedures:

(a) The Notice of Termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances alleged to provide a basis for termination.

(b) Any Notice of Termination by the Company shall be in writing signed by the Co-Chairman of the Board of Meritage (other than you) specifying in detail the basis for such termination.

(c) If the Company shall furnish a Notice of Termination for Cause and you in good faith notify the Company that a dispute exists concerning such termination within the 30-day period following your receipt of such notice, you may elect to continue your employment during such dispute. If it is thereafter determined that (i) Cause did exist, your "Termination Date" shall be the earlier of (A) the date on which the dispute is finally determined, either by mutual written agreement of the parties or pursuant to the alternative dispute resolution provisions of Section 17, or (B) the date of your death; or (ii) Cause did not exist, your employment shall continue as if the Company had not delivered its Notice of Termination and there shall be no Termination Date arising out of such notice.

(d) If the Company shall furnish a Notice of Termination by reason of Disability and you in good faith notify the Company that a dispute exists concerning such termination within the 30-day period following your receipt of such notice, you may elect to continue your employment during such dispute. The dispute relating to the existence of a Disability shall be resolved by the opinion of the licensed physician selected by Meritage, provided, however, that if you do not accept the opinion of the licensed physician selected by Meritage, the dispute shall be resolved by the opinion of a licensed physician who shall be selected by you; provided further, however, that if Meritage does not accept the opinion of the licensed physician selected by you, the dispute shall be finally resolved by the opinion of a licensed physician selected by the licensed physicians selected by Meritage and you, respectively. If it is thereafter determined that (i) a Disability did exist, your Termination Date shall be the earlier of (A) the date on which the dispute is resolved, or (B) the date of your death, or (ii) a Disability did not exist, your employment shall continue as if the Company had not delivered its Notice of Termination and there shall be no Termination Date arising out of such notice. For purposes of this Agreement, "Disability" shall be given the meaning ascribed to such term in your Employment Agreement at the time the Disability determination is being made.

(e) If you in good faith furnish a Notice of Termination for Good Reason and the Company notifies you that a dispute exists concerning the termination within the 30-day period following the Company's receipt of such notice, you may elect to continue your employment during such dispute. If it is thereafter determined that (i) Good Reason did exist, your Termination Date shall be the earlier of (A) the date on which the dispute is finally determined, either by mutual written agreement of the parties or pursuant to the alternative dispute resolution provisions of Section 17, (B) the date of your death, or (C)

one day prior to the second anniversary of a Change of Control, and your payments hereunder shall reflect events occurring after you delivered Notice of Termination; or (ii) Good Reason did not exist, your employment shall continue after such determination as if you had not delivered the Notice of Termination asserting Good Reason.

(f) If you do not elect to continue employment pending resolution of a dispute regarding a Notice of Termination, and it is finally determined that the reason for termination set forth in such Notice of Termination did not exist, if such notice was delivered by you, you shall be deemed to have voluntarily terminated your employment other than for Good Reason and if delivered by the Company, the Company will be deemed to have terminated you other than by reason of Disability or Cause.

11. SUCCESSORS.

Meritage will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Meritage or any of its subsidiaries to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Meritage or any subsidiary would be required to perform it if no such succession had taken place. Failure of Meritage to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation in the same amount and on the same terms to which you would be entitled hereunder if you terminate your employment for Good Reason following a Change of Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Termination Date. As used in this agreement "Company" shall mean Company, as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

12. BINDING AGREEMENT.

This Agreement shall inure to the benefit of and be enforceable by you and your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder had you continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

13. NOTICE.

For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as shown in the Employment Agreement, provided that all notices to Meritage shall be directed to the attention of the Chairman of the Board of Meritage with a copy to the Secretary of Meritage, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

14. MISCELLANEOUS.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and the Chairman of the Board of Meritage. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be

performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Arizona without regard to its conflicts of law principles. All references to sections of the Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of Meritage that arise prior to the expiration of this Agreement shall survive the expiration of the term of this Agreement.

15. VALIDITY.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this

Agreement, which shall remain in full force and effect.

16. COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which shall he deemed to be an original but all of which together will constitute one and the same instrument.

17. ALTERNATIVE DISPUTE RESOLUTION.

All claims, disputes and other matters in question between the parties arising under this Agreement shall, unless otherwise provided herein (such as in Sections 9 and 10(d)), be resolved in accordance with the arbitration or alternative dispute resolution provisions included in your Employment Agreement.

18. EXPENSES AND INTEREST.

If a good faith dispute shall arise with respect to the enforcement of your rights under this Agreement or if any arbitration or legal proceeding shall be brought in good faith to enforce or interpret any provision contained herein, or to recover damages for breach hereof, and you are the prevailing party, you shall recover from the Company any reasonable attorneys' fees and necessary costs and disbursements incurred as a result of such dispute or legal proceeding, and prejudgment interest on any money judgment obtained by you calculated at the rate of interest announced by Bank of America, Arizona from time to time as its prime rate from the date that payments to you should have been made under this Agreement, provided that such interest rate shall not be less than eight percent. It is expressly provided that the Company shall in no event recover from you any attorneys' fees, costs, disbursements or interest as a result of any dispute or legal proceeding involving the Company and you.

19. PAYMENT OBLIGATIONS ABSOLUTE.

Meritage's obligation to pay you the compensation and to make the arrangements in accordance with the provisions herein shall be absolute and unconditional and shall not be affected by any circumstances. All amounts payable by Meritage in accordance with this

Agreement shall be paid without notice or demand. If Meritage has paid you more than the amount to which you are entitled under this Agreement, Meritage shall have the right to recover all or any part of such overpayment from you or from whomsoever has received such amount.

20. EFFECT ON EMPLOYMENT AGREEMENT.

This Agreement supplements, and does not replace, your Employment Agreement, as it may be amended or replaced from time to time (the "Employment Agreement"). You will be entitled to receive all amounts due to you pursuant to your Employment Agreement; but some payments under your Employment Agreement may reduce your Severance Payments as provided in Section 2 and benefits due pursuant to your Employment Agreement may reduce the benefits due pursuant to Section 3. In addition, payments under your Employment Agreement may be considered as part of your Total Payment and result in a reduction in payments as provided in Section 9. If there is any conflict between the provisions of this Agreement and your Employment Agreement, such conflict shall be resolved so as to provide the greater benefit to you.

21. ENTIRE AGREEMENT.

This Agreement, your Employment Agreement and your option grant documents set forth the entire agreement between you and the Company concerning the subject matter discussed in this Agreement and supersede all prior agreements, promises, covenants, arrangements, communications, representations, or warranties, whether written or oral, by any officer, employee or representative of the Company. Any prior agreements or understandings with respect to the subject matter set forth in this Agreement are hereby terminated and canceled. Notwithstanding the foregoing, nothing in this Agreement is intended to affect any previous agreements pertaining to the grant of options to the Executive, including without limitation, provisions set forth in Executive's prior Change of Control Agreement providing for acceleration upon a change-in-control.

22. DEFERRAL OF PAYMENTS.

To the extent that any payment under this Agreement, when combined with all other payments received during the year that are subject to the limitations on deductibility under Code Section 162(m), exceeds the limitations on deductibility under Code Section 162(m), such payment shall, in the discretion of Meritage, be deferred to the next calendar year. The determination of deductibility under the preceding sentence shall be made by legal counsel, certified public accountants, and/or executive compensation consultants selected by Meritage but who shall be reasonably acceptable to you. Meritage will notify

you as soon as it becomes aware of specific information that may cause it to exercise its discretion to require deferral and shall provide you with access to all information on which its decision is based. If the date for payment of any amount is deferred pursuant to this Section 22, then Meritage will transfer an amount in cash equal to the deferred amount to a trust which shall be in substantially the same form as is set forth in Revenue Procedure 92-64, 1992-2 C.B. 422. The terms of the trust, including the designation of trustee, shall be determined by Meritage but shall be reasonably acceptable to you. All deferred amounts held in the trust shall bear interest at the greater of the rate of interest announced by Bank of America, Arizona from time to time as its prime rate or 8%, from the date

that the payment would have been made to you but for this Section 22 to the date that such payment is actually made to you. Payment of the deferred amounts shall be made no later than the 30th day after the end of the calendar year in which the deferral occurs, provided that such payment, when combined with any other payments subject to the Section 162(m) limitations received during the year, does not exceed the limitations on deductibility under Code Section 162(m).

