As filed with Securities and Exchange Commission on October 23, 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 85255
(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	$75,000,000	109%	$81,750,000	$6,613.58
Guarantees of 9.75% Senior Notes due 2011	$75,000,000	(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	91-1832213
Hulen Park Venture, LLC	Texas	75-2771799
MTH Homes-Texas, L.P.	Texas	02-0618083
MTH-Cavalier, LLC	Arizona	86-0863537
MTH Golf, LLC	Arizona	56-2379206
Legacy-Hammonds Materials, L.P.	Texas	20-0145900

(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.

Filed pursuant to Rule 424(b)(3)

**Registration Nos. 333-105043,
333-105043-01,
333-105043-02,
333-105043-03,
333-105043-04,
333-105043-05,
333-105043-06,
333-105043-07,
333-105043-08,
333-105043-09,
333-105043-10,
333-105043-11,
333-105043-12,
333-105043-13,
333-105043-14,
333-105043-15,
333-105043-16,
333-105043-17,
333-105043-18,
333-105043-19,
and 333-105043-20**

SUBJECT TO COMPLETION, DATED OCTOBER 23, 2003

PROSPECTUS

MERITAGE CORPORATION

OFFER TO EXCHANGE

**$75,000,000
Meritage Corporation
9.75% Senior Notes due 2011
which have been registered under the Securities Act of 1933 and
guaranteed fully and unconditionally by all of our existing
subsidiaries (other than our two mortgage broker subsidiaries)
for any and all of the outstanding Meritage Corporation
unregistered 9.75% Senior Notes due 2011**

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 $75 million 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 $75 million. 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.

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 page 13, 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 , 2003.

TABLE OF CONTENTS

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.

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.

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 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 offering memorandum, the terms "Meritage," the "Company", "we", "our" and "us" refer to Meritage Corporation and its subsidiaries and predecessors as a combined entity. Our results for the six months ended June 30, 2003 and all EBITDA, 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 based on the number of home closings. 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 June 30, 2003, we were actively selling homes in 137 communities, with base prices ranging from $94,000 to $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 June 30, 2003, we owned or had options to acquire approximately 28,500 housing lots, of which more than eighty percent were under rolling option and land purchase contracts. We believe that the lots we own or have the right to acquire represent approximately a five year supply.

Issuance of the Outstanding Notes

The outstanding $75 million principal amount senior notes due 2011 were sold by us to UBS Securities LLC, Deutsche Bank Securities Inc., Banc One Capital Markets, Inc. and Fleet Securities, Inc., as initial purchasers, on September 25, 2003 pursuant to a purchase agreement dated September 18, 2003, as amended on September 24, 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 to repay 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. Information about our company and communities is provided through our website www.meritagehomes.com. Information on this website is not incorporated by reference in or otherwise part of this prospectus.

The Exchange Offer

The Exchange Offer	We are offering to exchange $75 million 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, $75 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 Delivery 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 expiration of the exchange offer. 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 will not 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	$75 million 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 and on February 21, 2003 we issued $50 million aggregate principal amount of the same series (collectively, the "initial notes"), $10 million of which have been repurchased by us. The exchange 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 and February 21, 2003. As of the date of this prospectus, we have $280 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 December 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 commencing on June 1, 2004. In connection with the issuance of the outstanding notes on September 25, 2003, we and the guarantors agreed to: • file a registration statement to enable holders of the outstanding notes to exchange the outstanding notes for registered notes within 75 days of the original issue date of the outstanding notes, or by December 9, 2003; • use our respective reasonable best efforts to cause the registration statement to become effective under the Securities Act within 150 days following the original issue date of the outstanding notes, or by February 22, 2004; and • use our respective reasonable best efforts to complete the exchange offer within 180 days after the original issue date of the outstanding notes, or by March 23, 2004, but not on or before December 1, 2003. If we do not comply with these obligations (a "registration default"), we will be required to pay liquidated damages to the holders of the outstanding notes in the form of higher interest rates. Upon the occurrence of a registration default, the interest rate borne by the notes will be increased by 0.25% per annum and will continue to increase by 0.25% each 90 day period that the liquidated damages continue to accrue, up to a maximum of 1.00% per annum. After the cure of registration defaults, the accrual of liquidated damages will stop and the interest rate will revert to the original rate.
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 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 prospectus.
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 to repay 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 13 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,			Six Months Ended June 30,	
	2002	2001	2000	2003	2002
			(Dollars in thousands)	(Unaudited)	
Statement of Earnings Data:					
Total sales revenue	$1,119,817	$ 744,174	$ 520,467	$ 617,243	$ 421,172
Total cost of sales	(904,921)	(586,914)	(415,649)	(494,284)	(339,220)
Gross profit	214,896	157,260	104,818	122,959	81,952
Other income, net	5,435	2,884	1,847	2,072	2,282
Commissions and other sales costs	(65,291)	(41,085)	(28,680)	(41,073)	(26,596)
General and administrative expenses(1)	(41,496)	(36,105)	(21,215)	(24,288)	(18,789)
Interest expense	—	—	(8)	—	—
Earnings before income taxes	113,544	82,954	56,762	59,670	38,849
Income taxes(1)	(43,607)	(32,295)	(21,000)	(22,585)	(15,345)
Net earnings	$ 69,937	$ 50,659	$ 35,762	$ 37,085	$ 23,504
Other Data:					
Gross profit margin(6)	19.2%	21.1%	20.1%	19.9%	19.5%
Interest amortized to cost of sales and interest expense	$ 19,259	$ 13,303	$ 9,179	$ 8,860	$ 8,031
Depreciation and amortization	6,780	5,741	3,407	3,746	2,877
Interest incurred(2)	19,294	16,623	10,634	12,119	9,335
Net cash (used in) provided by operating activities	(5,836)	(17,137)	6,252	(70,967)	(42,326)
Net cash (used in) investing activities	(142,805)	(75,739)	(8,175)	(11,679)	(7,293)
Net cash provided by (used in) financing activities	151,858	91,862	(7,102)	102,601	60,717
EBITDA(3)(6)	139,583	101,998	69,348	72,276	49,757
EBITDA margin(4)(6)	12.5%	13.7%	13.3%	11.7%	11.8%
Ratio of EBITDA to interest incurred(6)	7.23x	6.14x	6.52x	n/a	n/a
Ratio of total debt to EBITDA(6)	1.90x	1.74x	1.24x	n/a	n/a
Ratio of earnings to fixed charges(5)(6)	5.82x	5.39x	5.80x	4.85x	4.37x

	At December 31,			At June 30,
	2002	2001	2000	2003
		(Dollars in thousands		(Unaudited))
Balance Sheet Data:				
Cash and cash equivalents	$ 6,600	$ 3,383	$ 4,397	$ 26,555
Real estate	484,970	330,238	211,307	611,318
Consolidated real estate not owned(7)	—	—	—	31,067
Total assets	691,788	436,715	267,075	887,414
Total debt	264,927	177,561	86,152	371,875
Liabilities related to consolidated real estate not owned(7)	—	—	—	29,357
Stockholders' equity	317,308	176,587	121,099	350,048

(1) 2001 earnings include a $382,651 loss related to the net effect of early extinguishments of long-term debt. Previously this amount, net of the tax effect of $149,234 was reported as an extraordinary item. We have reclassified this loss as general and administrative expense and income tax benefit, respectively, to conform to the requirements of SFAS 145, which was effective for fiscal years beginning after May 15, 2002.

(2) Interest incurred is the amount of interest paid and accrued (whether expensed or capitalized) during such period, including debt-related fees and amortization of deferred financing costs.

(3) EBITDA represents earnings before interest expense, interest amortized to cost of sales, income taxes, depreciation and amortization. EBITDA is presented here because it is a widely accepted financial indicator used by investors and analysts to analyze and compare homebuilding companies on the basis of operating performance. EBITDA as presented may not be comparable to similarly titled measures reported by other companies because not all companies necessarily calculate EBITDA in an identical manner and, therefore, is not necessarily an accurate means of comparison between companies. EBITDA is not intended to represent cash flows for the period or funds available for management's discretionary use nor has it been presented as an alternative to operating income or as an indicator of operating performance and it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States of America. The reconciliation of EBITDA to net earnings for each of the respective periods shown is as follows:

	Years Ended December 31,			Six Months Ended June 30,	
	2002	2001	2000	2003	2002
			(Unaudited) (Dollars in thousands)		
Net earnings	$ 69,937	$ 50,659	$35,762	$37,085	$23,504
Plus:					
Income taxes	43,607	32,295	21,000	22,585	15,345
Interest	19,259	13,303	9,179	8,860	8,031
Depreciation and amortization	6,780	5,741	3,407	3,746	2,877
EBITDA	$139,583	$101,998	$69,348	$72,276	$49,757

(4) EBITDA margin is calculated by dividing EBITDA by total sales revenue.

(5) For purposes of computing the ratio of earnings to fixed charges, "earnings" consist of income before income taxes plus fixed charges less capitalized interest. "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.

(6) EBITDA and operating ratios are unaudited.

(7) Pursuant to Financial Accounting Standards Board Interpretation No. 46, or FIN 46, a variable interest entity, or VIE, is created when (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or (ii) equity holders either (a) lack direct or indirect ability to make decisions about the entity, (b) are not obligated to absorb expected losses of the entity or (c) do not have the right to receive expected residual returns of the entity if they occur. If an entity is deemed a VIE pursuant to FIN 46, the enterprise that absorbs a majority of the expected losses or residual returns of the VIE is considered the primary beneficiary and must consolidate the VIE. FIN 46 is effective immediately for VIE's created after January 31, 2003. The FASB has delayed implementation of FIN 46 for VIE's created prior to February 1, 2003, provided the reporting entity has not issued financial statements reporting the variable interest entity created before that date in accordance with FIN 46. The delay means that public companies must complete their evaluations of variable interest entities and consolidate those where they are the primary beneficiary in financial statements issued for the first interim or annual period ending after December 15, 2003. We have decided to delay the implementation of FIN 46 for VIE's created before February 1, 2003. Accordingly, we will implement the necessary requirements by December 31, 2003.

Based on the provisions of FIN 46, we have concluded that when we enter into a purchase contract or option agreement to acquire land or lots ("options") from an entity and pay a non-refundable deposit, a VIE is created because we are deemed to have provided subordinated financial support, which refers to variable interests that will absorb some or all of an entity's expected theoretical losses if they occur. For each VIE created, we compute expected losses and residual returns based on the probability of future cash flows as outlined in FIN 46. If we are deemed to be the primary beneficiary of the VIE we will consolidate it in our consolidated financial statements. As prescribed by FIN 46, the fair value of the VIE's assets will be reported as "Consolidated Assets Not Owned". To the extent we have been able to determine that the value of the land or lots under option to Meritage represents less than half of the fair value of the assets owned by the VIE, then FIN 46 does not require consolidation of the VIE. At June 30, 2003, the amount of VIE assets included on our balance sheet is approximately $31.1 million, which represents the estimated fair value of the specific performance options and other VIE assets, and is recorded as consolidated real estate not owned. The corresponding credit relating to these assets is to liabilities and minority interest, net of the related cash option deposits we have already paid. At June 30, 2003, the liabilities and minority interest total approximately $29.4 million and $265,000 respectively, which is net of option deposits of approximately $1.4 million.

