

**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

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**FORM 8-K**

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

Date of report (Date of earliest event reported): July 8, 2003

**MERITAGE CORPORATION**

(Exact Name of Registrant as Specified in Charter)

<b>Maryland</b>	<b>1-9977</b>	<b>86-0611231</b>
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)
<b>8501 E. Princess Drive, Suite 290, Scottsdale, Arizona 85255</b>		
(Address of Principal Executive Offices)		(Zip Code)
		<b>(480) 609-3330</b>
(Registrant's Telephone Number, Including Area Code)		
<b>Not applicable</b>		
(Former Name or Former Address, if Changed Since Last Report)		

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**TABLE OF CONTENTS**

[ITEM 5. OTHER EVENTS AND REQUIRED FD DISCLOSURE.](#)

[ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.](#)

[ITEM 9. REGULATION FD DISCLOSURE AND ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL  
CONDITION](#)

[SIGNATURES](#)

[EXHIBIT INDEX](#)

[EX-10.1](#)

[EX-10.2](#)

[EX-99.1](#)

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[Table of Contents](#)

ITEM 5. OTHER EVENTS AND REQUIRED FD DISCLOSURE.

References to “we,” “our” and “us” in this Current Report on Form 8-K refer to Meritage Corporation and its consolidated subsidiaries.

On July 8, we entered into a new employment agreement and change of control agreement with John R. Landon, our Co-Chairman and Chief Executive Officer. We also amended and restated our employment agreement and change of control agreement with Steven J. Hilton, our other Co-Chairman and Chief Executive Officer. Messrs. Landon’s and Hilton’s employment and change of control agreements are substantially identical. Representative forms of these agreements are attached to this Form 8-K as Exhibits 10.1 and 10.2, respectively.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) Exhibits

- |      |   |
|------|---|
| 10.1 | Representative form of employment agreement for John R. Landon and Steven J. Hilton.        |
| 10.2 | Representative form of change of control agreement for John R. Landon and Steven J. Hilton. |
| 99.1 | Press Release dated July 8, 2003.   |

ITEM 9. REGULATION FD DISCLOSURE AND

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On July 8, 2003, we announced in a press release information concerning our new orders, closings and backlog for the quarterly period ended June 30, 2003. A copy of this press release, including information concerning forward looking statements and factors that may affect our future results, is attached hereto as Exhibit 99.1. This press release is being furnished, not filed, under Item 12 in this Report on Form 8-K.

**SIGNATURES**

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

Dated: July 8, 2003

MERITAGE CORPORATION

/s/ Vicki L. Biggs

\_\_\_\_\_  
By: Vicki L. Biggs  
Vice President-Corporate Controller

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**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
10.1	Representative form of employment agreement for John R. Landon and Steven J. Hilton.
10.2	Representative form of change of control agreement for John R. Landon and Steven J. Hilton.
99.1	Press Release dated July 8, 2003.

EMPLOYMENT AGREEMENT  
(Amended and Restated as of July 1, 2003)

This EMPLOYMENT AGREEMENT (the "AGREEMENT") is effective as of July 1, 2003 by and between MERITAGE CORPORATION, a Maryland corporation (the "COMPANY") and \_\_\_\_\_, an individual ("EXECUTIVE").

RECITALS

WHEREAS, Executive is currently the Co-Chief Executive Officer and Co-Chairman of the Company;

WHEREAS, the Company desires 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-Chairman and Co-Chief Executive Officer of the Company, and Executive agrees to diligently perform the duties associated with such positions. 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 charters, policies and guidelines established by the Company from time to time applicable to its directors and senior management executives.

2. TERM. Executive will be employed under this Agreement until December 31, 2005, unless Executive's employment is terminated earlier pursuant to Section 7. The Agreement will renew for an additional period of one year (the "Renewal Term(s)"), unless on or before February 15, 2005 (or February 15 of any Renewal Term), either Executive or the Company notifies the other in writing that it wishes to terminate employment under this Agreement at the end of the term then in effect.

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, Executive 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 (the "BASE SALARY") at the annual rate of \$850,000 per year commencing July 1, 2003. Such salary will increase to \$925,000 commencing January 1, 2005. The Base Salary will increase ten percent on January 1 of each Renewal Term. 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.