23. PARTIES.

This Agreement is an agreement between you and Meritage and all successors and assigns of Meritage. In certain cases, though, obligations imposed upon Meritage may be satisfied by a subsidiary of Meritage. Any payment made or action taken by a subsidiary of Meritage shall be considered to be a payment made or action taken by Meritage for purposes of determining whether Meritage has satisfied its obligations under this Agreement.

If you would like to participate in this special benefits program, please sign and return the extra copy of this letter which is enclosed.

Sincerely,

MERITAGE CORPORATION

By /s/ Peter Ax

Name: Peter Ax

Its: Director

Enclosure

ACCEPTANCE

I hereby accept the offer to participate in this special benefits program and I agree to be bound by all of the provisions noted above.

STEVEN J. HILTON

/s/ Steven J. Hilton

Exhibit 12.1

MERITAGE CORPORATION

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In Thousands, Except Ratio of Earnings to Fixed Charges)

<TABLE>
<CAPTION>

	Years ended December 31,					Three Months ended March 31,	
	2002	2001	2000	1999	1998	2003	2002
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
COMPUTATION OF EARNINGS:							
Earnings before income taxes and extraordinary items	$113,544	$ 83,336	$ 56,762	$32,215	$30,500	$25,606	$14,043
Add: fixed charges	23,550	18,221	11,528	7,678	4,739	6,843	5,393
Add: amortization of capitalized interest	19,259	13,303	9,171	5,036	3,619	4,031	3,374
Less: interest capitalized	(19,294)	(16,623)	(10,626)	(7,025)	(3,711)	(5,662)	(4,553)
EARNINGS, AS ADJUSTED:	$137,059	$ 98,237	$ 66,835	$37,904	$35,147	$30,818	$18,257
COMPUTATION OF FIXED CHARGES:							
Interest expense, including amortization of deferred debt costs	$ 525	$ 348	$ 98	$ 96	$ 490	$ 236	$ 131
Interest portion of rent expense (1)	3,731	1,250	804	557	538	945	709
Capitalized interest	19,294	16,623	10,626	7,025	3,711	5,662	4,553
TOTAL FIXED CHARGES:	$ 23,550	$ 18,221	$ 11,528	$ 7,678	$ 4,739	$ 6,843	$ 5,393
RATIO OF EARNINGS TO FIXED CHARGES:	5.82x	5.39x	5.80x	4.94x	7.42x	4.50x	3.39x

</TABLE>

(1) Represents 50% of rental expense

Exhibit 21.1

MERITAGE CORPORATION
LIST OF SUBSIDIARIES

Monterey Homes Arizona, Inc.
Meritage Paseo Crossing, LLC
Monterey Homes Construction, Inc.
Meritage Paseo Construction, LLC
Meritage Homes of Arizona, Inc.
Meritage Homes Construction, Inc.
MTH-Texas GP, Inc.
MTH-Texas LP, Inc.
Legacy/Monterey Homes L.P.
Meritage Homes of Northern California, Inc.
Hancock-MTH Builders, Inc.
Hancock-MTH Communities, Inc.
Legacy Operating Company, L.P.
MTH-Texas GP II, Inc.
MTH-Texas LP II, Inc.
MTH-Homes Nevada, Inc.
Meritage Holdings, L.L.C.
Hulen Park Venture, LLC
MTH Homes-Texas, L.P.
MTH-Cavalier, LLC
Texas Home Mortgage Corporation
MTH Mortgage, LLC

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Meritage Corporation:

We consent to the use of our report dated February 6, 2003, with respect to the consolidated balance sheets of Meritage Corporation and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2002, which report appears in the Annual Report on Form 10-K of Meritage Corporation for the year ended December 31, 2002, incorporated herein by reference and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Phoenix, Arizona
May 6, 2003

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to incorporation by reference in Registration Statement on Form S-4 of Meritage Corporation of our reports, dated March 25, 2002, relating to the consolidated financial statements of Hammonds Homes, Ltd. and Subsidiaries as of December 31, 2001 and December 31, 2000 and each of the years in the three year period ended December 31, 2001 and Crystal City Land & cattle, Ltd. and Subsidiaries as of December 31, 2001 and from August 23, 2001 (date of inception) to December 31, 2001, which reports appear in Form 8- K/A of Meritage Corporation dated july 12, 2002 and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ Kolkhorst & Kolkhorst

Houston Texas

May 6, 2003

EXHIBIT 99.1

LETTER OF TRANSMITTAL

To Tender for Exchange

9 3/4% Senior Notes Due 2011

of

MERITAGE CORPORATION

Pursuant to

Prospectus dated , 2003

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME ON , 2003, UNLESS EXTENDED.

The Exchange Agent for the Exchange Offer is:

Wells Fargo Bank, National Association

By Registered or Certified Mail or Overnight Courier:	*By Facsimile:*
Wells Fargo Bank, National Association	Fax: (213) 614-3355
707 Wilshire Boulevard,	(For eligible institutions only)
17th Floor	Wells Fargo Bank, National Association
Los Angeles, CA 90017	Attention: Jeanie Mar
Attention: Jeanie Mar	Confirm by Telephone:
	(213) 614-3349

By Hand (before 4:30 P.M.):

Wells Fargo Bank, National Association

707 Wilshire Boulevard,
17th Floor
Los Angeles, CA 90017
Attention: Jeanie Mar

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL

CAREFULLY BEFORE CHECKING ANY BOX BELOW

DESCRIPTION OF OUTSTANDING NOTES TENDERED

Names(s) and Address(es) of Holder(s) (Please Fill in, if Blank, Exactly as Name(s) Appear(s) on Outstanding Notes)	Certificate Number(s)	Total Principal Amount Represented by Certificate(s) (If Enclosing Certificates)	Total Principal Amount of Outstanding Notes Tendered (Must be in Integral Multiples of $1,000)(a)
	Total		

(a) Unless indicated in the column labeled "Total Principal Amount of Outstanding Notes Tendered," any tendering Holder of Outstanding Notes will be deemed to have tendered the entire aggregate principal amount represented by the column labeled "Total Principal Amount Represented by Certificate(s)."

If the space provided above is inadequate, list the certificate numbers and principal amounts on a separate signed schedule and affix the list to this Letter of Transmittal.

The minimum permitted is $1,000 in principal amount of Outstanding Notes. All other tenders must be integral multiples of $1,000.

The undersigned acknowledges receipt of the Prospectus, dated , 2003 (the "Prospectus"), of Meritage Corporation, a Maryland corporation (the "Company"), relating to the offer (the "Exchange Offer") of the Company, upon the terms and subject to the conditions set forth in the Prospectus and herein and the instructions hereto, to exchange $1,000 principal amount of its registered 9 3/4% Senior Notes due 2011 (the "Exchange Notes") for each $1,000 principal amount of its outstanding unregistered 9 3/4% Senior Notes due 2011 (the "Outstanding Notes"), of which $50 million aggregate principal amount is outstanding. The minimum permitted tender is $1,000 principal amount of outstanding notes, and all other tenders must be in integral multiples of $1,000.

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS, OR TRANSMISSION BY FACSIMILE, OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

The Exchange Offer will expire at 5:00 p.m., New York City time, on , 2003 (the "Expiration Date"), unless extended.

HOLDERS WHO WISH TO BE ELIGIBLE TO RECEIVE EXCHANGE NOTES PURSUANT TO THE EXCHANGE OFFER MUST VALIDLY TENDER THEIR OUTSTANDING NOTES TO THE EXCHANGE AGENT PRIOR TO 5:00 P.M. ON THE EXPIRATION DATE.

This Letter of Transmittal should be used only to exchange the Outstanding Notes, pursuant to the Exchange Offer as set forth in the Prospectus.