The options recorded on our balance sheet represent all specific performance options and only those non-specific performance options which we entered into since February 1, 2003 and which are required to be consolidated by FIN 46. We do not have any ownership interest in the VIE's that hold the lots and accordingly do not have legal or other access to the VIE's books or records. Therefore, it is not possible for us to accurately determine the underlying capital structure of the VIE's. Creditors of these VIE's have no recourse against Meritage.

If we had implemented FIN 46 for VIE's created prior to February 1, 2003, an increase of approximately $10 to $12 million in consolidated real estate not owned would have been reflected on our balance sheet at June 30, 2003.

Home Sales Revenue, Sales Contracts and Backlog

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

	Years Ended December 31,			Six Months Ended June 30,	
	2002	2001	2000	2003	2002
	(Unaudited, except total home sales revenue dollar amounts) (Dollars in thousands)			(Unaudited)	
Home Sales Revenue					
Total					
Dollars	$1,112,439	$742,576	$515,428	$609,143	$416,172
Homes closed	4,574	3,270	2,227	2,394	1,780
Average sales price	$ 243.2	$ 227.1	$ 231.4	$ 254.4	$ 233.8
Texas					
Dollars	$ 387,264	$259,725	$214,472	$251,756	$126,442
Homes closed	2,090	1,518	1,239	1,247	739
Average sales price	$ 185.3	$ 171.1	$ 173.1	$ 201.9	$ 171.1
Arizona					
Dollars	$ 445,275	$325,918	$175,674	$150,309	$173,725
Homes closed	1,735	1,343	623	541	750
Average sales price	$ 256.6	$ 242.7	$ 282.0	$ 277.8	$ 231.6
California					
Dollars	$ 245,640	$156,933	$125,282	$145,255	$116,005
Homes closed	594	409	365	334	291
Average sales price	$ 413.5	$ 383.7	$ 343.2	$ 434.9	$ 398.6
Nevada					
Dollars	$ 34,260	$ n/a	$ n/a	$ 61,823	n/a
Homes closed	155	n/a	n/a	272	n/a
Average sales price	$ 221.0	$ n/a	$ n/a	$ 227.3	n/a

	Years Ended December 31,			Six Months Ended June 30,	
	2002	2001	2000	2003	2002
			(Unaudited) (Dollars in thousands)		
Sales Contracts					
Total					
Dollars	$1,161,899	$700,104	$604,444	$876,053	$590,730
Homes ordered	4,504	3,016	2,480	3,459	2,304
Average sales price	$ 258.0	$ 232.1	$ 243.7	$ 253.3	$ 256.4
Texas					
Dollars	$ 417,158	$255,811	$240,054	$342,737	$171,252
Homes ordered	2,134	1,516	1,368	1,674	934
Average sales price	$ 195.5	$ 168.7	$ 175.5	$ 204.7	$ 183.4

	Years Ended December 31,			Six Months Ended June 30,	
	2002	2001	2000	2003	2002
			(Unaudited) (Dollars in thousands)		
Arizona					
Dollars	$383,445	$309,170	$196,567	$276,905	$228,095
Homes ordered	1,425	1,165	643	1,052	894
Average sales price	$ 269.1	$ 265.4	$ 305.7	$ 263.2	$ 255.1
California					
Dollars	$329,252	$135,123	$167,823	$164,870	$191,383
Homes ordered	794	335	469	349	476
Average sales price	$ 414.7	$ 403.4	$ 357.8	$ 472.4	$ 402.1
Nevada					
Dollars	$ 32,044	$ n/a	$ n/a	$ 91,541	n/a
Homes ordered	151	n/a	n/a	384	n/a
Average sales price	$ 212.2	$ n/a	$ n/a	$ 238.4	n/a

	At December 31,			At June 30,	
	2002	2001	2000	2003	2002
			(Unaudited) (Dollars in thousands)		
Net Sales Backlog					
Total					
Dollars	$537,764	$374,951	$309,901	$804,674	$549,510
Homes in backlog	2,070	1,602	1,246	3,135	2,126
Average sales price	$ 259.8	$ 234.1	$ 248.7	$ 256.7	$ 258.5
Texas					
Dollars	$218,899	$115,651	$119,564	$309,880	$160,461
Homes in backlog	1,085	693	695	1,512	888
Average sales price	$ 201.8	$ 166.9	$ 172.0	$ 204.9	$ 180.7
Arizona					
Dollars	$144,155	$205,985	$115,211	$270,751	$260,355
Homes in backlog	466	776	344	977	920
Average sales price	$ 309.3	$ 265.4	$ 334.9	$ 277.1	$ 283.0
California					
Dollars	$136,927	$ 53,315	$ 75,126	$156,542	$128,694
Homes in backlog	333	133	207	348	318
Average sales price	$ 411.2	$ 400.9	$ 362.9	$ 449.8	$ 404.7
Nevada					
Dollars	$ 37,783	$ n/a	n/a	$ 67,501	n/a
Homes in backlog	186	n/a	n/a	298	n/a
Average sales price	$ 203.1	$ n/a	n/a	$ 226.5	n/a

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, cost of 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 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. 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 of our real estate could occur if market conditions deteriorate and these write-downs could be material in amount. 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 for homes completed before October 1, 2003. Insurance carriers have been excluding claims from policies arising from the presence of mold for many builders and, as of October 1, 2003, our insurance policy began excluding mold coverage. We believe we have sufficient retentions to protect against these types of claims related to homes completed after September 30, 2003. If our retentions are not sufficient to protect against these types of claims or 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 significantly 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. Although interest rates are currently near historically low levels, they have begun to rise in recent months and it is impossible to predict future increases or decreases in market interest rates. 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.

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. We have employment agreements with Steven J. Hilton and John R. Landon, but we do not have an employment agreement with certain other key employees. We believe that Steven J. Hilton and John R. Landon each possess valuable industry knowledge and experience and leadership abilities that would be difficult in the short term to replicate. The loss of key employees could harm our operations and business plans.

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. Prior to the adoption of FASB Interpretation No. 46, these transactions were generally not reflected as on-balance sheet transactions. FIN 46 is applicable immediately to transactions entered into subsequent to January 31, 2003. Accordingly, based on the provisions of this FASB interpretation, we recorded at June 30, 2003 approximately $31.1 million of assets and approximately $29.4 million of liabilities related to certain rolling options and similar contractual arrangements which qualify as variable interests that are required to be consolidated. We are continuing to evaluate new and proposed accounting standards relating to on- and off-balance sheet transactions. The FASB has delayed implementation of FIN 46 for VIE's created prior to February 1, 2003. If we had implemented FIN 46 for VIE's created prior to that date, an increase of approximately $10 to $12 million in consolidated real estate not owned would have been reflected on our balance sheet. Such a change could alter investor's perceptions of our financial position and liquidity which could have an adverse affect on our stock and bond prices. 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. See note (7) to "Summary Historical Financial Information."

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.

This prospectus includes forward-looking statements and there are a number of risks and uncertainties that could cause our actual results to differ materially from these forward-looking statements.

This prospectus includes forward looking statements. 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. 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 Risk Factors section.

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.

As of September 30, 2003, we had approximately $383.8 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 annual debt service requirements for the notes is approximately $27.3 million. Because the notes carry a fixed rate of interest, we are not subject to interest rate risk for these obligations.

Our annual debt service requirements for our senior unsecured credit facility depends on a number of factors, including the level of borrowings under the facility and interest rates. Our projected annual debt service requirements relating to the credit facility are approximately $3.4 million based on outstanding credit facility borrowings at September 30, 2003. For each one percent increase in interest rates, this debt service requirement would increase by approximately $940,000 per year. The scheduled maturity for the outstanding borrowings under our credit facility is December 2005. 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 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 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 September 30, 2003 our consolidated tangible net worth was approximately $300.9 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.

There is uncertainty about the meaning of the phrase "all or substantially all" in connection with determining whether a change of control has occurred.

One of the events that triggers our obligation to repurchase the notes upon a change in control is the sale of all of substantially all of our assets. The phrase "all or substantially all" as used in the indenture varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under the law that governs the indenture and is subject to judicial interpretation. 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 our assets, and therefore, it may be unclear as to whether a change of control has occurred and whether you have the right to require us to repurchase the notes.

We could enter into transactions that would not constitute a change of control giving rise to an obligation to repurchase the notes, but that could increase the amount of our indebtedness outstanding.

The indenture for the notes and the agreement for our senior unsecured credit facility impose significant restrictions on our ability to incur additional indebtedness or liens, make investments, and sell assets, among others. In addition, the indenture imposes obligations on us to offer to repurchase the notes if we enter into a transaction that constitutes a change of control. Nevertheless, we could, in the future, enter into transactions such as acquisitions, refinancings or other recapitalizations or highly leveraged transactions, that would not constitute a change of control giving rise to an obligation by us to repurchase the notes, but that could increase the amount of indebtedness outstanding. Such transactions could affect our capital structure or credit ratings or otherwise affect the holders of the notes.

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 $80.5 million from the sale of the outstanding notes to repay 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 $80.3 million was used to pay down our senior unsecured credit facility and $0.2 million was used to pay fees 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 six months ended June 30 for each of the last two years. 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 Sterling Communities, Hancock Communities, Hammonds Homes and Perma-Bilt Homes since their respective dates of acquisition. Those dates are as follows: Sterling Communities, acquired 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,					Six Months Ended June 30,	
	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	$ 617,243	$ 421,172
Total cost of sales	(904,921)	(586,914)	(415,649)	(277,287)	(205,188)	(494,284)	(339,220)
Gross profit	214,896	157,260	104,818	64,499	51,925	122,959	81,952
Other income, net(1)	5,435	2,884	1,847	2,064	3,961	2,072	2,282
Commissions and other sales costs	(65,291)	(41,085)	(28,680)	(19,243)	(14,292)	(41,073)	(26,596)
General and administrative expenses(2)	(41,496)	(36,105)	(21,215)	(15,100)	(10,632)	(24,288)	(18,789)
Interest expense	—	—	(8)	(6)	(462)	—	—
Earnings before income taxes	113,544	82,954	56,762	32,214	30,500	59,670	38,849
Income taxes(2)(3)	(43,607)	(32,295)	(21,000)	(13,269)	(6,497)	(22,585)	(15,345)
Net earnings	$ 69,937	$ 50,659	$ 35,762	$ 18,945	$ 24,003	$ 37,085	$ 23,504
Other Financial Data:							
Gross profit margin(8)	19.2%	21.1%	20.1%	18.9%	20.2%	19.9%	19.5%
Interest amortized to cost of sales and interest expense	$ 19,259	$ 13,303	$ 9,179	$ 5,042	$ 4,080	$ 8,860	$ 8,031
Depreciation and amortization	6,780	5,741	3,407	2,528	1,637	3,746	2,877
Interest incurred(4)	19,294	16,623	10,634	7,031	4,172	12,119	9,335
Net cash (used in) provided by operating activities	(5,836)	(17,137)	6,252	(36,387)	(2,366)	(70,967)	(42,326)
Net cash (used in) investing activities	(142,805)	(75,739)	(8,175)	(9,902)	(3,928)	(11,679)	(7,293)
Net cash provided by (used in) financing activities	151,858	91,862	(7,102)	47,324	10,435	102,601	60,717
EBITDA(5)(8)	139,583	101,998	69,348	39,784	36,217	72,276	49,757
EBITDA margin(6)(8)	12.5%	13.7%	13.3%	11.6%	14.1%	11.7%	11.8%
Ratio of EBITDA to interest incurred(8)	7.23x	6.14x	6.52x	5.66x	8.68x	n/a	n/a
Ratio of total debt to EBITDA(8)	1.90x	1.74x	1.24x	2.16x	1.03x	n/a	n/a
Ratio of earnings to fixed charges(7)(8)	5.82x	5.39x	5.80x	4.94x	7.42x	4.85x	4.37x