A. Bonus. Executive will be entitled to incentive compensation based on the achievement of certain performance targets pursuant to the plan specified in Exhibit A hereto (the "BONUS"). The Bonus will be due and payable in accordance with Exhibit A.

B. Options. During the term of this Agreement, commencing in 2004, the Company annually shall grant the Executive options to acquire 40,000 shares (or equivalent consideration at the discretion of the Board of Directors). The options will have an exercise price equal to the fair market value on the date of grant as defined under the relevant plan or, if the options are incentive stock options, at the fair market value or 110% of the fair market value, as may be required by law. Subject to the provisions hereof and Executive's Change of Control Agreement, the options will be on the same terms and conditions as other standard option grants.

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 or Termination Without Cause.

If Executive voluntarily terminates his employment with the Company for any reason after December 31, 2003 (or before such date, if with Good Reason), or the Company terminates Executive without Cause, then (i) the Company will be obligated to pay Executive's Base Salary through the Date of Termination; (ii) no Bonus shall be payable for the fiscal year in which the termination occurs (except as provided below); (iii) the Company shall pay Executive \$10 million (the Consulting, Severance and Non-Competition Payment"), in monthly installments of \$416,666.67 in cash or by check, over the next two years (the "Consulting Period") (subject to Executive's compliance with this Agreement, including Sections 8 and 9 as provided therein); (iv) the Company shall reimburse Executive for COBRA premiums for the period that the Company is required to offer COBRA coverage as a matter of law; (v) in connection with any termination without Cause by the Company, any options granted after the date hereof shall vest in full; and (vi) at the option of the Company, the Executive shall render consulting services to the Company as may be requested from time to time by the Chairman of the Board, not to exceed 20 hours per month. If

- 2 -

the Company terminates employment under this Agreement without Cause during the last three months of the Company's fiscal year, Executive will be paid a pro rata bonus based upon the Company's performance for the fiscal year, payable at the time set forth in Exhibit A.

B. 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 Exhibit A, and (iii) Executive's COBRA premiums for 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), 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.

C. Voluntary Termination (Without Good Reason) before December 31, 2003 or Termination for Cause by the Company.

(1) If the Executive resigns without Good Reason before December 31, 2003, or 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 voluntary termination (without Good Reason) by Executive before December 31, 2003, or a termination for Cause by the Company, 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. Executive acknowledges and agrees that the compensation herein is adequate consideration for such covenants.

D. 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, 2003,

(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, the date 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.

- 3 -

E. Procedures for Notices of Termination. The procedures set forth in Section 10 (a), (b) and (d) of the Change of Control Agreement shall apply under this Agreement in connection with a notice of termination as to the kind of termination events described in those subsections.

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, for purposes of this Section 8(a)(1), 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 (up to 5 homes annually for third parties and 2 for family members), 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 areas 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 (including lot developers and land bankers) 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. During the Restriction Period, Executive may utilize the services of Company suppliers for business operations permitted under Section 8a(1), i.e., custom homebuilding, land banking and land or lot development, so long as these activities do not disrupt or adversely affect the Company's relationships with such suppliers.

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 two years from the Date of Termination, provided that, to the extent required, the notices under Section 7 are given and the payments made as provided therein (the "RESTRICTION PERIOD").

- 4 -

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 agrees that, if Executive in any non-immaterial respect violates the terms of this Section 8(A) or Section 9, the Company shall not be obliged to pay any remaining Consulting, Severance, and Non-Competition Payments, provided that the Company must first provide Executive with written notice of such violation and the opportunity to provide within thirty (30) days any information showing that he has not in any non-immaterial respect breached such Agreement. During any notice period or any dispute regarding the violation of the terms of this Section 8 or Section 9, the Company will place such payments in an interest bearing escrow account at Bank of America, Phoenix, or its successor. 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. 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. For purposes hereunder, an affiliate shall be deemed to be any corporation or other business entity in which the Company or its subsidiaries owns a controlling interest.

#### 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.

- 5 -

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

- 6 -

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 \_\_\_\_\_.