This Letter of Transmittal is to be used: (a) if Outstanding Notes are to be physically delivered to the Exchange Agent; (b) if delivery of Outstanding Notes is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company ("DTC" or the "Book — Entry Transfer Facility") pursuant to the procedures set forth in the Prospectus under the caption "The Exchange Offer — Procedures for Tendering"; or (c) delivery of Outstanding Notes is to be made according to the guaranteed delivery procedures set forth in the prospectus under the caption "The Exchange Offer — Guaranteed Delivery Procedures," and, in each case, instructions are not being transmitted through DTC. Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

Holders whose Outstanding Notes are not available or who cannot deliver their Outstanding Notes and all other documents required hereby to the Exchange Agent by 5:00 p.m. on the Expiration Date nevertheless may tender their Outstanding Notes in accordance with the guaranteed delivery procedures set forth in the Prospectus under the caption "The Exchange Offer — Guaranteed Delivery Procedures."

All capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Prospectus.

HOLDERS WHO WISH TO EXCHANGE THEIR OUTSTANDING NOTES MUST COMPLETE ALL THE COLUMNS IN THE BOX ENTITLED "DESCRIPTION OF OUTSTANDING NOTES TENDERED" ON THE PRIOR PAGE, COMPLETE THE BOX BELOW ENTITLED "METHOD OF DELIVERY" AND SIGN WHERE INDICATED BELOW.

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OUTSTANDING NOTES TENDERED" AND SIGNING THIS LETTER OF TRANSMITTAL, WILL BE DEEMED TO HAVE TENDERED THE OUTSTANDING NOTES AND MADE CERTAIN REPRESENTATIONS DESCRIBED IN THE PROSPECTUS AND HEREIN.

METHOD OF DELIVERY

☐ **CHECK HERE IF CERTIFICATES FOR TENDERED OUTSTANDING NOTES ARE ENCLOSED HEREWITH.**

☐ **CHECK HERE IF TENDERED OUTSTANDING NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution:

Account Number: Transaction Code Number:

☐ **CHECK HERE IF TENDERED OUTSTANDING NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING (SEE INSTRUCTIONS 1 AND 4):**

Name(s) of Registered Holder(s):

Window Ticket Number (if any):

Date of Execution of Notice of Guaranteed Delivery:

Name of Eligible Institution which Guaranteed Delivery:

If delivered by the Book-Entry Transfer Facility, provide the following information:

☐ The Depository Trust Company

Account Number: Transaction Code Number:

FOR PARTICIPATING BROKER-DEALERS ONLY

☐ **CHECK HERE AND PROVIDE THE INFORMATION REQUESTED BELOW IF YOU ARE A PARTICIPATING BROKER-DEALER AND WISH TO RECEIVE ADDITIONAL COPIES OF THE PROSPECTUS AND COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO, AS WELL AS ANY NOTICES FROM THE COMPANY TO SUSPEND AND RESUME USE OF THE PROSPECTUS. BY TENDERING ITS OUTSTANDING NOTES AND EXECUTING THIS LETTER OF TRANSMITTAL, EACH PARTICIPATING BROKER-DEALER AGREES TO USE ITS REASONABLE BEST EFFORTS TO NOTIFY THE COMPANY OR THE EXCHANGE AGENT WHEN IT HAS SOLD ALL OF ITS EXCHANGE NOTES. (if no Participating Broker-Dealers check this box, or if all Participating Broker-Dealers who have checked this box subsequently notify the Company or the Exchange Agent that all their Exchange Notes have been sold, the Company will not be required to maintain the effectiveness of the Exchange Offer Registration Statement or to update the Prospectus and will not provide any notices to any Holders to suspend or resume use of the Prospectus.)**

Name:

Address:

Telephone No.:

Facsimile No.:

NOTE: SIGNATURES MUST BE PROVIDED BELOW

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the principal amount of Outstanding Notes indicated in the box entitled "Description of Outstanding Notes Tendered." Subject to, and effective upon, the acceptance for exchange of the Outstanding Notes tendered hereby, the undersigned hereby irrevocably sells, assigns and transfers to or upon the order of the Company all right, title and interest in and to such Outstanding Notes, and hereby irrevocably constitutes and appoints the Exchange Agent the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that said Exchange Agent also acts as the agent of the Company and as Trustee under the indenture governing the Outstanding Notes and the Exchange Notes) with respect to such Outstanding Notes, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest) to (a) deliver certificates representing such Outstanding Notes on the account books maintained by DTC, and to deliver all accompanying evidences of transfer and authenticity to or upon the order of the Company upon receipt by the Exchange Agent, as the undersigned's agent, of the Exchange Notes to which the undersigned is entitled upon the acceptance by the Company of such Outstanding Notes for exchange pursuant to the Exchange Offer, (b) receive all benefits and otherwise to exercise all rights of beneficial ownership of such Outstanding Notes, all in accordance with the terms of the Exchange Offer, and (c) present such Outstanding Notes for transfer on the books of the Company or the trustee under the Indenture (the "Trustee") for such Outstanding Notes.

The undersigned acknowledges that prior to this Exchange Offer, there has been no public market for the Outstanding Notes or the Exchange Notes. If a market for the Exchange Notes should develop, the Exchange Notes could trade at a discount from their principal amount. The undersigned is aware that the Company does not intend to list the Exchange Notes on a national securities exchange and that there can be no assurance that an active market for the Exchange Notes will develop.

THE EXCHANGE OFFER IS NOT BEING MADE TO ANY BROKER-DEALER WHO PURCHASED OUTSTANDING NOTES DIRECTLY FROM THE COMPANY FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT OR ANY PERSON THAT IS AN "AFFILIATE" OF THE COMPANY WITHIN THE MEANING OF RULE 405 UNDER THE SECURITIES ACT. THE EXCHANGE OFFER IS NOT BEING MADE TO, NOR WILL TENDERS BE ACCEPTED FROM OR ON BEHALF OF, HOLDERS OF THE OUTSTANDING NOTES IN ANY JURISDICTION IN WHICH THE MAKING OF THE OFFER OR ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE LAWS OF SUCH JURISDICTION OR WOULD OTHERWISE NOT BE IN COMPLIANCE WITH ANY PROVISION OF ANY APPLICABLE SECURITY LAW.

The undersigned represents that (a) it is not an "affiliate," as defined under Rule 405 of the Securities Act, of the Company or any of the Guarantors (as defined in the Prospectus), (b) it does not have an arrangement or understanding with any person to participate in a distribution of the Exchange Notes, (c) it is not a broker-dealer that owns Outstanding Notes acquired directly from the Company or an affiliate of the Company; (d) it is acquiring the Exchange Notes in the ordinary course of its business, and (e) it is not acting on behalf of any other person that could not truthfully make the representations set forth herein. In addition, if the undersigned is participating in the Exchange Offer for the purpose of distributing the Exchange Notes it cannot rely on the interpretations of the staff of the Commission discussed under the caption "The Exchange Offer — Purposes and Effects" and may only sell the Exchange Notes acquired by it pursuant to a registration statement containing the selling security holder information required by Item 507 or 508 of Regulation S-K under the Securities Act.

If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Outstanding Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Each broker-dealer making the representations contained in the above paragraph (a "Participating Broker-Dealer"), by tendering the Outstanding Notes and executing this Letter of Transmittal, agrees that, upon receipt of notice from the Company of the occurrence of any event or the discovery of any fact which makes any statement contained or incorporated by reference in the Prospectus untrue in any material respect or which causes the

Prospectus to omit to state a material fact necessary in order to make the statements contained or incorporated by reference therein, in light of the circumstances under which they were made, not misleading or of the occurrence of certain other events specified in the Registration Rights Agreement, such Participating Broker-Dealer will suspend the sale of Exchange Notes pursuant to the Prospectus until the Company has amended or supplemented the Prospectus to correct such misstatement or omission and has furnished copies of the amended or supplemented Prospectus to the Participating Broker-Dealer or the Company has given notice that the sale of the Exchange Notes may be resumed, as the case may be.