	Years Ended December 31,					Six Months Ended June 30,	
	2002	2001	2000	1999	1998	2003	2002
				(Dollars in thousands)			(Unaudited)
Operating Data(8):							
Homes closed	4,574	3,270	2,227	1,643	1,291	2,394	1,780
Homes ordered	4,504	3,016	2,480	1,840	1,466	3,459	2,304
Average sales price of homes closed	$ 243	$ 227	$ 231	$ 203	$ 198	$ 254	$ 234
Average sales price of homes ordered	$ 258	$ 232	$ 244	$ 211	$ 194	$ 253	$ 256
Backlog at end of period	$537,764	$374,951	$309,901	$199,445	$145,294	$804,674	$549,510
Backlog at end of period (homes)	2,070	1,602	1,246	885	688	3,135	2,126

	At December 31,					At June 30,
	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	$611,318
Consolidated real estate not owned(9)	—	—	—	—	—	31,067
Total assets	691,788	436,715	267,075	226,559	152,250	887,414
Total debt	264,927	177,561	86,152	85,937	37,205	371,875
Liabilities related to consolidated real estate not owned(9)	—	—	—	—	—	29,357
Stockholders' equity	317,308	176,587	121,099	90,411	72,279	350,048

(1) Other income includes earnings in 1998 from mortgage assets that were obtained from our predecessor and disposed of in 1998.

(2) 2001 earnings include a $382,651 loss related to the net effect of early extinguishments of long-term debt. Previously this amount, net of the tax effect of $149,234 was reported as an extraordinary item. We have reclassified this loss as general and administrative expense and income tax benefit, respectively, to conform to the requirements of SFAS 145, which was effective for fiscal years beginning after May 15, 2002.

(3) 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.

(4) Interest incurred is the amount of interest paid and accrued (whether expensed or capitalized) during such period, including debt-related fees and amortization of deferred financing costs.

(5) EBITDA represents earnings before interest expense, interest amortized to cost of sales, income taxes, depreciation and amortization. EBITDA is presented here because it is a widely accepted financial indicator used by investors and analysts to analyze and compare homebuilding companies on the basis of operating performance. EBITDA as presented may not be comparable to similarly titled measures reported by other companies because not all companies necessarily calculate EBITDA in an identical manner and, therefore, is not necessarily an accurate means of comparison between companies. EBITDA is not intended to represent cash flows for the period or funds available for management's discretionary use nor has it been presented as an alternative to operating income or as an indicator of operating performance and it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United

States of America. The reconciliation of EBITDA to net earnings for each of the respective periods shown is as follows:

	Years Ended December 31,					Six Months Ended June 30,	
	2002	2001	2000	1999	1998	2003	2002
				(Unaudited) (Dollars in thousands)			
Net earnings	$ 69,937	$ 50,659	$35,762	$18,945	$24,003	$37,085	$23,504
Plus:							
Income taxes	43,607	32,295	21,000	13,269	6,497	22,585	15,345
Interest	19,259	13,303	9,179	5,042	4,080	8,860	8,031
Depreciation and amortization	6,780	5,741	3,407	2,528	1,637	3,746	2,877
EBITDA	$139,583	$101,998	$69,348	$39,784	$36,217	$72,276	$49,757

(6) EBITDA margin is calculated by dividing EBITDA by total sales revenue.

(7) For purposes of computing the ratio of earnings to fixed charges, “earnings” consist of income before income taxes plus fixed charges less capitalized interest. “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 calculations of ratio of earnings to fixed charges for all periods presented.

(8) EBITDA, operating data and operating ratios are unaudited.

(9) Pursuant to Financial Accounting Standards Board Interpretation No. 46, or FIN 46, a variable interest entity, or VIE, is created when (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or (ii) equity holders either (a) lack direct or indirect ability to make decisions about the entity, (b) are not obligated to absorb expected losses of the entity or (c) do not have the right to receive expected residual returns of the entity if they occur. If an entity is deemed a VIE pursuant to FIN 46, the enterprise that absorbs a majority of the expected losses or residual returns of the VIE is considered the primary beneficiary and must consolidate the VIE. FIN 46 is effective immediately for VIE’s created after January 31, 2003. The FASB has delayed implementation of FIN 46 for VIE’s created prior to February 1, 2003, provided the reporting entity has not issued financial statements reporting the variable interest entity created before that date in accordance with FIN 46. The delay means that public companies must complete their evaluations of variable interest entities and consolidate those where they are the primary beneficiary in financial statements issued for the first interim or annual period ending after December 15, 2003. We have decided to delay the implementation of FIN 46 for VIE’s created before February 1, 2003. Accordingly, we will implement the necessary requirements by December 31, 2003.

Based on the provisions of FIN 46, we have concluded that when we enter into a purchase contract or option agreement to acquire land or lots (“options”) from an entity and pay a non-refundable deposit, a VIE is created because we are deemed to have provided subordinated financial support, which refers to variable interests that will absorb some or all of an entity’s expected theoretical losses if they occur. For each VIE created, we compute expected losses and residual returns based on the probability of future cash flows as outlined in FIN 46. If we are deemed to be the primary beneficiary of the VIE we will consolidate it in our consolidated financial statements. As prescribed by FIN 46, the fair value of the VIE’s assets will be reported as “Consolidated Assets Not Owned”. To the extent we have been able to determine that the value of the land or lots under option to Meritage represents less than half of the fair value of the assets owned by the VIE, then FIN 46 does not require consolidation of the VIE. At June 30, 2003, the amount of VIE assets included on our balance sheet is approximately $31.1 million, which represents the estimated fair value of the specific performance options and other VIE assets, and is recorded as consolidated real estate not owned. The corresponding credit relating to

these assets is to liabilities and minority interest, net of the related cash option deposits we have already paid. At June 30, 2003, the liabilities and minority interest total approximately $29.4 million and $265,000 respectively, which is net of option deposits of approximately $1.4 million.

The options recorded on our balance sheet represent all specific performance options and only those non-specific performance options which we entered into since February 1, 2003 and which are required to be consolidated by FIN 46. We do not have any ownership interest in the VIE's that hold the lots and accordingly do not have legal or other access to the VIE's books or records. Therefore, it is not possible for us to accurately determine the underlying capital structure of the VIE's. Creditors of these VIE's have no recourse against Meritage.

If we had implemented FIN 46 for VIE's created prior to February 1, 2003, an increase of approximately $10 to $12 million in consolidated real estate not owned would have been reflected on our balance sheet at June 30, 2003.

DESCRIPTION OF CERTAIN EXISTING INDEBTEDNESS

The following is a summary of certain of our and our subsidiaries' indebtedness.

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 September 30, 2003, $93.8 million of borrowings were outstanding under our senior unsecured revolving credit facility, and approximately $21.2 million was outstanding in letters of credit. Availability under the bank credit facility was approximately $133.1 million.

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 September 30, 2003 was at prime (4.0%) or at LIBOR (rate approximately 1.1536%) plus two percent.

This credit facility contains certain financial and other covenants, including covenants:

- requiring us to maintain tangible net worth of at least $180 million plus 50% of net income earned since January 1, 2003 plus 75% of the aggregate net increase in tangible net worth resulting from the sale of capital stock and other equity interests (as defined);
- prohibiting our ratio of indebtedness (including accrued expenses) to tangible net worth from being greater than 2.25 to 1;
- requiring us to maintain a ratio of EBITDA (including interest amortized to cost of sales) to interest incurred (as defined) of at least 2.00 to 1;
- prohibiting the net book value of our land and lots where construction of a home has not commenced to exceed 125% of tangible net worth and prohibiting the net book value of our raw land where grading or infrastructure improvements have not begun to exceed 20% of tangible net worth;
- limiting the number of unsold housing units and model units that we may have in our inventory at the end of any fiscal quarter as follows:
  - (i) unsold homes cannot exceed 25% of the number of home closings within the four fiscal quarters ending on such date; and
  - (ii) model homes cannot exceed 10% of the number of home closings within the four fiscal quarters ending on such date; and
- prohibiting us from entering into any sale and leaseback transaction, excluding the sale and leaseback of model homes and prohibiting us from creating or incurring any off-balance sheet liability. For purposes of our credit facility, off-balance sheet liabilities include:
  - certain liabilities arising under asset securitization transactions;
  - monetary obligations under synthetic leases, tax retention or off-balance sheet lease transactions that upon the application of any debtor relief law to us would be characterized as indebtedness;

- any other monetary obligation with respect to any transaction which upon the application of any debtor relief law to us would be characterized as indebtedness or which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on our consolidated balance sheet.

Notwithstanding the above, our credit facility specifically provides that liabilities (i) under rolling options and similar contracts for the acquisition of real property and (ii) arising under model home leases shall not be deemed off-balance sheet liabilities.

Other Debt

We have two land acquisition and development seller carryback financing loans totaling approximately $1.8 million at September 30, 2003, secured by first deeds of trust on real estate. Interest on these facilities is payable at a fixed rate of 7% and 15% per annum, respectively. Principal and interest payments for one facility are due upon the sale of individual properties to a third party and at July 1, 2004 for the other facility.

DESCRIPTION OF THE EXCHANGE NOTES

As used below in this "Description of the Exchange 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, among the Issuer, the Guarantors and Wells Fargo Bank, National Association, as 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 and the initial notes, 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 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, commencing on June 1, 2004 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 $75.0 million principal amount of outstanding notes is being offered in the exchange offer. There are currently issued and outstanding under the indenture $280.0 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 $75.0 million in aggregate principal amount of unregistered outstanding notes for which the registered exchange notes are being offered in exchange pursuant to this prospectus, (ii) $155.0 million in aggregate principal amount of 9.75% senior notes due 2011 originally issued under the indenture on May 30, 2001 and (iii) $50.0 million in aggregate principal amount of 9.75% senior notes due 2011 originally issued under the indenture on February 21, 2003. The notes issued on May 30, 2001 and the notes issued on February 21, 2003 are collectively 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, all references to the exchange notes in this section includes the Initial Notes. The outstanding notes and exchange notes constitute **"Additional Notes"** as defined in the indenture. The Initial Notes, the outstanding notes and the exchange notes offered by this prospectus 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 and 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 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 Un-

restricted 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, 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 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 $60.0 million, then the Issuer must make an 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 $60.0 million.

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 $60.0 million 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 $300.9 million as of September 30, 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, the Issuer may use such shortfall 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 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 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 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, 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 in definitive, fully registered form without interest coupons. The global notes will be deposited with, or on behalf of, the Depository Trust Company 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.

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.

"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), 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.

"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.

"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.

"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.

"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.

"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.

"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.

"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).

"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.

"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.

"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.

"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.

"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.

"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.

"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.