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: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
  
Phone: \_\_\_\_\_  
Fax: \_\_\_\_\_

- 7 -

with a copy to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
  
Phone: \_\_\_\_\_

Fax: -----

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 \_\_\_\_\_. 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. If there is any conflict between the provisions of the Change of Control Agreement and this Agreement, such conflict shall be resolved so as to provide the greater benefit to Executive. However, in order to avoid duplication of any monetary benefits, any payments or benefits due under Executive's Change of Control Agreement, will be reduced by any payments or benefits provided hereunder. Any payment required under the Change of Control Agreement to be paid in a lump sum, as set forth in the Change of Control Agreement, shall be so paid, and the remainder, if any, due under this Agreement will be paid in equal monthly installments over the Consulting Period, except that in no event shall the payment of the Consulting, Non-Competition and Severance payment be accelerated.

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.

18. RELATED PARTY TRANSACTIONS. Executive may not engage in any related party transactions with the Company unless approved in the specific instance by the Audit Committee of the Board of Directors of Meritage Corporation.

- 8 -

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

MERITAGE CORPORATION, a Maryland corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXECUTIVE: \_\_\_\_\_

- 9 -

EXHIBIT A

INCENTIVE COMPENSATION SCHEDULE

CEO BONUS COMPENSATION

BASE SALARY \$500,000 (effective July 1, 2002); \$850,000 (effective July 1, 2003); \$925,000 (effective January 1, 2005)

PART I - BONUS

2003 - For 2003, as provided in the plan previously approved.

2004/05 - For 2004 and 2005 and any Renewal Term, Executive shall be entitled to a bonus equal to 1.65% of the EBITDA if Company's ROA and ROE are each in the top 1/2 of public homebuilders having revenues of \$500 million or more per year, based upon revenues for the preceding year.

PART II - PAYMENT

The bonus shall be paid within a reasonable time after year-end, but, in any event, no later than 10 days after ROE and ROA information on public homebuilders becomes available. Co-CEOs do not have to wait until the Form 10-K is filed with the SEC.

EXHIBIT B

SPECIFIED BENEFITS

1. Payments (including a tax gross up) annually for Executive to purchase life insurance in the amount of \$5,000,000.
2. Payments (including a tax gross 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.
5. Use of Company's plane for up to 1/2 of a 1/16 fractional ownership (but not to exceed 28.75 hours) for personal use for Executive and his family upon payment by Executive of the equivalent of lowest available coach fare for each person traveling.
6. Use of Company car (same as current policy.)

AMENDED AND RESTATED  
CHANGE OF CONTROL AGREEMENT  
Effective July 1, 2003  
(Original Date: February 1, 2000)

Dear \_\_\_\_\_ :

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

2

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 \_\_\_\_\_, \_\_\_\_\_. 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.

3

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. [RESERVED].

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 (or you may be placed on paid administrative leave, at the Company's option), 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

4

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 (or you may be placed on paid administrative leave, at the Company's option), 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

5

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 \_\_\_\_\_ 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 be 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.

6

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"). 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. However, the Company does not intend to provide duplicative benefits with its employment agreement. As a result, benefits otherwise receivable pursuant to this Agreement shall be reduced or eliminated if and to the extent that you receive severance, consulting or non-competition payments or benefits pursuant to any employment agreement you may have with the Company.

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.

7

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: -----

Name: -----

Its: -----

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.

EXECUTIVE  
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MERITAGE  CORPORATION  
Listed on the New York Stock Exchange - MTH

**press release**  
A DYNAMIC GROWTH COMPANY IN THE HOME BUILDING SECTOR

<p>Contacts: <b>Arizona:</b> Larry Seay CFO &amp; Vice President-Finance  (480) 609-3330</p>	<p><b>Texas:</b> Jane Hays Vice President-Corp. Develop. (972) 543-8123</p>	<p><b>New York:</b> Chris Tofalli Broadgate Consultants  (212) 232-2222</p>
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**Meritage's Second Quarter 2003 Revenue Rises 32%  
Company Sets All-Time Record for 2Q Orders and Backlog**

- **\$463 MILLION IN HOMES ORDERED – UP 56% FROM 2002 SECOND QUARTER**
- **\$326 MILLION IN REVENUE – UP 32% FROM 2002 SECOND QUARTER**
- **\$805 MILLION IN ORDER BACKLOG – UP 46% FROM 2002 SECOND QUARTER**

Scottsdale, Arizona and Dallas (July 8, 2003) – Meritage Corporation (NYSE: MTH) today announced all-time record home orders in any single quarter and the highest quarter-end backlog in the Company's history.