Each Participating Broker-Dealer should check the box herein under the caption "For Participating Broker-Dealers Only" in order to receive additional copies of the Prospectus, and any amendments and supplements thereto, for use in connection with resales of the Exchange Notes, as well as any notices from the Company to suspend and resume use of the Prospectus. By tendering its Outstanding Notes and executing this Letter of Transmittal, each Participating Broker-Dealer agrees to use its reasonable best efforts to notify the Company or the Exchange Agent when it has sold all of its Exchange Notes. If no Participating Broker-Dealers check such box, or if all Participating Broker-Dealers who have checked such box with subsequently notify the Company or the Exchange Agent that all their Exchange Notes have been sold, the Company will not be required to maintain the effectiveness of the Exchange Offer Registration Statement or to update the Prospectus and will not provide any Holders with any notices to suspend or resume use of the Prospectus.

The undersigned understands and acknowledges that the Company reserves the right, in its sole discretion, to purchase or make offers for any Outstanding Notes that remain outstanding subsequent to the Expiration Date or to terminate the Exchange Offer and, to the extent permitted by applicable law, purchase Outstanding Notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers may differ from the terms of the Exchange Offer.

The undersigned hereby represents and warrants that (a) the undersigned accepts the terms and conditions of the Exchange Offer, (b) the undersigned has a net long position within the meaning of Rule 14e-4 under the Exchange Act ("Rule 14e-4") equal to or greater than the principal amount of Outstanding Notes tendered hereby, (c) the tender of such Outstanding Notes complies with Rule 14e-4 (to the extent that Rule 14e-4 is applicable to such exchange), (d) the undersigned has full power and authority to tender, exchange, assign and transfer the Outstanding Notes tendered hereby, and (e) when the same are accepted for exchange by the Company, the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim or right. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the sale, assignment and transfer of the Outstanding Notes tendered hereby or transfer ownership of such Outstanding Notes on the account books maintained by DTC.

The undersigned understands that tenders of the Outstanding Notes pursuant to any one of the procedures described in the Prospectus under the caption "The Exchange Offer — Procedures for Tendering" and in the instructions hereto will constitute a binding agreement between the undersigned and the Company in accordance with the terms and subject to the conditions of the Exchange Offer.

The undersigned agrees that all authority conferred or agreed to be conferred by this Letter of Transmittal and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. The undersigned also agrees that, except as stated in the Prospectus, the Outstanding Notes tendered hereby cannot be withdrawn.

The undersigned understands that by tendering Outstanding Notes pursuant to one of the procedures described in the Prospectus and the instructions thereto, the tendering holder will be deemed to have waived the right to receive any payment in respect of interest on the Outstanding Notes accrued up to the date of issuance of the Exchange Notes.

Holders of Outstanding Notes that are tendering by book-entry transfer to the Exchange Agent's account at DTC can execute the tender through DTC's Automated Tender Program ("ATOP"), for which the transaction will be eligible. DTC participants that are accepting the Exchange Offer should transmit their acceptance to DTC, which will

edit and verify the acceptance and execute a book-entry delivery to the Exchange Agent's account at DTC. DTC will then send an Agent's Message to the Exchange Agent for its acceptance. Delivery of the Agent's Message by DTC will satisfy the terms of the Exchange Offer as to execution and delivery of a Letter of Transmittal by the participant identified in the Agent's Message. DTC participants may also accept the Exchange Offer by submitting a Notice of Guaranteed Delivery through ATOP.

The undersigned recognizes that, under certain circumstances set forth in the Prospectus, the Company may not be required to accept for exchange any of the Outstanding Notes tendered. Outstanding Notes not accepted for exchange or withdrawn will be returned to the undersigned at the address set forth below unless otherwise indicated under the box entitled "Special Delivery Instructions" below.

Unless otherwise indicated herein under the box entitled "Special Issuance Instructions" below, Exchange Notes, and Outstanding Notes not validly tendered or accepted for exchange, will be issued in the name of the undersigned. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" below, Exchange Notes, and Outstanding Notes not validly tendered or accepted for exchange, will be returned to the undersigned at the address shown below the signature of the undersigned. The undersigned recognizes that the Company has no obligation pursuant to the "Special Issuance Instructions" to transfer any Outstanding Notes from the name of the registered holder thereof if the Company does not accept for exchange any of the principal amount of such Outstanding Notes so tendered.

The undersigned understands that the delivery and surrender of the Outstanding Notes is not effective, and the risk of loss of the Outstanding Notes does not pass to the Exchange Agent, until receipt by the Exchange Agent of this Letter of Transmittal, or facsimile hereof, properly completed and duly executed, with any required signature guarantees, together with all accompanying evidences of authority and any other required documents in form satisfactory to the Company. All questions as to the validity, form, eligibility (including time of receipt), and withdrawal of the tendered Outstanding Notes will be determined by the Company in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any and all Outstanding Notes not properly tendered or any Outstanding Notes the Company's acceptance of which would, in the opinion of counsel for the Company, be unlawful. The Company also reserves the right to waive any irregularities or conditions of tender as to particular Outstanding Notes. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions in this Letter of Transmittal) will be final and binding. Unless waived, any defects or irregularities in connection with tenders of Outstanding Notes must be cured within such time as the Company shall determine. Neither the Company, the Exchange Agent nor any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of Outstanding Notes, nor shall any of them incur any liability for failure to give such notification. Tenders of Outstanding Notes will not be deemed to have been made until such irregularities have been cured or waived. Any Outstanding Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost to such holder by the Exchange Agent to the tendering holders of Outstanding Notes, unless otherwise provided in this Letter of Transmittal, as soon as practicable following the Expiration Date.

In order to complete this Letter of Transmittal properly, a Holder must (i) complete the box entitled "Description of Outstanding Notes Tendered," (ii) complete the box entitled "Method of Delivery" by checking one of the four boxes therein and supplying the appropriate information, (iii) if such Holder is a Participating Broker-Dealer and wishes to receive additional copies of the Prospectus for delivery in connection with resales of Exchange Notes, complete the box entitled "For Participating Broker-Dealers Only," (iv) sign this Letter of Transmittal by completing the box entitled "Please Sign Here," (v) if appropriate, check and complete the boxes relating to the "Special Issuance Instructions" and "Special Delivery Instructions" and (vi) complete the Substitute Form W-9. Each Holder should carefully read the detailed Instructions below prior to the completing this Letter of Transmittal. See "The Exchange Offer — Procedures for Tendering" in the Prospectus.

Your bank or broker can assist you in completing this form. The instructions included with this Letter of Transmittal must be followed. Questions and requests for assistance or for additional copies of the Prospectus, this Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Exchange Agent, whose address and telephone number appear on the front cover of this Letter of Transmittal.

PLEASE SIGN HERE
(To Be Completed By All Tendering Holders)

X _____ **---------- , 2003**

X _____ **---------- , 2003**

(Signature(s) of Owner) **Date**

Area code and Telephone Number

_____

If a Holder is tendering any Outstanding Notes, this Letter must be signed by the registered Holder(s) as the name(s) appear(s) on the certificate(s) for the Outstanding Notes or by any person(s) authorized to become registered Holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s):

_____

_____

(Please type or print)

Capacity: _____

_____

Address: _____

_____

(Including Zip Code)

SIGNATURE GUARANTEE

(If Required By Instruction 3)

Signature(s) Guaranteed by an Eligible Institution:

_____

(Authorized Signature)

_____

(Title)

_____

(Name and Firm)

Dated: _____ , 2003

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3, 4 and 6)

To be completed ONLY if certificates for Outstanding Notes in a principal amount not exchanged and/or certificates for Exchange Notes are to be issued in the name of someone other than the undersigned, or if Outstanding Notes are to be returned by credit to an account maintained by the Book-Entry Transfer Facility.

Issue (check appropriate box)

☐ Exchange Notes to:

☐ Outstanding Notes to:

Name:

_____

(Please Print)

Address:

_____

_____

_____

(Zip Code)

_____

(Taxpayer Identification Number)

(You must also complete Substitute Form W-9 below.)

Credit unaccepted Outstanding Notes tendered by book-entry transfer to:

☐ The Depository Trust Company account set forth below

_____

(DTC Account Number)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 3, 4 and 6)

To be completed ONLY if certificates for Outstanding Notes in a principal amount not exchanged and/or certificates for Exchange Notes are to be sent to someone other than undersigned at an address other than that shown above.

Deliver (check appropriate box)

☐ Exchange Notes to:

☐ Outstanding Notes to:

Name:

_____

(Please Print)

Address:

_____

_____

_____

(Zip Code)

_____

(Taxpayer Identification Number)

(You must also complete Substitute Form W-9 below.)