"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 September 25, 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 promptly 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. The expiration date will be at least 20 business days after commencement of the exchange offer in accordance with Rule 14e-1(a) under the Exchange Act. 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 December 1, 2003. Interest on the exchange notes will be payable twice a year, on June 1 and December 1, beginning June 1, 2004. In order to avoid duplicative payment of interest, all interest accrued on outstanding notes that are accepted for exchange before June 1, 2004 will be superceded by the interest that is deemed to have accrued on the exchange notes from December 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.

In the event that:

- any changes in law or the applicable interpretations of the SEC do not permit us to effect the exchange offer;
- the exchange offer is not consummated within 180 days after the original issue date of the outstanding notes;
- any holder notifies us that it is prohibited by law or applicable interpretations of the SEC from participating in the exchange offer;
- in the case of any holder that participates in the exchange offer, such holder does not receive freely transferable notes on the date of the exchange (other than due solely to the status of such holder as an affiliate of the Issuer);
- the initial purchasers of the outstanding notes so request with respect to notes that have, or are reasonably likely to be determined to have, the status of unsold allotments in an initial distribution; or
- or any holder of notes that is not entitled to participate in the exchange offer so requests

then, the Issuer and the Guarantors shall as promptly as practicable, but in no event later than 45 days after the occurrence of any of the above shelf registration statement triggering events, file with the SEC a shelf registration statement covering resales of the outstanding notes by holders who satisfy certain conditions relating to the provision of information in connection with the shelf registration statement.

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 three 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 three 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 promptly 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.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion addresses 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 or persons subject to the alternative minimum tax. 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 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 (as described above under "Payment of Interest"); 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 15%, and short-term capital gains are generally taxed at a maximum federal tax rate of 35%.

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 28% rate and increasing to 31% after 2010 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 (in which case such gain generally would be taxable in the same manner as effectively connected interest (as described above)), 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 183 days (as such days are calculated in accordance with the Code) during the current taxable year of the disposition and certain other conditions are met (in which case such gain, net of certain U.S. source losses, may be subject to tax at a 30% rate).

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.

We have agreed to pay all expenses incident to the exchange offer other than commissions or concessions of any brokers or dealers and will indemnify the holders of the outstanding notes and the exchange notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the exchange notes and the related guarantees has been 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 and in the registration statement 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 report incorporated by reference herein. Such financial statements have been included in reliance upon the said firm as experts in accounting and auditing.

The financial statements of Perma-Bilt, a Nevada Corporation, as of December 31, 2001 and 2000 and for the years then ended incorporated in this Prospectus by reference to the Current Report on Form 8-K/ A dated July 2, 2003 of Meritage Corporation have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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.

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:

Filing	Date Filed
Annual Report on Form 10-K for the year ended December 31, 2002	March 31, 2003
Quarterly Report on Form 10-Q for the quarter ended March 31, 2003	May 14, 2003
Quarterly Report on Form 10-Q for the quarter ended June 30, 2003	August 11, 2003
Current Report on Form 8-K	February 14, 2003
Current Report on Form 8-K	February 25, 2003
Amendment No. 2 to Current Report on Form 8-K	June 13, 2003
Amendment No. 3 to Current Report on Form 8-K	July 2, 2003
Amendment No. 1 to Current Report on Form 8-K	July 2, 2003
Current Report on Form 8-K (with respect to Item 5 only)	July 9, 2003
Current Report on Form 8-K	September 19, 2003
Current Report on Form 8-K	September 26, 2003
Current Report on Form 8-K	October 21, 2003

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 AND FINANCIAL STATEMENTS

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.

Effective July 1, 2002 we completed the acquisition of substantially all of the homebuilding and related assets of Hammonds Homes, Ltd. and Crystal City Land & Cattle, Ltd. The following financial statements are contained in Amendment No. 3 to our Form 8-K/A dated July 12, 2002, which we filed with the SEC on July 2, 2003 and which is incorporated by reference in this registration statement.

- Hammonds Homes Ltd. as of December 31, 2001 and 2000 and the related Consolidated Statements of Income and Partners' Capital for the years ended December 31, 2001, 2000 and 1999 and the Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999;
- Crystal City Land & Cattle, Ltd. as of December 31, 2001 and the related Statement of Income and Partners' Capital from August 23, 2001 (date of inception) to December 31, 2001 and the Consolidated Statement of Cash Flows from August 23, 2001 (date of inception) to December 31, 2001;
- The unaudited financial statements for Hammonds Homes, Ltd. and Crystal City Land & Cattle, Ltd. as of and for the six months ended June 30, 2002; and

- the unaudited pro forma combined statement of earnings for the twelve months ended December 31, 2002 giving effect to the acquisition of the assets of Hammonds Homes, Ltd. and Crystal City Land & Cattle, Ltd.

Effective October 1, 2002, we completed the purchase of the homebuilding assets of Perma-Bilt Homes. The financial statements of this recently acquired subsidiary guarantor as of and for the years ended December 31, 2001 and 2000 and the unaudited financial statements as of and for the nine months ended September 30, 2002 and 2001 are contained in Amendment No. 1 to our Form 8-K/A dated October 7, 2002, which we filed with the SEC on July 2, 2003 and which is incorporated by reference in this registration statement.

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."

TABLE OF CONTENTS

$75,000,000

MERITAGE CORPORATION

9 3/4% Senior Notes due 2011

PROSPECTUS

, 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 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.
2.3	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.
2.3.1	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.

Exhibit Number	Description	Page or Method of Filing
2.4	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.
2.4.1	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.
2.5	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.
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.

Exhibit Number	Description	Page or Method of Filing
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.
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.	Incorporated by reference to Exhibit 3.26 of Form S-3 Registration Statement No. 333-105043.

Exhibit Number	Description	Page or Method of Filing
3.27	Bylaws of MTH-Texas GP II, Inc.	Incorporated by reference to Exhibit 3.27 of Form S-3 Registration Statement No. 333-105043.
3.28	Articles of Incorporation of MTH-Texas LP II, Inc.	Incorporated by reference to Exhibit 3.28 of Form S-3 Registration Statement No. 333-105043.
3.29	Bylaws of MTH-Texas LP II, Inc.	Incorporated by reference to Exhibit 3.29 of Form S-3 Registration Statement No. 333-105043.
3.30	Articles of Incorporation of MTH-Homes Nevada, Inc.	Incorporated by reference to Exhibit 3.30 of Form S-3 Registration Statement No. 333-105043.
3.31	Bylaws of MTH-Homes Nevada, Inc.	Incorporated by reference to Exhibit 3.31 of Form S-3 Registration Statement No. 333-105043.
3.32	Articles of Organization of Meritage Holdings, L.L.C.	Incorporated by reference to Exhibit 3.32 of Form S-3 Registration Statement No. 333-105043.
3.33	Regulations of Meritage Holdings, L.L.C.	Incorporated by reference to Exhibit 3.33 of Form S-3 Registration Statement No. 333-105043.
3.34	Articles of Organization of Hulen Park Venture, LLC	Incorporated by reference to Exhibit 3.34 of Form S-3 Registration Statement No. 333-105043.
3.35	Regulations of Hulen Park Venture, LLC	Incorporated by reference to Exhibit 3.35 of Form S-3 Registration Statement No. 333-105043.
3.36	Certificate of Limited Partnership of MTH Homes-Texas, L.P.	Incorporated by reference to Exhibit 3.36 of Form S-3 Registration Statement No. 333-105043.
3.37	Agreement of Limited Partnership of MTH Homes-Texas, L.P.	Incorporated by reference to Exhibit 3.37 of Form S-3 Registration Statement No. 333-105043.
3.38	Articles of Organization of MTH-Cavalier, LLC	Incorporated by reference to Exhibit 3.38 of Form S-3 Registration Statement No. 333-105043.
3.39	Operating Agreement of MTH-Cavalier, LLC	Incorporated by reference to Exhibit 3.39 of Form S-3 Registration Statement No. 333-105043.
3.40	Articles of Organization of Mission Royale Golf Course, LLC (predecessor of MTH Golf, LLC)	Filed herewith.
3.40.1	Amended and Restated Articles of Organization for MTH Golf, LLC	Filed herewith.
3.41	Certificate of Limited Partnership of Legacy-Hammonds Materials, L.P.	Filed herewith.
3.42	Agreement of Limited Partnership of Legacy-Hammonds Materials, L.P.	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.

Exhibit Number	Description	Page or Method of Filing
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.
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.
4.2.5	Fifth Supplemental Indenture, dated August 22, 2003, by and among the Company, Mission Royale Golf Course, LLC, Legacy-Hammonds Materials, L.P., the Grantors named therein and Wells Fargo Bank, N.A.	Filed herewith.
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.
10.1.1	First Amendment to Credit Agreement, dated September 8, 2003, among the Company, Guaranty Bank, Fleet National Bank, Bank One, NA and the other lenders thereto	Filed herewith.
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	Amended and Restated Employment Agreement between the Company and Steven J. Hilton*	Incorporated by reference to Exhibit 10.1 of Form 8-K filed July 9, 2003.
10.4	Amended and Restated Change of Control Agreement between the Company and Steven J. Hilton*	Incorporated by reference to Exhibit 10.2 of Form 8-K filed July 9, 2003.
10.5	Employment Agreement between the Company and John R. Landon*	Incorporated by reference to Exhibit 10.1 of Form 8-K filed July 9, 2003

Exhibit Number	Description	Page or Method of Filing
10.6	Amended and Restated Change of Control Agreement between the Company and John R. Landon*	Incorporated by reference to Exhibit 10.2 of Form 8-K filed July 9, 2003.
10.7	Employment Agreement between the Company and Larry W. Seay*	Filed herewith.
10.8	Change of Control Agreement between the Company and Larry W. Seay*	Filed herewith.
10.9	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.
10.10	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.
10.11	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.
10.12	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.
10.13	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.
10.14	Registration Rights Agreement dated September 25, 2003, by and among the Company, the Guarantors named therein, UBS Securities LLC, Deutsche Bank Securities Inc., Banc One Capital Markets, Inc. and Fleet Securities, Inc.	Incorporated by reference to Exhibit 10.1 of Form 8-K dated September 26, 2003.
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 PricewaterhouseCoopers LLP	Filed herewith.
23.4	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:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement;

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in this registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;

provided, *however*, that the undertakings set forth in paragraphs (i) and (ii) above do not apply if the registration statement is on Form S-3, Form S-8 or Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement.

(2) 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.

(3) 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.

(4) 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.

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.

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 October 23, 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)
Legacy-Hammonds Materials, 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)
MTH Golf, LLC(8)

as CO-REGISTRANTS

By: /s/ STEVEN J. HILTON

Steven J. Hilton
Principal Executive Officer and Director of each Co-Registrant that is a corporation and Principal Executive Officer and Director 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
Principal Executive Officer and Director of each Co-Registrant that is a corporation and Principal Executive Officer and Director 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

(8) Executed by Hancock-MTH Builders, 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, and fully and to all intents and purposes as he might or could do in person hereby ratifying and confirming all that said attorney-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	October 23, 2003
By:	/s/ JOHN R. LANDON John R. Landon	Co-Chairman, Co-Chief Executive Officer and Director	October 23, 2003
By:	/s/ LARRY W. SEAY Larry W. Seay	Chief Financial Officer and Vice President — Finance (Principal Financial Officer)	October 23, 2003
By:	/s/ VICKI L. BIGGS Vicki L. Biggs	Vice President — Controller (Principal Accounting Officer)	October 23, 2003
By:	/s/ ROBERT G. SARVER Robert G. Sarver	Director	October 23, 2003
By:	/s/ RAYMOND OPPEL Raymond Oppel	Director	October 23, 2003
By:	/s/ PETER L. AX Peter L. Ax	Director	October 23, 2003
By:	/s/ WILLIAM G. CAMPBELL William G. Campbell	Director	October 23, 2003
By:	/s/ C. TIMOTHY WHITE C. Timothy White	Director	October 23, 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	Principal Executive Officer and Director (Principal Executive Officer)	October 23, 2003
By:	/s/ JOHN R. LANDON John R. Landon	Principal Executive Officer and Director (Principal Executive Officer)	October 23, 2003
By:	/s/ LARRY W. SEAY Larry W. Seay	Vice President (Principal Financial Officer and Principal Accounting Officer)	October 23, 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.
MTH Golf, LLC	Hancock-MTH Builders, Inc.
Legacy-Hammonds Materials, L.P.	Meritage Holdings, L.L.C.