**Summary Operating Results**

As of and for the Quarter Ended June 30, (unaudited)

	S Thousands			Homes		
	2003	2002	% Change	2003	2002	% Change
Homes ordered	\$463,087	\$297,648	56%	1,877	1,144	64%
Homes closed	325,631	246,441	32%	1,258	1,022	23%
Order backlog	804,674	549,510	46%	3,135	2,126	47%

“We are proud to announce that Meritage achieved all-time record levels of sales and backlog in the second quarter of 2003. In addition, this was our 22nd consecutive quarter to achieve record-setting, quarter-over-quarter home closings and home closing revenue since going public in 1997,” stated Steve Hilton, Co-Chairman and Co-Chief Executive Officer. “Meritage remains a leader in the consolidation of the homebuilding industry as we achieve organic growth in existing markets and successfully integrate in-market and new market acquisitions. We continue to benefit from an environment of healthy demand driven by positive demographic factors coupled with relatively low levels of unsold housing inventory,” concluded Hilton.

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## MERITAGE REPORTS 2<sup>ND</sup> QUARTER/2

“Our 2002 acquisitions of Hammonds Homes and Perma-Bilt Homes have been fully integrated and are contributing strongly to the top and bottom lines,” stated John Landon, Co-Chairman and Co-Chief Executive Officer. “These two operations contributed roughly 16% and 10%, respectively, of the Company’s second quarter sales, closings, and backlog values,” said Landon.

“The dollar value of new orders advanced 11% in the quarter, excluding acquisitions, and 56% overall,” said Mr. Hilton. “This included a 38% rise in the value of Arizona orders, with a 9% increase in actively selling communities over the prior year and strong orders in the Tucson Division. Our Texas operations achieved an 18% increase in the value of new orders (113% including Hammonds). The 26% decline in the value of orders in California was largely the result of the sell-out of some communities ahead of schedule coupled with longer than anticipated development cycles needed to open new communities, causing the number of active communities there to decline 25% from last year’s second quarter. We anticipate improvement there as we plan to open approximately eight new communities in Northern California during the latter half of 2003. Nevada orders remain strong and are exceeding initial expectations for 2003,” concluded Hilton.

Actively selling communities at the end of the quarter were 137, an increase of 10% from the 125 active communities at March 31, 2003 and an increase of 78% over the 77 active communities open at the end of last year’s second quarter.

Closing revenue expanded 32% in the quarter overall, but edged lower by 2%, excluding acquisitions, due mainly to a 24% decline in Arizona closing revenue. This decrease resulted from the previously discussed delays that occurred in opening new communities in the latter half of 2002. The number of second quarter orders in Arizona indicates that revenue growth should improve there in the second half of 2003. Closing revenue increased by 24% in Texas excluding Hammonds (102% including Hammonds) and by 7% in California.

“We are optimistic that closing revenues should grow through the balance of the year, since the value of homes in backlog is up 46% overall,” said Mr. Landon. “Excluding our acquisitions, backlog value is higher by 12%, and in every state we are ahead of the prior year’s second quarter amounts. With respect to orders, we are encouraged by the healthy activity in recent months, despite the continuing soft economy. We believe Meritage is well positioned to continue its growth and we anticipate that 2003 will be another record year for the Company.”

### About Meritage Corporation

Meritage Corporation designs, builds and sells distinctive single-family homes ranging from entry-level to semi-custom luxury and has built approximately 24,000 homes in its 18 year history. The Company was recently ranked as the 14th largest builder in the U.S. for 2002 by Builder Magazine in their May 2003 issue and recently included in *THE BLOOMBERG 100 “HOT STOCK”*, compiled by *Bloomberg Personal*

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**MERITAGE REPORTS 2<sup>ND</sup> QUARTER/3**

*Finance Magazine* in their February 2003 issue. In addition, the Company has been ranked by *Forbes* magazine as #4 of its "200 Best Small Companies in America", and has appeared twice on *Fortune's* list of the "Fastest Growing Companies in America." Meritage operates in the Phoenix and Tucson, Arizona markets under the Monterey Homes, Hancock Communities and Meritage Homes brand names, in the Dallas/Ft. Worth, Austin, Houston and San Antonio, Texas markets as Legacy Homes, Hammonds Homes and Monterey Homes, in the East San Francisco Bay and Sacramento, California markets as Meritage Homes and in Las Vegas, Nevada as Perma-Bilt Homes. The Meritage web site is located at: www.meritagehomes.com.