INSTRUCTIONS FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

AND THE SOLICITATION

1. Delivery of This Letter of Transmittal and Certificates; Guaranteed Delivery Procedures. To be effectively tendered pursuant to the Exchange Offer, the Outstanding Notes, together with a properly completed Letter of Transmittal (or facsimile thereof), or in the case of a book-entry transfer, an Agent's Message, duly executed by the registered holder thereof, and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at one of its addresses set forth on the first page of this Letter of Transmittal. If the beneficial owner of any Outstanding Notes is not the registered holder, then such person may validly tender his or her Outstanding Notes only by obtaining and submitting to the Exchange Agent a properly completed Letter of Transmittal from the registered holder. **OUTSTANDING NOTES SHOULD BE DELIVERED ONLY TO THE EXCHANGE AGENT AND NOT TO THE COMPANY OR TO ANY OTHER PERSON.**

THE METHOD OF DELIVERY OF OUTSTANDING NOTES AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT, INCLUDING DELIVERY THROUGH DTC AND ANY ACCEPTANCE OF AN AGENT'S MESSAGE THROUGH ATOP, IS AT THE ELECTION AND RISK OF THE HOLDER. IF SUCH DELIVERY IS MADE BY MAIL, IT IS SUGGESTED THAT THE HOLDER USE PROPERLY INSURED, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED AND THAT SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY. NO ALTERNATIVE, CONDITIONAL OR CONTINGENT TENDERS OF OLD NOTES WILL BE ACCEPTED.

SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY TO THE EXCHANGE AGENT BY 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

If a holder desires to tender Outstanding Notes and such holder's Outstanding Notes are not immediately available or time will not permit such holder's Letter of Transmittal, Outstanding Notes or other required documents to reach the Exchange Agent on or before the Expiration Date, such holder's tender may be effected if:

(a) the tender is made through an Eligible Institution (as defined herein);

(b) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the holder of the Outstanding Notes, the certificate number or numbers of such Outstanding Notes and the principal amount of Outstanding Notes tendered, stating that the tender is being made thereby, and guaranteeing that, within three business days after the Expiration Date, the Letter of Transmittal (or facsimile thereof) together with the certificate(s) representing the Outstanding Notes to be tendered in proper form for transfer or a Book-Entry Confirmation, as the case may be, and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent; and

(c) such properly completed and executed Letter of Transmittal (or facsimile thereof), properly completed and validly executed with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, together with the certificate(s) representing all tendered Outstanding Notes in proper form for transfer (or a Book-Entry Confirmation with respect to all tendered Outstanding Notes), and all other documents required by the Letter of Transmittal are received by the Exchange Agent within three business days after the Expiration Date.

2. Withdrawal of Tenders. Tendered Outstanding Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date, unless previously accepted for exchange.

To be effective, a written or facsimile transmission notice of withdrawal must (a) be received by the Exchange Agent at one of its addresses set forth on the first page of this Letter of Transmittal prior to 5:00 p.m., New York City time, on the Expiration Date, unless previously accepted for exchange, (b) specify the name of the person who tendered the Outstanding Notes, (c) contain the description of the Outstanding Notes to be withdrawn, the certificate numbers shown on the particular certificates evidencing such Outstanding Notes and the aggregate principal amount represented by such Outstanding Notes and (d) be signed by the holder of such Outstanding Notes in the same manner as the original signature appears on this Letter of Transmittal (including any required signature guarantees)

or be accompanied by evidence sufficient to have the Trustee with respect to the Outstanding Notes register the transfer of such Outstanding Notes into the name of the holder withdrawing the tender. The signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution unless such Outstanding Notes have been tendered (a) by a registered holder of Outstanding Notes who has not completed either the box entitled "Special Issuance Instructions" or the box entitled "Special Delivery Instructions" on this Letter of Transmittal or (b) for the account of an Eligible Institution. All questions as to the validity, form and eligibility (including time of receipt) of such withdrawal notices shall be determined by the Company, whose determination shall be final and binding on all parties. If the Outstanding Notes to be withdrawn have been delivered or otherwise identified to the Exchange Agent, a signed notice of withdrawal is effective immediately upon receipt by the Exchange Agent of a written or facsimile transmission notice of withdrawal even if physical release is not yet effected. In addition, such notice must specify, in the case of Outstanding Notes tendered by delivery of certificates for such Outstanding Notes, the name of the registered holder (if different from that of the tendering holder) to be credited with the withdrawn Outstanding Notes. Withdrawals may not be rescinded, and any Outstanding Notes withdrawn will thereafter be deemed not validly tendered for purposes of the Exchange Offer. However, properly withdrawn Outstanding Notes may be retendered by following one of the procedures described under "The Exchange Offer — Procedures for Tendering" in the Prospectus at any time on or prior to the applicable Expiration Date.

3. Signatures on This Letter of Transmittal, Bond Powers and Endorsements; Guarantee of Signatures. If this Letter of Transmittal is signed by the registered holder(s) of the Outstanding Notes tendered hereby, the signature must correspond exactly with the name(s) as written on the face of the certificates without any change whatsoever.

If any Outstanding Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any Outstanding Notes tendered hereby are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of certificates.

When this Letter of Transmittal is signed by the registered holder or holders specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required unless Exchange Notes are to be issued, or certificates for any untendered principal amount of Outstanding Notes are to be reissued, to a person other than the registered holder.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of any certificate(s) specified herein, such certificates(s) must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the certificate(s). If this Letter of Transmittal is signed by a participant in DTC whose name is shown as the owner of the Outstanding Notes tendered hereby, the signature must correspond with the name shown on the security position listing as the owner of the Outstanding Notes.

If this Letter of Transmittal or a Notice of Guaranteed Delivery or any certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and unless waived by the Company, evidence satisfactory to the Company of their authority so to act must be submitted with this Letter of Transmittal.

Except as described below, signatures on this Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an Eligible Institution. Signatures on this Letter of Transmittal or a notice of withdrawal, as the case may be, need not be guaranteed if the Outstanding Notes tendered pursuant hereto are tendered (a) by a registered holder of Outstanding Notes who has not completed either the box entitled "Special Issuance Instructions" or the box entitled "Special Delivery Instructions" on this Letter of Transmittal or (b) for the account of an Eligible Institution. In the event that signatures on this Letter of Transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantee must be by a firm which is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. or by a commercial bank or trust company having an office or correspondent in the United States (each as "Eligible Institutions").

IF THIS LETTER OF TRANSMITTAL IS EXECUTED BY A PERSON OR ENTITY WHO IS NOT THE REGISTERED HOLDER, THEN THE REGISTERED HOLDER MUST SIGN A VALID BOND POWER WITH THE SIGNATURE OF SUCH REGISTERED HOLDER GUARANTEED BY A PARTICIPANT IN A RECOGNIZED MEDALLION SIGNATURE PROGRAM (A "MEDALLION SIGNATURE GUARANTOR").

4. Special Issuance and Delivery Instructions. Tendering holders should indicate in the applicable box the name and address to which certificates for Exchange Notes and/or substitute certificates evidencing Outstanding Notes for the principal amounts not exchanged are to be issued or sent, if different from the name and address of the person signing this Letter of Transmittal. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. If no such instructions are given, any Outstanding Notes not exchanged will be returned to the name and address of the person signing this Letter of Transmittal.

5. Tax Identification Number Withholding. Federal income tax law of the United States requires that a holder of Outstanding Notes whose Outstanding Notes are accepted for exchange provide the Company with the holder's correct taxpayer identification number, which, in the case of a holder who is an individual, is his or her social security number, or otherwise establish an exemption from backup withholding. If the Company is not provided with the correct taxpayer identification number, the exchanging holder of Outstanding Notes may be subject to a $50 penalty imposed by the Internal Revenue Service (the "IRS"). In addition, interest on the Exchange Notes acquired pursuant to the Exchange Offer may be subject to backup withholding in an amount up to 31% of any interest payment. If withholding occurs and results in an overpayment of taxes, a refund may be obtained.