	Signature	Title	Date
By:	/s/ STEVEN J. HILTON Steven J. Hilton	Principal 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. Hancock-MTH Builders, Inc.	October 23, 2003
By:	/s/ JOHN R. LANDON John R. Landon	Principal 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. Hancock-MTH Builders, Inc.	October 23, 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. Hancock-MTH Builders, Inc. (Principal Financial Officer and Principal Accounting Officer)	October 23, 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 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.
2.3	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.
2.3.1	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.
2.4	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.
2.4.1	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.
2.5	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.

Exhibit Number	Description	Page or Method of Filing
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.
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.

Exhibit Number	Description	Page or Method of Filing
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.
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.	Incorporated by reference to Exhibit 3.26 of Form S-3 Registration Statement No. 333-105043.
3.27	Bylaws of MTH-Texas GP II, Inc.	Incorporated by reference to Exhibit 3.27 of Form S-3 Registration Statement No. 333-105043.
3.28	Articles of Incorporation of MTH-Texas LP II, Inc.	Incorporated by reference to Exhibit 3.28 of Form S-3 Registration Statement No. 333-105043.
3.29	Bylaws of MTH-Texas LP II, Inc.	Incorporated by reference to Exhibit 3.29 of Form S-3 Registration Statement No. 333-105043.
3.30	Articles of Incorporation of MTH-Homes Nevada, Inc.	Incorporated by reference to Exhibit 3.30 of Form S-3 Registration Statement No. 333-105043.
3.31	Bylaws of MTH-Homes Nevada, Inc.	Incorporated by reference to Exhibit 3.31 of Form S-3 Registration Statement No. 333-105043.
3.32	Articles of Organization of Meritage Holdings, L.L.C.	Incorporated by reference to Exhibit 3.32 of Form S-3 Registration Statement No. 333-105043.
3.33	Regulations of Meritage Holdings, L.L.C.	Incorporated by reference to Exhibit 3.33 of Form S-3 Registration Statement No. 333-105043.
3.34	Articles of Organization of Hulen Park Venture, LLC	Incorporated by reference to Exhibit 3.34 of Form S-3 Registration Statement No. 333-105043.
3.35	Regulations of Hulen Park Venture, LLC	Incorporated by reference to Exhibit 3.35 of Form S-3 Registration Statement No. 333-105043.
3.36	Certificate of Limited Partnership of MTH Homes-Texas, L.P.	Incorporated by reference to Exhibit 3.36 of Form S-3 Registration Statement No. 333-105043.

Exhibit Number	Description	Page or Method of Filing
3.37	Agreement of Limited Partnership of MTH Homes-Texas, L.P.	Incorporated by reference to Exhibit 3.37 of Form S-3 Registration Statement No. 333-105043.
3.38	Articles of Organization of MTH-Cavalier, LLC	Incorporated by reference to Exhibit 3.38 of Form S-3 Registration Statement No. 333-105043.
3.39	Operating Agreement of MTH-Cavalier, LLC	Incorporated by reference to Exhibit 3.39 of Form S-3 Registration Statement No. 333-105043.
3.40	Articles of Organization of Mission Royale Golf Course, LLC (predecessor of MTH Golf, LLC)	Filed herewith.
3.40.1	Amended and Restated Articles of Organization for MTH Golf, LLC	Filed herewith.
3.41	Certificate of Limited Partnership of Legacy-Hammonds Materials, L.P.	Filed herewith.
3.42	Agreement of Limited Partnership of Legacy- Hammonds Materials, L.P.	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.
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.
4.2.5	Fifth Supplemental Indenture, dated August 22, 2003, by and among the Company, Mission Royale Golf Course, LLC, Legacy-Hammonds Materials, L.P., the Grantors named therein and Wells Fargo Bank, N.A.	Filed herewith.
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.

Exhibit Number	Description	Page or Method of Filing
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.
10.1.1	First Amendment to Credit Agreement, dated September 8, 2003, among the Company, Guaranty Bank, Fleet National Bank, Bank One, NA and the other lenders thereto	Filed herewith.
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	Amended and Restated Employment Agreement between the Company and Steven J. Hilton*	Incorporated by reference to Exhibit 10.1 of Form 8-K filed July 9, 2003.
10.4	Amended and Restated Change of Control Agreement between the Company and Steven J. Hilton*	Incorporated by reference to Exhibit 10.2 of Form 8-K filed July 9, 2003.
10.5	Employment Agreement between the Company and John R. Landon*	Incorporated by reference to Exhibit 10.1 of Form 8-K filed July 9, 2003
10.6	Amended and Restated Change of Control Agreement between the Company and John R. Landon*	Incorporated by reference to Exhibit 10.2 of Form 8-K filed July 9, 2003.
10.7	Employment Agreement between the Company and Larry W. Seay*	Filed herewith.
10.8	Change of Control Agreement between the Company and Larry W. Seay*	Filed herewith.
10.9	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.
10.10	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.
10.11	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.
10.12	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.
10.13	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.
10.14	Registration Rights Agreement dated September 25, 2003, by and among the Company, the Guarantors named therein, UBS Securities LLC, Deutsche Bank Securities Inc., Banc One Capital Markets, Inc. and Fleet Securities, Inc.	Incorporated by reference to Exhibit 10.1 of Form 8-K dated September 26, 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 PricewaterhouseCoopers LLP	Filed herewith.
23.4	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.

Exhibit 3.40

ARTICLES OF ORGANIZATION
OF
MISSION ROYALE GOLF COURSE, LLC
AN ARIZONA LIMITED LIABILITY COMPANY

The undersigned has executed this document for the purpose of forming a limited liability company under the laws of the State of Arizona and adopts the following Articles of Organization.

1. NAME. The name of the Company is: Mission Royale Golf Course, LLC.

2. PURPOSE AND POWERS. The Company is organized for the transaction of any and all lawful business for which a limited liability company may be formed under the laws of the State of Arizona including, but not limited to, the ownership and operation of a golf course known as Mission Royale Golf Course.

3. REGISTERED OFFICE. The Company's registered office is: 8501 East Princess Drive, #200, Scottsdale, Arizona 85255.

4. STATUTORY AGENT. The name and address of the agent for service of process is: C. Timothy White, Esq., Greenberg Traurig, LLP, 2375 E. Camelback Road, Suite 700, Phoenix, Arizona 85016. The agent, by signing the attached document, accepts the appointment as agent.

5. MEMBER. As of the date of these Articles of Organization there is one member of the Company who owns twenty percent (20%) or greater interest in the Company. That member's name and mailing address is: Hancock-MTH Builders, Inc., 8501 E. Princess Drive, #200, Scottsdale, Arizona 85255.

6. MANAGEMENT. Management of the Company is vested in a manager.

7. MANAGER. The name and mailing address of the sole manager is: Hancock-MTH Builders, Inc., 8501 East Princess Drive, #200, Scottsdale, Arizona 85255.

8. LIMITED LIABILITY OF MEMBERS. No Member shall be liable for the action or inaction of the Company or any other Member solely on the basis of his being a Member of the Company.

DATED this 18th day of July, 2003.

/s/ C. Timothy White
_____
C. Timothy White

Exhibit 3.40.1

ARTICLES OF AMENDMENT
TO THE ARTICLES OF ORGANIZATION
OF
MISSION ROYALE GOLF COURSE, LLC

The undersigned has executed this document for the purpose of amending the Articles of Organization for Mission Royale Golf Course, LLC, an Arizona limited liability company (the "Corporation"), pursuant to A.R.S. 29-633.

FIRST: The name of the Corporation is Mission Royale Golf Course, LLC.

SECOND: The Articles of Organization were filed with the Arizona Corporation Commission on July 18, 2003.

THIRD: To change the name of the Corporation to MTH Golf, LLC, Article I of the Articles of Organization of the Corporation is hereby amended in its entirety to read as follows:

Article I. The name of the corporation is MTH Golf, LLC (the "Corporation").

THIRD: The foregoing amendment to the Articles of Organization of the Corporation was duly adopted by act of the members of the Corporation as of the 5th day of September, 2003.

IN WITNESS WHEREOF, the undersigned officer of the Corporation has executed these Articles of Amendment this 5th day of September, 2003.

HANCOCK MTH BUILDERS, INC.
Its Member

By: /s/ Jim Arneson

Jim Arneson COO

Exhibit 3.41

CERTIFICATE OF LIMITED PARTNERSHIP
OF
LEGACY-HAMMONDS MATERIALS, L.P.

This Certificate of Limited Partnership (this "Certificate") of Legacy-Hammonds Materials, L.P. (the "Partnership") dated as of August ___, 2003, has been duly executed and is being filed in accordance with the provisions of the Texas Revised Limited Partnership Act (the "Act").

1. NAME. The name of the limited partnership is Legacy-Hammonds Materials, L.P.

2. REGISTERED OFFICE AND REGISTERED ADDRESS. The address of the registered office of the Partnership is 350 N. St. Paul Street, Dallas, Texas 75201. The name and address of the registered agent for service of process is CT Corporation System at 350 N. St. Paul Street, Dallas, Texas 75201.

3. PRINCIPAL OFFICE. The address of the principal office is 2 Parkview Court, Mansfield, Texas 76063.

4. GENERAL PARTNER. The name of the general partner of the Partnership and its mailing address and street address are as follows:

NAME	MAILING AND STREET ADDRESS
Meritage Holdings, LLC	2 Parkview Court Mansfield, Texas 76063

5. DATE OF FORMATION. In accordance with Section 2.01(b) of the Act, the Partnership shall be formed at the time of the filing of this Certificate with the Secretary of State of the State of Texas.

IN WITNESS WHEREOF, the undersigned general partner of the Partnership has duly executed this Certificate as of the day and year first aforesaid.

MERITAGE HOLDINGS, LLC

By: /s/ Richard T. Morgan

Richard T. Morgan, Vice President

Exhibit 3.42

AGREEMENT OF LIMITED PARTNERSHIP
OF
LEGACY-HAMMONDS MATERIALS, L.P.

THIS AGREEMENT OF LIMITED PARTNERSHIP is made and entered into on August 7, 2003. It is between Meritage Holdings, LLC, a limited liability company organized under the laws of the State of Texas, referred to in this Agreement as the "General Partner," and Legacy/Monterey Homes, L.P., a limited partnership organized under the laws of the State of Texas, as the initial "Limited Partner."