**Meritage Corporation and Subsidiaries**  
**Operating Data**  
**(\$ in thousands)**

	For The Three Months Ended June 30				As Of And For The Six Months Ended June 30			
	2003		2002		2003		2002	
	Homes	\$	Homes	\$	Homes	\$	Homes	\$
<b>Homes Ordered:</b>								
Texas *	883	181,479	462	85,268	1,674	342,614	934	171,252
Arizona	605	153,260	438	111,491	1,052	276,913	894	228,095
California	169	75,095	244	100,889	349	164,870	476	191,383
Nevada **	220	53,253	n/a	n/a	384	91,554	n/a	n/a
Total	1,877	463,087	1,144	297,648	3,459	875,951	2,304	590,730
<b>Homes Closed:</b>								
Texas *	641	130,130	376	64,400	1,247	251,633	739	126,442
Arizona	291	83,192	465	108,999	541	150,317	750	173,725
California	176	77,952	181	73,042	334	145,255	291	116,005
Nevada **	150	34,357	n/a	n/a	272	61,836	n/a	n/a
Total	1,258	325,631	1,022	246,441	2,394	609,041	1,780	416,172
<b>Order Backlog:</b>								
Texas *					1,512	309,880	888	160,461
Arizona					977	270,751	920	260,355
California					348	156,542	318	128,694
Nevada **					298	67,501	n/a	n/a
Total					3,135	804,674	2,126	549,510

\*Three months ended June 30, 2003 amounts include 368 (\$80,701) homes ordered and 230 (\$50,122) homes closed from Hammonds Homes. Six months ended June 30, 2003 amounts include 619 (\$135,517) homes ordered, 450 (\$97,039) homes closed from Hammonds. Homes in backlog at June 30, 2003 include 555 (\$120,598) homes from Hammonds.

\*\*Amounts are for Perma-Bilt Homes, acquired in October 2002.

*This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include statements concerning our expectation of positive operating results in 2003 and beyond, our anticipated revenue growth and operating results in Arizona in 2003 and the number of communities we plan to open in Northern California in 2003. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.*

*Meritage's business is subject to a number of risks and uncertainties including: the strength and competitive pricing of the single-family housing market; demand for and acceptance of our homes; changes in the availability and pricing of real estate in the markets in which we operate; our ability to continue to acquire additional land or options to acquire additional land on acceptable terms; general economic slow downs; consumer confidence, which can be*

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## MERITAGE REPORTS 2<sup>ND</sup> QUARTER/4

*impacted by economic and other factors such as terrorism, war, or threats thereof and changes in stock prices; the impact of construction defect and home warranty claims; the cost and availability of insurance, including the availability of insurance for the presence of mold; interest rates and changes in the availability and pricing of residential mortgages; our lack of geographic diversification; our level of indebtedness and our ability to raise additional capital when and if needed; our ability to take certain actions because of restrictions contained in the indenture for our senior notes and the agreement for our senior unsecured credit facility; legislative or other initiatives that seek to restrain growth in new housing construction or similar measures; the success of our program to integrate existing operations with any new operations or those of past or future acquisitions; our success in locating and negotiating favorably with possible acquisition candidates; our ability to expand pre-tax margins; our dependence on key personnel and the availability of satisfactory subcontractors; the impact of inflation; our potential exposure to natural disasters; new accounting policies or principles or governmental or stock exchange regulations that could affect our corporate governance or accounting methods; and other factors identified in documents filed by us with the Securities and Exchange Commission, including those set forth in our Form 10-K Report for the year ended December 31, 2002 under the captions "Market for the Registrant's Common Stock and Related Stockholder Matters – Factors That May Affect Future Stock Performance" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors That May Affect Our Future Results and Financial Condition" and in Exhibit 99.4 of Meritage's Form 10-Q for the quarter ended March 31, 2003. As a result of these and other factors, the Company's stock and note prices may fluctuate dramatically.*

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