To prevent backup withholding, an exchanging holder of Outstanding Notes must provide his correct taxpayer identification number by completing the Substitute Form W-9 provided in this Letter of Transmittal, certifying that the taxpayer identification number provided is correct (or that the exchanging holder of Outstanding Notes is awaiting a taxpayer identification number) and that either (a) the exchanging holder has not yet been notified by the IRS that such holder is subject to backup withholding as a result of failure to report all interest or dividends or (b) the IRS has notified the exchanging holder that such holder is no longer subject to backup withholding.

Certain exchanging holders of Outstanding Notes (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding requirements. A foreign individual and other exempt holders other than foreign individuals (e.g., corporations) should certify, in accordance with the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9," to such exempt status on the Substitute Form W-9 provided in this Letter of Transmittal. Foreign individuals should complete and provide Form W-8 to indicate their foreign status.

6. Transfer Taxes. Holders tendering pursuant to the Exchange Offer will not be obligated to pay brokerage commissions or fees or to pay transfer taxes with respect to their exchange under the Exchange Offer unless the box entitled "Special Issuance Instructions" in this Letter of Transmittal has been completed, or unless the Exchange Notes are to be issued to any person other than the holder of the Outstanding Notes tendered for exchange. The Company will pay all other charges or expenses in connection with the Exchange Offer. If holders tender Outstanding Notes for exchange and the Exchange Offer is not consummated, certificates representing the Outstanding Notes will be returned to the holders at the Company's expense. If a transfer tax is imposed for any reason other than the exchange of Outstanding Notes pursuant to the Exchange Offer, then the amount of any transfer taxes (whether imposed on the registered Holder or any other persons) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith the amount of taxes will be billed directly to such tendering Holder.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the certificate(s) specified in this Letter of Transmittal.

7. Inadequate Space. If the space provided herein is inadequate, the aggregate principal amount of the Outstanding Notes being tendered and the certificate numbers (if available) should be listed on a separate schedule attached hereto and separately signed by all parties required to sign this Letter of Transmittal.

8. Partial Tenders. Tenders of Outstanding Notes will be accepted only in integral multiples of $1,000. If tenders are to be made with respect to less than the entire principal amount of any Outstanding Notes, fill in the total principal amount of Outstanding Notes which are tendered in the appropriate box on the cover entitled "Description

of Outstanding Notes Tendered." In the case of partial tenders, new certificates representing the Outstanding Notes in fully registered form for the remainder of the principal amount of the Outstanding Notes will be sent to the person(s) signing this Letter of Transmittal, unless otherwise indicated in the appropriate place on this Letter of Transmittal, as promptly as practicable after the expiration or termination of the Exchange Offer.

9. Mutilated, Lost, Stolen or Destroyed Outstanding Notes. Any holder whose Outstanding Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

10. Request for Assistance or Additional Copies. Requests for assistance or additional copies of the Prospectus or this Letter of Transmittal may be obtained from the Exchange Agent at its telephone number set forth on the first page of this Letter of Transmittal.

IMPORTANT TAX INFORMATION

Under federal income tax law, the Exchange Agent may be required to withhold, at the relevant withholding rate which will range from 31% to 28%, a portion of certain payments made to Holders of the Exchange Notes. To prevent backup withholding on reportable payments made with respect to Exchange Notes received pursuant to the Exchange Offer, a tendering Holder is required to provide the Exchange Agent with (i) the Holder's correct TIN by completing the form below, certifying that the TIN provided on the Substitute Form W-9 is correct (or that such Holder is awaiting a TIN) and that (A) such Holder is exempt from backup withholding, (B) the Holder has not been notified by the Internal Revenue Service ("IRS") that the Holder is subject to backup withholding as a result of failure to report all interest or dividends or (C) the IRS has notified the Holder that the Holder is no longer subject to backup withholding, or (ii) if applicable, an adequate basis for exemption. If such Holder is an individual, the TIN is his or her social security number. If the Exchange Agent is not provided with the correct TIN, a $50 penalty may be imposed by the IRS and payments, including any Exchange Notes, made to such Holder with respect to Exchange Notes received pursuant to the Exchange Offer may be subject to backup withholding.

For purposes of backup withholding, the relevant withholding rate will be 30% for reportable payments made in the remainder of 2003, 29% for reportable payments made in the years 2004 and 2005, 28% for reportable payments made in the years 2006 through 2010, and 31% for payments made thereafter. Certain Holders (including, among others, all corporations and certain foreign persons) are not subject to these backup withholding and reporting requirements. Exempt Holders should indicate their exempt status on the Substitute Form W-9. A foreign person may qualify as an exempt recipient by submitting to the Exchange Agent a properly completed IRS Form W-8 signed under penalties of perjury, attesting to that Holder's exempt status. A Form W-8 can be obtained from the Exchange Agent. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions. Holders are urged to consult their own tax advisors to determine whether they are exempt.

If backup withholding applies, the Exchange Agent is required to withhold, at the relevant withholding rate, a portion of any reportable payments made to the holder of the Exchange Notes or other payee. Backup withholding is not an additional Federal income tax. Rather, the Federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the IRS.

WHAT NUMBER TO GIVE THE EXCHANGE AGENT

The Holder is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the registered holder of the Exchange Notes. If the Exchange Notes will be held in more than one name or are held not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

PAYER'S NAME: Meritage Corporation*

SUBSTITUTE **Form W-9**	**Part 1** — PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social Security Number OR TIN
Department of the Treasury **Internal Revenue Service** **Payer's Request for Taxpayer Identification Number (TIN)**	**Part 2 — Certification** — Under penalties of perjury, I certify that: (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and (2) I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup as a result of failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and (3) I am a U.S. person (including a U.S. resident alien).	**Part 3** — Awaiting TIN ☐ **Part 4** — Exempt ☐
	Certification Instructions — You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because you have failed to report all interest or dividends on your tax return. If you are exempt from backup withholding, check the box in Part 4 above.	

Signature ---------- Date ---------- , 2003

Name (Please print)

* See Instruction 5.

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF UP TO 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE EXCHANGE OFFER AND THE SOLICITATION PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART II OF THE SUBSTITUTE FORM W-9.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE

IF YOU CHECKED THE BOX IN PART 3 OF SUBSTITUTE FORM W-9

CERTIFICATE OF TAXPAYER AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalty of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number to the payor, a portion of payments made to me pursuant to the Exchange Offer shall be retained until I provide a taxpayer identification number to the payor and that, if I do not provide my taxpayer identification number within sixty (60) days, such retained amounts shall be remitted to the Internal Revenue Service as a backup withholding and all reportable payments made to me thereafter will be subject to backup withholding until I provide a number.

Signature _____ Date _____ , 2003

_____

Name (Please Print)

NOTICE OF GUARANTEED DELIVERY

To Tender for Exchange

9 3/4% Senior Notes Due 2011

of

MERITAGE CORPORATION

Pursuant to

Prospectus dated , 2003

This Notice of Guaranteed Delivery or a form substantially equivalent hereto must be used to accept the offer (the "Exchange Offer") of Meritage Corporation, a Maryland corporation (the "Company"), to exchange $1,000 principal amount of its registered 9 3/4% Senior Notes due 2011 (the "Exchange Notes") for each $1,000 principal amount of its outstanding unregistered 9 3/4% Senior Notes due 2011 (the "Outstanding Notes") if (a) certificates representing the Outstanding Notes are not immediately available or (b) time will not permit the Outstanding Notes and all other required documents to reach the Exchange Agent on or prior to the Expiration Date. This form may be delivered by an Eligible Institution (as defined) by mail or hand delivery, or transmitted via facsimile, telegram or telex, to the Exchange Agent as set forth below. All capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Prospectus dated , 2003 (the "Prospectus").

THE EXCHANGE OFFER IS NOT BEING MADE TO (NOR WILL THE SURRENDER OF OUTSTANDING NOTES BE ACCEPTED FROM OR ON BEHALF OF) HOLDERS OF OUTSTANDING NOTES IN ANY JURISDICTION IN WHICH THE MAKING OR ACCEPTANCE OF THE EXCHANGE OFFER WOULD NOT BE IN COMPLIANCE WITH THE LAWS OF SUCH JURISDICTION.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME ON , 2003, UNLESS EXTENDED. TENDERS OF 9 3/4% SENIOR NOTES DUE 2011 MAY ONLY BE WITHDRAWN UNDER THE CIRCUMSTANCES DESCRIBED IN THE PROSPECTUS AND THE LETTER OF TRANSMITTAL.