ARTICLE I

DEFINITIONS

The following terms have the following meanings when used in this Agreement:

"Act" means the Texas Revised Limited Partnership Act.

"Affiliate" means any person or entity that controls or is controlled by the General Partner, or is controlled by the same person or entity that controls the General Partner. In this definition, the term "control" includes the ownership of more than 50 percent of the beneficial interest in the person or entity.

"Agreement" means this Agreement of Limited Partnership, including any amendments that may be made.

"Bankruptcy" means, as to any Partner, the Partner's taking, or acquiescing in the taking, of any action seeking relief under, or advantage of, any applicable debtor relief, liquidation, receivership, conservatorship, bankruptcy, moratorium, rearrangement insolvency, reorganization or similar law affecting the rights or remedies of creditors generally, as in effect from time to time. For the purpose of this definition,"the term "acquiescing" shall include, without limitation, the failure to file, within 10 days after its entry, a petition, answer, or motion to vacate or to discharge any order, judgment, or decree providing for any relief under any such law.

"Capital Contribution(s)" means the contribution(s) made to the capital of the Partnership from time to time by a Partner in cash or property.

"Certificate" means the certificate of limited partnership to be filed by the General Partner with the Secretary of State of Texas in accordance with this Agreement

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time.

"Percentage Interest" means the interest of a Partner in the capital and profits and losses of the partnership as initially set forth in Section 10.2 of this Agreement.

"Person" means an individual or a corporation, partnership, trust, unincorporated organization, association, or other entity. "His" or "he" shall also mean and refer, as appropriate, to the feminine and neuter pronouns.

"Required Interest" means one or more of the Limited Partners having among them more than 66 2/3% of the Percentage Interest of all Limited Partners in their capacity as such.

"Transfer" means the mortgage, pledge, hypothecation, transfer, sale, assignment, or other disposition of any part or all of an interest in the Partnership by any Partner, whether voluntarily, by operation of law or otherwise.

ARTICLE II

GENERAL

FORMATION

2.01. By this Agreement, the General Partner and the Limited Partner form and establish the Partnership pursuant to the Act. Prior to conducting any business in any jurisdiction, the General Partner shall promptly file the Certificate as required by the Act and comply with all other legal requirements for the formation and operation of the Partnership. Except as expressly provided in this Agreement, the Act shall govern the rights and liabilities of the Partners.

NAME

2.02. The name of the Partnership shall be LEGACY-HAMMONDS MATERIALS, L.P. The General Partner may change the name of the Partnership or adopt such trade or fictitious names as it may determine appropriate.

INVESTMENT

2.03. The Limited Partner represents that it is acquiring an interest in the Partnership for investment for its own account, and not with a view to any sale or distribution of that interest.

MERGER OR CONVERSION

2.04. The Partnership may merge with or convert into another limited partnership or other business entity, or enter into an agreement to do so, only with the consent of the General Partner and a Required Interest.

ARTICLE III

COMMENCEMENT DATE/TERM OF PARTNERSHIP

The Partnership shall commence and be effective on the date the Certificate is filed with the Secretary of State of the State of Texas. The Partnership shall continue until terminated as provided in this Agreement or by January 1, 2050, whichever occurs first.

ARTICLE IV

PURPOSES

The purpose of the Partnership shall be the acquisition and sale of building materials and to engage in any or all other lawful acts.

ARTICLE V

GENERAL PARTNER AND PLACE OF BUSINESS

The General Partner of the Partnership is MERITAGE HOLDINGS, LLC, with offices at 4050 West Park Blvd., Plano, Texas 75093. The principal place of business for the Partnership will be 2 Parkview Court, Mansfield, Texas 76063. The General Partner may maintain other offices for the Partnership as it may determine to be necessary or advisable from time to time. Any requests for information concerning the Partnership shall be directed to the General Partner at the principal place of business of the Partnership. CT Corporation System shall serve as the registered agent of the Partnership. The address of the registered agent of the Partnership shall be 350 North St. Paul Street, Dallas, Texas 75201. The address and the name of the registered agent of the Partnership may be changed as the General Partner may designate by written notice to the Limited Partners and by filing an amended Certificate with the Secretary of State.

ARTICLE VI

CAPITAL CONTRIBUTIONS

GENERAL PARTNER'S CONTRIBUTION

6.01. At the time of execution of this Agreement, the General Partner shall contribute ten dollars ($10.00) capital to the Partnership as its initial Capital Contribution.

LIMITED PARTNER'S CONTRIBUTIONS

6.02. LEGACY/MONTEREY HOMES, L.P., the Limited Partner, shall contribute nine-hundred and ninety dollars ($990.00) to the capital of the Partnership. In exchange for this contribution, the initial Limited Partner will have the Percentage Interest in the Partnership set forth in paragraph 10.02 of this Agreement.

LIMITED LIABILITY FOR LIMITED PARTNERS

6.03. The liability of the Limited Partner to the Partnership is limited to the amount of its Capital Contributions. Accordingly, the contributions called for in paragraph 6.02 are the only property the Limited Partner is required to furnish to the Partnership, whether by way of contribution, loan, or otherwise. However, the Limited Partner is entitled to a return of its Capital Contribution(s) only as provided in this Agreement.

VOLUNTARY CONTRIBUTIONS

6.04. At any time, the General Partner may determine that additional contributions of cash or property to the Partnership are desirable. Within 10 days following the receipt of notice from the General Partner, the Limited Partner may contribute cash or property to the Partnership as a "Voluntary Capital Contribution" on the terms and subject to the conditions set forth in the notice from the General Partner. All such additional Voluntary Capital Contributions shall be requested in proportion to the then Percentage Interests of the Partners in the Partnership.

READJUSTMENT OF PERCENTAGE INTERESTS

6.05. If any Partner elects to participate in a Voluntary Capital Contribution as described in paragraph 6.04 in an amount smaller than that Partner's current, Percentage Interest, or elects not to participate at all, then the Percentage Interests of the Partners shall be readjusted based on the newly adjusted capital account balance of each Partner. Nothing in this Agreement shall obligate any Partner to make any additional contributions to the Partnership.

ARTICLE VII

CAPITAL ACCOUNTS

ESTABLISHMENT OF CAPITAL ACCOUNTS

7.01. Separate capital accounts shall be established and maintained for each Partner in accordance with Section 1.704-1(b)(2)(iv) of the Treasury Regulations, as amended from time to time.

CREDITS AND DEBITS

7.02. All Capital Contributions of a Partner, its allocable share of Partnership income and loss, and cash or property distributions made to such Partner shall be credited or charged to such Partner's individual capital account as the case may be. To the extent an allocation or adjustment is not specifically described by this provision of the Agreement that item shall be reflected in the Partners' capital accounts in accordance with Section 1.704-1(b)(2)(iv) of the Treasury Regulations, as amended from time to time. The capital accounts shall not bear interest.

ACCOUNTING FOR PARTNER'S LOANS

7.03. Loans made by a Partner to the Partnership shall not be considered Capital Contributions.

RETURN OF CAPITAL

7.04. No Partner has the right to demand the return of its Capital Contribution other than in cash and except as provided in this Agreement.

LIQUIDATION

7.05. When the Partnership is liquidated, each Partner with a deficit in his or her capital account (whether by virtue of failure to make an initial contribution, loans, distribution, or any other reason) will be obligated to contribute to the capital of the Partnership an amount of cash equal to the deficit in the capital account balance. The cash must be paid within 90 days after the date of the liquidation, and the amounts so contributed may be paid to the creditors of the Partnership or distributed to the other Partners in the ratio of the then positive balances in their respective capital accounts.

PARTITION

7.06. All interests in the property owned by the Partnership shall be deemed owned by the Partnership as an entity. No Partner, individually, shall have any ownership of such property or interest except as a Partner in the Partnership. Each of the Partners irrevocably waives, during the term of the Partnership and during any period of its liquidation following any dissolution, any right that it may have to maintain any action for partition with respect to any of the assets of the Partnership.

ARTICLE VIII

CONTROL AND MANAGEMENT

ROLE OF GENERAL PARTNER

8.01.

(a) The General Partner has full, exclusive, and complete

discretion in the management and control of the Partnership for any the purposes set forth in Article IV of this Agreement, unless specifically stated otherwise in this Agreement.

(b) The General Partner agrees to conduct the operations contemplated under this Agreement in a careful and prudent manner, and in accordance with good industry practice.

(c) The General Partner (or any successor to the General Partner) agrees to serve as general partner of the Partnership until the Partnership is terminated without reconstitution as provided below.

GENERAL PARTNER'S AUTHORITY

8.02. Subject to any limitations expressly set forth in this Agreement the General Partner is expressly authorized to perform any of the following acts on behalf of the Partnership:

(a) Any and all acts necessary or appropriate to the acquisition and management of the Partnership and interests in the Partnership.

(b) Maintenance of all necessary Partnership books and records.

(c) Commencement of litigation or defense of litigation, including settlement of any litigation, involving the Partnership.

(d) Establishment of bank accounts in which all Partnership funds shall be deposited and from which payments shall be made.

(e) Procuring and maintaining insurance with responsible companies as may be available in such amounts and covering such risks as are deemed appropriate by the General Partner.

(f) Taking and holding all real, personal, and mixed property of the Partnership in the name of the Partnership.

(g) Executing and delivering, on behalf of and in the name of the Partnership, contracts, agreements, and other documents.

(h) Coordinating all accounting and clerical functions of the Partnership and employing accountants, lawyers, engineers and other management or service personnel as may from time to time be required to carry on the business of the Partnership.

(i) Filing tax returns and making elections on behalf of the Partnership as provided under the Code.

LIMITATIONS

8.03. Notwithstanding the generality of the General Partner's authority, the General Partner is not empowered, without the consent of a Required Interest, to:

(a) Do any act in contravention of this Agreement.

(b) Do any act that would make it impossible to carry out the ordinary business of the Partnership, except as specifically permitted by the terms of this Agreement.

(c) Confess a judgment against the Partnership.

(d) Possess Partnership property or assign any rights in specific Partnership property for other than a Partnership purpose.

(e) Require any Partner to make any contribution to the capital of the Partnership not provided for in this Agreement.

(f) Amend this Agreement.

OTHER AND COMPETING ACTIVITIES

8.04. Any Partner may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar to, or competitive with the business conducted by the Partnership. Neither the Partnership nor any Partner shall have any

rights in or to such independent ventures or the income or profits derived from these other activities.

LIABILITY OF GENERAL PARTNER

8.05. The General Partner is not liable, responsible, or accountable in damages or otherwise to the Limited Partners or the Partnership for any act performed by the General Partner in good faith and within the scope of this Agreement. The General Partner is liable to the Limited Partners only for conduct that involves gross negligence, bad faith, or fraud.

INDEMNIFICATION OF GENERAL PARTNER

8.06. The Partnership shall indemnify and hold harmless the General Partner and its officers, directors, agents, and representatives from and against any loss, damage, liability, cost or expense (including reasonable attorneys' fees) arising out of any act or failure to act by the General Partner, specifically including its sole, partial, or concurrent negligence, to the greatest extent permitted under the Act.

CONTRACTS WITH AFFILIATES

8.07. Notwithstanding anything in this Agreement to the contrary, it is understood and agreed that the Partnership may employ any Partner and any person affiliated with any Partner to render services on behalf of the Partnership and may compensate the person rendering the services on customary terms and at competitive rates. Neither the Partnership nor the other Partners shall have any rights in or to any profits derived from any fees paid by the Partnership for such services.

TAX MATTERS PARTNER

8.08. The General Partner is authorized and required to represent the Partnership in connection with all examinations of the Partnership affairs by tax authorities, including administrative and judicial proceedings, and to expend Partnership funds for professional services and costs in connection with such examinations. The General Partner is to be the "Tax Matters Partner" for federal tax purposes and has authority, in its sole and absolute discretion, to represent the Partnership and the Partners in this regard. The Limited Partner agrees to cooperate and to do or refrain from doing any and all things reasonably required by the Tax Matters Partner to conduct these sorts of proceedings.

ARTICLE IX

RIGHTS AND OBLIGATIONS OF LIMITED PARTNER

LIMITED LIABILITY

9.01. The Limited Partner has no personal liability whatsoever, whether to the Partnership, the General Partner, or any creditor of the Partnership, for any of the debts or losses of the Partnership beyond its respective Capital Contributions to the Partnership.

RETURN OF DISTRIBUTIONS

9.02. To the extent that the Partnership's liabilities to its creditors are not discharged by the Partnership or by the General Partner, the Limited Partner will be liable to return to the Partnership the proportionate amount of any distribution made to the Limited Partner to the extent required by the Act.

NO MANAGEMENT RIGHTS

9.03. The Limited Partner may not take part in the management of the Partnership or transact any business for or on behalf of the Partnership. All management responsibility is vested in the General Partner, subject to the approval of the Limited Partner in those specific instances described in this Agreement.

NO AUTHORITY TO BIND PARTNERSHIP

9.04. The Limited Partners have no power or authority to sign for or to bind the Partnership. All authority to act on behalf of the Partnership is vested in the General Partner.

RIGHTS SPECIFIED IN THE ACT

9.05. A Limited Partner shall be entitled to all rights of limited partners contained in the Act to the extent that those rights have not been superseded, or may not lawfully be superseded, by the provisions of this Agreement.

ARTICLE X

PERCENTAGE INTERESTS; ALLOCATIONS AND DISTRIBUTIONS

ACCOUNTING PRINCIPLES

10.01. The net income and net loss of the Partnership (and each item of income, gain, loss, deduction, or credit entering into the computation of net income and net loss) shall be determined on an annual basis in accordance with the accounting methods followed by the Partnership for federal income tax purposes and otherwise in accordance with generally accepted accounting principles and procedures.

PERCENTAGE INTERESTS.

10.02.

(a) The phrase "Percentage Interest" of each Partner means that particular Partner's interest in the capital, net income, net loss, and distributions of the Partnership as set forth in this paragraph of this Agreement.

(b) The initial Percentage Interest of each Partner shall be as set forth below:

Partner	Percentage Interest
General Partner	1%
Limited Partner	99%

(c) The Percentage Interest of each Partner may be adjusted from time to time by the methods and for the reasons described elsewhere in this Agreement, including but not limited to the provisions of paragraphs 6.04 and 6.05.

ALLOCATIONS

10.03. All net income, net losses, and credits and items of gain or loss of the Partnership shall be allocated to each Partner in accordance with each Partner's Percentage Interest.

DISTRIBUTIONS

10.04. All cash flow available for distribution to the Partners, subject to the establishment of reserves in the General Partner's reasonable determination, shall be distributed to the Partners in accordance with their respective Percentage Interests.

COMPLIANCE WITH TREASURY REGULATIONS

10.05. It is intended that the allocation and distribution provisions set forth in this Article X apply in a manner consistent with the provisions of Sections 704 and 706 of the Code, and the Treasury Regulations promulgated for those Sections. The General Partner shall have reasonable discretion to apply the allocation and distribution provisions set forth in this Article X in any manner consistent with Sections 704 and 706 of the Code and the Treasury Regulations.

ARTICLE XI

LOANS TO PARTNERSHIP

Pursuant to a written agreement approved by the General Partner, any Partner may lend funds to the Partnership for Partnership business. The amount of any loan or advance by the Partner shall bear interest at the lesser of: (i) one percent in excess of the prime rate as published from time to time by the Wall Street Journal as determined by the date of the loan; or (ii) the maximum permissible interest rate allowable under applicable usury laws. Loans made under this provision of this Agreement shall be deemed an obligation of indebtedness from the Partnership to the Partner, payable prior to any distributions to the Partners.

ARTICLE XII

TRANSFERS OF PARTNERSHIP INTERESTS

RESTRICTION ON TRANSFERS BY LIMITED PARTNERS

12.01. The Limited Partner may not transfer any or all of its respective interest in the Partnership without the prior written consent of the General Partner. The General Partner may grant or withhold consent, even arbitrarily, in its sole and absolute discretion.

TRANSFER REQUIREMENTS

12.02. No permitted assignee or transferee of all or part of the interest of the Limited Partner in the Partnership shall have the right to become a substitute limited partner unless all of the following occur:

(a) The transferring Limited Partner has stated the intention that the assignee become a limited partner in his or her own right in the instrument of assignment;

(b) The assignee has executed an instrument reasonably satisfactory to the General Partner, accepting and adopting the terms and provisions of this Agreement;

(c) The assignor or assignee pays any reasonable expenses in connection with the admission of the assignee as a Limited Partner;

(d) The General Partner consents to the assignee becoming a substitute limited partner. The General Partner may withhold its consent, even arbitrarily, in the sole and absolute discretion of the General Partner.

GENERAL PARTNER AS LIMITED PARTNER

12.03. If the General Partner should acquire an interest as a Limited Partner, the General Partner shall, with respect to such interest, enjoy all the rights and be subject to all the obligations and duties of a Limited Partner to the extent of such interest.

TRANSFER BY GENERAL PARTNER

12.04. The General Partner may not transfer any or all of its interest in the Partnership without the prior written consent of a Required Interest. If a transfer is approved, the transferee assumes all of the obligations of the General Partner and the General Partner shall be relieved of all further obligations and responsibilities. If a transfer of the General Partner's interest is approved, the transfer will not cause the dissolution of the Partnership, which may continue with the transferee as the General Partner the same as if the transferee had been the initial General Partner.

The restrictions on the transfer of the General Partner's interest in the partnership do not apply to a transfer by the General Partner to an Affiliate of the General Partner.

ARTICLE XIII

DISSOLUTION AND TERMINATION

EVENTS OF DISSOLUTION

13.01. The Partnership shall be dissolved and its business wound up on the earliest occurrence of any one of the following events:

(a) The expiration of the term of the Partnership as set forth in Article III.

(b) The General Partner's determination, with the Limited Partner's prior written consent, that the Partnership should be dissolved.

(c) The dissolution, withdrawal, or bankruptcy of the General Partner, unless the Partnership is reconstituted in the manner prescribed in paragraph 13.02 of this Agreement. The dissolution, withdrawal, or bankruptcy of the General Partner will not result in the dissolution of the Partnership so long as the successor to the General Partner's interest in the Partnership, in accordance with paragraph 13.02, assumes all of the General Partner's obligations under this Agreement.

ELECTION OF NEW GENERAL PARTNER

13.02. At the time of the withdrawal, dissolution, or bankruptcy of the General Partner, the business of the Partnership shall be continued on the terms and subject to the conditions of this Agreement if, within 90 days after such event, the Limited Partners unanimously elect that the business of the Partnership should be continued and, in such election, designate one or more persons to be substituted as general partner. New General Partner(s) elected by this procedure will succeed to all of the powers, privileges, and obligations of the then-existing General Partner. The interest in the Partnership of the General Partner who is succeeded by new General Partner(s) will become a Limited Partner's interest in the Partnership. In the event of the dissolution, withdrawal, or bankruptcy of the General Partner and the failure of the Limited Partner to elect to continue the business of the Partnership, the Partnership shall be terminated forthwith.

NO RELEASE FROM LIABILITIES

13.03. It is understood and agreed that no dissolution of the Partnership releases or relieves any of the parties to this Agreement of their contractual obligations under this Agreement.

DISTRIBUTIONS IN LIQUIDATION

13.04. If the business of the Partnership is not continued, the General Partner shall, if possible, act as liquidator. If the General Partner has itself dissolved, withdrawn from the Partnership, or declared or suffered a bankruptcy, and if the Partnership is not reconstituted with a new General Partner as provided in this Agreement, the Limited Partner shall act as liquidator. The liquidator shall liquidate the assets of the Partnership, make appropriate adjustments made to the capital accounts of the Partners, and distribute the proceeds in the following order of priorities, so far as the proceeds will go:

(a) To the payment of debts of the Partnership (other than loans made from the Partners to the Partnership), including the expenses of liquidation.

(b) To the repayment of any loans that have been made by the Partners to the Partnership, but if the amount available for such repayment is insufficient then pro rata up to the amounts available.

(c) To all Partners pro rata in accordance with their respective capital account balances, as adjusted, up to the amounts of those capital accounts.

(d) To all Partners pro rata according to their respective Percentage Interests in the partnership.

DISTRIBUTIONS IN KIND

13.05. In the event any or all of the assets of the Partnership cannot be liquidated, those assets are to be distributed in kind according to the priorities set forth in paragraph 13.04. Assets of the Partnership distributed to the Partners shall be held and owned by the Partners as tenants in common. In the event of the distribution of Partnership properties in kind, the fair market value of such assets shall be determined by agreement of the Partners. The amount of gain or loss which would have been realized by the Partnership for federal income tax purposes if the assets had been sold at such fair market value rather than distributed in kind shall be treated as gain or loss from a disposition of the assets of the Partnership, and allocated among the Partners in accordance with Article X, such allocations then being reflected in the Partners' respective capital accounts.

ARTICLE XIV

ACCOUNTING

FISCAL YEAR

14.01. The fiscal year of the Partnership shall be the calendar year.

BOOKS AND RECORDS

14.02. The General Partner shall keep, or cause to be kept, full and accurate records of all transactions of the Partnership in accordance with principles and practices generally accepted for the cash or accrual method of accounting.

INSPECTION OF RECORDS

14.03. Any Partner may, for any proper purpose during regular business hours, inspect and copy any of the Partnership books and records at the principal place of business of the Partnership as provided in Article V, or make other reasonable inquiries as to Partnership affairs. Costs of reproducing or copying Partnership books and records shall be at the expense of the Partnership.

TAX RETURNS

14.04. Within 90 days after the end of each fiscal year, the General Partner shall prepare, or cause to be prepared, federal income tax returns for the Partnership and, in connection with those tax returns, make any available or necessary elections. Copies of all income tax returns of the Partnership proposed to be filed for any year shall be furnished to each Partner at least fifteen (15) days prior to the date for filing the returns (including any extensions applicable to such

returns). The returns shall be filed by the General Partner on or before the due date (including extensions).

ARTICLE XV

REPORTS AND STATEMENTS

Within 90 days after the end of each fiscal year of the Partnership, the General Partner will deliver to the Limited Partner, at the Partnership's expense, financial statements setting forth, as of the end of and for that fiscal year, the following:

(a) A profit and loss statement and a balance sheet of the Partnership.

(b) The balance in the capital account of each Partner.

(c) Any other information that, in the judgment of the General Partner, is be reasonably necessary for the Limited Partner to be advised of the results of operations of the Partnership.