The Exchange Agent for the Exchange Offer:

By Registered or Certified Mail; Overnight Courier or Hand Delivery:	*By Facsimile:*
Wells Fargo Bank, National Association 707 Wilshire Boulevard, 17th Floor Los Angeles, CA 90017 Attention: Jeanie Mar	Fax: (213) 614-3355 Wells Fargo Bank, National Association Attention: Jeanie Mar Confirm by Telephone: (213) 614-3349

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS, OR TRANSMISSION VIA FACSIMILE, TELEGRAM OR TELEX, OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

This form is not to be used to guarantee signatures. If a signature on the Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

The undersigned hereby tender(s) to the Company, upon the terms and subject to the conditions set forth in the Prospectus, receipt of which is hereby acknowledged, the principal amount of Outstanding Notes set forth below, pursuant to the guaranteed delivery procedures set forth in the Prospectus under the caption "The Exchange Offer — Guaranteed Delivery Procedures." By so tendering, the undersigned does hereby make, at and as of the date hereof, the representations and warranties of a tendering Holder of Outstanding Notes set forth in the Letter of Transmittal.

Subject to and effective upon acceptance for exchange of the Outstanding Notes tendered herewith, the undersigned hereby sells, assigns and transfers to or upon the order of the Company all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of the undersigned's status as a holder of, all Outstanding Notes tendered hereby. In the event of a termination of the Exchange Offer, the Outstanding Notes tendered pursuant thereto will be returned promptly to the tendering Outstanding Note holder.

The undersigned hereby represents and warrants that the undersigned accepts the terms and conditions of the Prospectus and the Letter of Transmittal, has full power and authority to tender, sell, assign and transfer the Outstanding Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the sale, assignment and transfer of the Outstanding Notes tendered.

All authority herein conferred or agreed to be conferred by this Notice of Guaranteed Delivery shall survive the death or incapacity of the undersigned and every obligation of the undersigned under this Notice of Guaranteed Delivery shall be binding upon the heirs, personal representatives, executors, administrators, successors, assigns, trustees in bankruptcy and other legal representatives of the undersigned.

PLEASE SIGN AND COMPLETE

Signature(s) of Registered Holder(s) or Authorized Signatory:

Name(s) of Registered Holder(s):

Principal Amount of Outstanding Notes Tendered:

Certificate No(s). of Outstanding Notes (if available):

Address(es):

Area Code and Telephone No.:

If Outstanding Notes will be delivered by a book-entry transfer, provide the following information:

Transaction Code No.:

Depository Account No.:

This Notice of Guaranteed Delivery must be signed by the registered holder(s) of Outstanding Notes exactly as their name(s) appear(s) on the Outstanding Notes or by person(s) authorized to become registered holder(s) by endorsements and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, guardian, attorney-in-fact, officer of a corporation, executor, administrator, agent or other representative, such person must provide the following information:

Please print name(s) and address(es)

Name(s):

Capacity:

Address(es):

GUARANTEE

(Not to be used for signature guarantee)

The undersigned, a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States (each, an "Eligible Institution"), hereby guarantees that, within three business days from the date of this Notice of Guaranteed Delivery, a properly completed and validly executed Letter of Transmittal (or a facsimile thereof), together with Outstanding Notes tendered hereby in proper form for transfer (or confirmation of the book-entry transfer of such Outstanding Notes into the Exchange Agent's account at a Book-Entry Transfer Facility) and all other required documents will be deposited by the undersigned with the Exchange Agent at one of its addresses set forth above.

Name of Firm:

Address:

Area Code and
Telephone Number:

Authorized Signature

Name:

Title:

Date:

DO NOT SEND OUTSTANDING NOTES WITH THIS FORM. ACTUAL SURRENDER OF OUTSTANDING NOTES MUST BE MADE PURSUANT TO, AND BE ACCOMPANIED BY, A PROPERLY COMPLETED AND VALIDLY EXECUTED LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS.

MERITAGE CORPORATION

Offer to Exchange

Registered 9 3/4% Senior Notes due 2011

for Any and All Outstanding Unregistered 9 3/4% Senior Notes due 2011

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME ON , 2003, UNLESS EXTENDED. TENDERS OF 9 3/4% SENIOR NOTES DUE 2011 MAY ONLY BE WITHDRAWN UNDER THE CIRCUMSTANCES DESCRIBED IN THE PROSPECTUS AND THE LETTER OF TRANSMITTAL.

, 2003

To Our Clients:

Enclosed for your consideration is the Prospectus dated , 2003 (the "Prospectus") and the related Letter of Transmittal and instructions thereto (the "Letter of Transmittal") in connection with the offer (the "Exchange Offer") of Meritage Corporation, a Maryland corporation ("the Company"), to exchange $1,000 principal amount of its registered 9 3/4% Senior Notes due 2011 (the "Exchange Notes") for each $1,000 principal amount of its outstanding unregistered 9 3/4% Senior Notes due 2011 (the "Outstanding Notes").

Consummation of the Exchange Offer is subject to certain conditions described in the Prospectus. Capitalized terms used herein but not defined shall have the meanings ascribed to them in the Prospectus.

WE ARE THE REGISTERED HOLDER OF OUTSTANDING NOTES HELD BY US FOR YOUR ACCOUNT. A TENDER OF ANY SUCH OUTSTANDING NOTES CAN BE MADE ONLY BY US AS THE REGISTERED HOLDER AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER OUTSTANDING NOTES HELD BY US FOR YOUR ACCOUNT.

Accordingly, we request instructions as to whether you wish us to tender any or all such Outstanding Notes held by us for your account pursuant to the terms and conditions set forth in the Prospectus and the Letter of Transmittal. We urge you to read carefully the Prospectus and the Letter of Transmittal before instructing us to tender your Outstanding Notes.

Your instructions to us should be forwarded as promptly as possible in order to permit us to tender Outstanding Notes on your behalf in accordance with the provisions of the Exchange Offer. THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME ON , 2003 (THE "EXPIRATION DATE"), UNLESS EXTENDED. Outstanding Notes tendered pursuant to the Exchange Offer may only be withdrawn under the circumstances described in the Prospectus and the Letter of Transmittal.

Your attention is directed to the following:

1. The Exchange Offer is for the entire aggregate principal amount of Outstanding Notes.

2. Consummation of the Exchange Offer is conditioned upon the conditions set forth in the Prospectus under the caption "The Exchange Offer — Conditions of the Exchange Offer."

3. The Exchange offer and withdrawal rights will expire at 5:00 p.m., New York City time on , 2003, unless extended. Tendering holders may withdraw their tender at any time until 5:00 p.m., New York City time, on the Expiration Date.

4. Any transfer taxes incident to the transfer of Outstanding Notes from the tendering holder to the Company will be paid by the Company, except as provided in the Prospectus and the instructions to the Letter of Transmittal.

5. The Exchange Offer is not being made to (nor will the surrender of Outstanding Notes for exchange be accepted from or on behalf of) holders of Outstanding Notes in any jurisdiction in which the making or acceptance of the Exchange Offer would not be in compliance with the laws of such jurisdiction.

6. The acceptance for exchange of Outstanding Notes validly tendered and not validly withdrawn and the issuance of Exchange Notes will be made as promptly as practicable after the Expiration Date. However, subject to rules promulgated pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company expressly reserves the right to delay acceptance of any of the Outstanding Notes or to terminate the Exchange Offer and not accept for purchase any Outstanding Notes not theretofore accepted if any of the conditions set forth in the Prospectus under the caption "The Exchange Offer — Conditions of the Exchange Offer" shall not have been satisfied or waived by the Company.

7. The Company expressly reserves the right, in its sole discretion, (i) to delay accepting any Outstanding Notes, (ii) to extend the Exchange Offer, (iii) to amend the terms of the Exchange Offer or (iv) to terminate the Exchange Offer. Any delay, extension, amendment or termination will be followed as promptly as practicable by oral or written notice to the Exchange Agent and the Company will mail to the registered holders an announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Except as otherwise provided in the Prospectus, withdrawal rights with respect to Outstanding Notes tendered pursuant to the Exchange Offer will not be extended or reinstated as a result of an extension or amendment of the Exchange Offer.

8. Consummation of the Exchange Offer may have adverse consequences to non-tendering Outstanding Note holders, including that the reduced amount of Outstanding Notes as a result of the Exchange Offer may adversely affect the trading market, liquidity and market price of the Outstanding Notes.

If you wish to have us tender any or all of the Outstanding Notes held by us for your account, please so instruct us by completing, executing and returning to us the instruction form that follows. IF YOU DO NOT INSTRUCT US TO TENDER YOUR OUTSTANDING NOTES, THEY WILL NOT BE TENDERED.

MERITAGE CORPORATION

Instructions Regarding the Exchange

Offer with Respect to the
9 3/4% Senior Notes due 2011

THE UNDERSIGNED ACKNOWLEDGE(S) RECEIPT OF YOUR LETTER AND THE ENCLOSED DOCUMENTS REFERRED TO THEREIN RELATING TO THE EXCHANGE OFFER OF THE COMPANY.

THIS WILL INSTRUCT YOU WHETHER TO TENDER THE PRINCIPAL AMOUNT OF OUTSTANDING NOTES INDICATED BELOW HELD BY YOU FOR THE ACCOUNT OF THE UNDERSIGNED PURSUANT TO THE TERMS OF AND CONDITIONS SET FORTH IN THE PROSPECTUS AND THE LETTER OF TRANSMITTAL.

Box 1 ☐ Please tender the Outstanding Notes held by you for my account, as indicated below.

Box 2 ☐ Please do not tender any Outstanding Notes held by you for my account.

Date: _____, 2003

Principal Amount of Outstanding Notes to be Tendered:

$ _____ *

(must be in the principal amount of $1,000 or an integral multiple thereof)

_____

Signature(s)

_____

_____

Please print name(s) here

_____

Please type or print address

_____

Area Code and Telephone Number

_____

Taxpayer Identification or Social Security Number

_____

My Account Number with You

* UNLESS OTHERWISE INDICATED, SIGNATURE(S) HEREON BY BENEFICIAL OWNER(S) SHALL CONSTITUTE AN INSTRUCTION TO THE NOMINEE TO TENDER ALL OUTSTANDING NOTES OF SUCH BENEFICIAL OWNER(S).

MERITAGE CORPORATION

Offer to Exchange

Registered 9 3/4% Senior Notes due 2011

for Any and All Outstanding Unregistered 9 3/4% Senior Notes due 2011

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME ON , 2003, UNLESS EXTENDED. TENDERS OF 9 3/4% SENIOR NOTES DUE 2011 MAY ONLY BE WITHDRAWN UNDER THE CIRCUMSTANCES DESCRIBED IN THE PROSPECTUS AND THE LETTER OF TRANSMITTAL.

To Brokers, Dealers, Commercial Banks, Trust Companies and other Nominees:

We have been appointed by Meritage Corporation, a Maryland corporation (the "Company"), to act as the Exchange Agent in connection with the offer (the "Exchange Offer") of the Company to exchange $1,000 principal amount of its registered 9 3/4% Senior Notes due 2011 (the "Exchange Notes") for each $1,000 principal amount of its unregistered 9 3/4% Senior Notes due 2011 (the "Outstanding Notes"), upon the terms and subject to the conditions set forth in the Prospectus dated , 2003 (the "Prospectus") and in the related Letter of Transmittal and the instructions thereto (the "Letter of Transmittal").

Enclosed herewith are copies of the following documents:

1. The Prospectus;

2. The Letter of Transmittal for your use and for the information of clients, together with guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9 providing information relating to backup federal income tax withholding;

3. Notice of Guaranteed Delivery to be used to accept the Exchange Offer if the Notes and all other required documents cannot be delivered to the Exchange Agent on or prior to the Expiration Date (as defined);

4. A form of letter which may be sent to your clients for whose account you hold the Notes in your name or in the name of a nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer; and

5. A return envelope addressed to the Exchange Agent.

PLEASE NOTE THAT THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME ON , 2003 (THE "EXPIRATION DATE"), UNLESS EXTENDED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE.

The Company will not pay any fees or commission to any broker or dealer or other person (other than to the Exchange Agent) for soliciting tenders of the Notes pursuant to the Exchange Offer. You will be reimbursed for customary mailing and handling expenses incurred by you in forwarding the enclosed materials to your clients.

Additional copies of the enclosed materials may be obtained by contacting the Exchange Agent as provided in the enclosed Letter of Transmittal.

Very truly yours,

Wells Fargo Bank, National Association

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON THE AGENT OF THE COMPANY OR THE EXCHANGE AGENT OR AUTHORIZE YOU OR ANY OTHER PERSON TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF ANY OF THEM WITH RESPECT TO THE EXCHANGE OFFER NOT CONTAINED IN THE PROSPECTUS OR THE LETTER OF TRANSMITTAL.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION

NUMBER ON SUBSTITUTE FORM W-9

A. TIN — The Taxpayer Identification Number for most individuals is their social security number. Refer to the following chart to determine the appropriate number:

	For this type of account:	Give the SOCIAL SECURITY number or EMPLOYER IDENTIFICATION number of:
1.	Individual	The individual
2.	Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3.	Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
4.	a. Revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under State law	The grantor-trustee(1) The actual owner(1)
5.	Sole proprietorship	The owner(3)
6.	A valid trust, estate or pension trust	Legal entity(4)
7.	Corporate	The corporation
8.	Association, club, religious, charitable, educational or other tax exempt organization	The organization
9.	Partnership	The partnership
10.	A broker or registered nominee	The broker or nominee
11.	Account with the Department of Agriculture in the name of a public entity that receives agricultural program payments.	The public entity

(1) List first and circle the name of the person whose number you furnish.
(2) Circle the minor's name and furnish the minor's name and social security number.
(3) Show the individual's name. You may use either your Social Security number or your employer identification number.
(4) List first and circle the name of the legal trust, estate, or pension trust. Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

B. Exempt Payees — The following lists exempt payees. If you are exempt, you must nonetheless complete the form and provide your TIN in order to establish that you are exempt. Check the box in Part II of the form, sign and date the form.

For this purpose, Exempt Payees include: (1) a corporation; (2) an organization exempt from tax under section 501(a), or an individual retirement plan (IRA) or a custodial account under section 403(b)(7); (3) the United States or any of its agencies or instrumentalities; (4) a state, the District of Columbia, a possession of the United States, or any of their political subdivisions, or instrumentalities; (5) a foreign government or any of its political subdivisions, agencies or instrumentalities; (6) an international organization or any of its agencies or instrumentalities; (7) a foreign central bank of issue; (8) a dealer in securities or commodities required to register in the U.S. or a possession of the U.S.; (9) a real estate investment trust; (10) an entity or person registered at all times during the tax year under the Investment Company Act of 1940; (11) a common trust fund operated by a bank under section 584(a); (12) a financial institution; (13) a trust exempt from tax under section 664 or described in section 4947; (14) a futures commission merchant registered with the Commodity Futures Trading Commission; and (15) a middleman known in the investment community as a nominee or custodian.

C. Obtaining a Number — If you do not have a taxpayer identification number or you do not know your number, obtain Form SS-5, application for a Social Security Number, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

D. Privacy Act Notice — Section 6109 requires most recipients of dividend, interest or other payments to give taxpayer identification numbers to payors who must report the payments to the IRS. The IRS uses the numbers for identification purposes.

Payors must be given the numbers whether or not payees are required to file tax returns. Payors must generally withhold, at a maximum rate of 31%, a portion of taxable interest, dividend and certain other payments to a payee who does not furnish a taxpayer identification number. Certain penalties may also apply.

E. Penalties —

(1) Penalty for Failure to Furnish Taxpayer Identification Number. If you fail to furnish your taxpayer identification number to a payor, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not willful neglect.

(2) Civil Penalty for False Information with Respect to Withholding. If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) Criminal Penalty for Falsifying Information. Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.