ARTICLE XVI

BANK ACCOUNTS

The General Partner shall open and maintain a special bank account or accounts in which all fends of the Partnership shall be deposited. Withdrawals from this such account or these accounts may be made on the signature or signatures of those persons designated by the General Partner.

The General Partner may not commingle the assets of the Partnership with the assets of any other entity or person. However, the revenues and other receipts of the Partnership may be deposited in a central account in the name of the General Partner or an affiliate of the General Partner, so long as separate entries are made on the books and records of the Partnership and on the books and records of the affiliate reflecting deposits in the bank account of the affiliate with respect to amounts received from the Partnership and withdrawals from the bank accounts made for the purpose of disbursing funds to the Partnership or for the purpose of paying liabilities of the Partnership.

ARTICLE XVII

NOTICES

Whenever any notice is required or permitted to be given under this Agreement, the notice must be in writing and signed by or on behalf of the person giving the notice. The notice will be deemed to have been given when delivered by personal delivery or deposited in the United States mail, postage prepaid, certified mail, return receipt requested, properly addressed to the persons who must receive notice at the addresses listed in this Agreement or as changed by written notice given according to this provision of this Agreement.

ARTICLE XVIII

POWER OF ATTORNEY

The Limited Partner irrevocably appoints the General Partner, its successors and assigns, as its respective true and lawful attorney-in-fact with full power and authority, on their behalf and in their respective names, to execute, acknowledge, swear to, deliver and, if appropriate, file in such offices and places as may be required by law (i) any amendment to this Agreement that may be required by a change in the name of the Partnership, change in registered agent or similar matter, and (ii) any amendment to this Agreement made in compliance with Article XIX. The power of attorney granted by the Limited Partner to the General Partner is a special power coupled, with an interest and. is irrevocable, and may be exercised by any party, who, at the time of exercise, is a General Partner of the Partnership. The power of attorney shall survive any transfer or abandonment of a Limited Partner's Partnership interest, or the Limited Partner's withdrawal from the Partnership.

ARTICLE XIX

AMENDMENT

This Agreement may be amended or modified by written instrument executed by both the General Partner and a Required Interest.

ARTICLE XX

RELIANCE ON AUTHORITY

Any person dealing with the General Partner as the representative of the Partnership may rely on the authority of the General Partner. Persons dealing with the General Partner have no obligation to ascertain the General Partners compliance with the terms of this Agreement. Every contract, agreement, deed, mortgage, note, or other document or instrument executed by the General Partner with respect to any property of the Partnership shall be conclusive evidence in favor of any and every person relying on the signature of the General Partner that (i) at the time of the execution or delivery of the document this Agreement was in full force and effect, (ii) the instrument or document was duly executed in accordance with the terms and provisions of this Agreement and is binding on the Partnership and all Partners, and (iii) the General Partner was duly authorized and empowered to execute and deliver any and every such instrument or document on behalf of the Partnership.

ARTICLE XXI

MISCELLANEOUS

APPLICABLE LAWS

21.01. This Agreement, and its application or interpretation, shall be governed exclusively by its terms and construed in accordance with the substantive federal laws of the United States and by the laws of the State of Texas, including the Texas conflicts of laws rules.

CUMULATIVE REMEDIES

21.02. Each party to this Agreement is entitled to all remedies provided by this Agreement or in law or equity. All remedies in this Agreement and in law or equity are cumulative, and the use of one right or remedy by any party does not preclude or waive the right to use any or all other remedies.

COUNTERPARTS

21.03. This Agreement may be executed in any number of counterparts with the same effect as if all parties had all signed the same document. All counterparts shall be construed together and shall constitute one agreement.

SUCCESSORS AND ASSIGNS

21.04. The terms, provisions, and agreements contained in this Agreement are binding on and inure to the benefit of the parties and, to the extent permitted by this Agreement, their respective successors and assigns.

ENTIRE AGREEMENT

21.05. This Agreement shall constitute the entire contract between the parties. There are no other or further agreements outstanding not specifically mentioned in this Agreement. However, the parties may amend and supplement this Agreement, in writing, from time to time, in a manner and to the extent provided by the terms of this Agreement, including but not limited to the terms set out in Article XIX.

PERSONAL PROPERTY

21.06. The interests owned by the Partners in this Partnership are personal property.

INVALIDITY OF PROVISIONS

21.07. In case any one or more of the provisions contained in this Agreement are subsequently determined to be invalid, illegal, or unenforceable in any respect, that invalidity or unenforceability does not destroy the basis of the bargain among the Partners as expressed in this Agreement. The validity, legality, and enforceability of the remaining provisions contained in this Agreement shall not be affected or impaired in any way by the determination that some portion or portions are invalid, illegal, or unenforceable.

SIGNATURE PAGES

21.08. Each Partner authorizes the General Partner to attach an executed signature page to this Agreement.

ATTORNEYS FEES

21.09. If any litigation is initiated by any Partner against another

Partner relating to this Agreement or its subject matter, the Partner prevailing in such litigation shall be entitled to recover, in addition to all damages allowed by law and other relief, all court costs and reasonable attorney's fees incurred in connection with the litigation.

EXECUTED AND DATED as follows:

GENERAL PARTNER:

By: Meritage Holdings, LLC

By: /s/ Richard T. Morgan

Richard T. Morgan, Vice President

Address: 4050 West Park Blvd
Plano, Texas 75093

Date signed: August 7, 2003

LIMITED PARTNER:

By: Legacy/Monterey Homes, L.P.
By: MTH-Texas GP, Inc.

By: /s/ Richard T. Morgan

Richard T. Morgan, Vice President

Address: 4050 West Park Blvd
Plano, Texas 75093

Date signed: August 7, 2003

FIFTH SUPPLEMENTAL INDENTURE, dated as of August 22, 2003 (the "Fifth Supplemental Indenture") between Meritage Corporation, a corporation organized under the laws of the State of Maryland (the "Issuer"), the Guarantors named therein, Mission Royale Golf Course, LLC, an Arizona limited liability company ("Mission Royale") and Legacy-Hammonds Materials, L.P., a Texas limited partnership ("Legacy-Hammonds") (Mission Royale and Legacy-Hammonds together, the "Additional Guarantors") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), under the Indenture (as defined below). Capitalized terms used and not defined herein shall have the same meanings given in the Indenture unless otherwise indicated.

WHEREAS, the Issuer, the Guarantors thereto and the Trustee are parties to that certain Indenture dated as of May 30, 2001 (the "Indenture") pursuant to which the Company issued its 9 3/4% Senior Notes 2011 (the "Notes") and the Guarantors guaranteed the obligations of the Issuer under the Indenture and the Notes;

WHEREAS, pursuant to Section 4.13 of the Indenture, if the Issuer acquires or creates any additional subsidiary which is a Restricted Subsidiary, each such subsidiary shall execute and deliver a supplemental indenture pursuant to which such subsidiary shall unconditionally guaranty the Issuer's obligations under the Notes;

WHEREAS, the Issuer, the Guarantors thereto, Hulen Park Venture, LLC, Meritage Holdings, L.L.C. and the Trustee are parties to that First Supplemental Indenture, dated as of September 20, 2001 (the "First Supplemental Indenture") pursuant to which Hulen Park Venture, LLC and Meritage Holdings, L.L.C. were added as Guarantors;

WHEREAS, the Issuer, the Guarantors thereto, MTH Homes-Texas, L.P., MTH-Texas GP II, Inc., MTH-Texas LP II, Inc. and the Trustee are parties to that Second Supplemental Indenture, dated as of July 12, 2002 (the "Second Supplemental Indenture") pursuant to which MTH Homes-Texas, L.P., MTH-Texas GP II, Inc. and MTH-Texas LP II, Inc. were added as Guarantors;

WHEREAS, the Issuer, the Guarantors thereto, MTH Homes-Nevada, Inc. and the Trustee are parties to that Third Supplemental Indenture, dated as of October 21, 2002 (the "Third Supplemental Indenture") pursuant to which MTH Homes-Nevada, Inc. was added as a Guarantor;

WHEREAS, the Issuer, the Guarantors thereto, MTH Cavalier, LLC and the Trustee are parties to that Fourth Supplemental Indenture, dated as of February 19, 2002 (the "Fourth Supplemental Indenture") pursuant to which MTH Cavalier, LLC was added as a Guarantor;

WHEREAS, the Additional Guarantors are Restricted Subsidiaries of the Issuer;

WHEREAS, the Issuer and the Trustee desire to have the Additional Guarantors enter into this Fifth Supplemental Indenture and agree to guaranty the obligations of the Issuer under the Indenture and the Notes and the Additional Guarantors desire to enter into this Fifth Supplemental Indenture and to guaranty the obligations of the Issuer under the Indenture and the Notes as of such date;

WHEREAS, Section 8.01 of the Indenture provides that the Issuer, the Guarantors and the Trustee may, without the written consent of the Holders of the outstanding Notes, amend the Indenture as provided herein;

WHEREAS, by entering into this Fifth Supplemental Indenture, the Issuer and the Trustee have consented to amend the Indenture in accordance with the terms and conditions herein;

WHEREAS, each Guarantor hereby acknowledges and consents to amend the Indenture in accordance with the terms and conditions herein; and

WHEREAS, all acts and things prescribed by the Articles of Organization of Mission Royale (as now in effect) and the Certificate of Limited Partnership and the Agreement of Limited Partnership of Legacy-Hammonds (as now in effect) necessary to make this Fifth Supplemental Indenture a valid instrument legally binding on the Additional Guarantors for the purposes herein expressed, in accordance with its terms, have been duly done and performed.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Issuer, the Additional Guarantors and the Trustee hereby agree for the benefit of each other and the equal and ratable benefit of the Holders of the Notes as follows:

1. Additional Guarantors as Guarantors. As of the date hereof and pursuant to this Fifth Supplemental Indenture, the Additional Guarantors shall

become Guarantors under the definition of Guarantor in the Indenture in accordance with the terms and conditions of the Indenture and shall assume all rights and obligations of a Guarantor thereunder.

2. Compliance with and Fulfillment of Condition of Section 4.13. The execution and delivery of this Fifth Supplemental Indenture by the Additional Guarantors (along with such documentation relating thereto as the Trustee shall require) fulfills the obligations of the Issuer under Section 4.13 of the Indenture.

3. Construction. For all purposes of this Fifth Supplemental Indenture, except as otherwise herein expressly provided or unless the context otherwise requires: (i) the defined terms and expressions used herein shall have the same meanings as corresponding terms and expressions used in the Indenture; and (ii) the words "herein," "hereof" and "hereby" and other words of similar import used in this Fifth Supplemental Indenture refer to this Fifth Supplemental Indenture as a whole and not to any particular Section hereof.

4. Trustee Acceptance. The Trustee accepts the amendment of the Indenture effected by this Fifth Supplemental Indenture, as hereby amended, but only upon the terms and conditions set forth in the Indenture, as hereby amended, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee in the performance of its duties and obligations under the Indenture, as hereby amended. Without limiting the generality of the foregoing, the Trustee has no responsibility for the correctness of the recitals of fact herein contained which shall be taken as the statements of each of the Issuer and the Additional Guarantors, respectively, and makes no representations as to the validity or enforceability against either the Issuer or the Additional Guarantors.

5. Indenture Ratified. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect.

6. Holders Bound. This Fifth Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of the Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

7. Successors and Assigns. This Fifth Supplemental Indenture shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

8. Counterparts. This Fifth Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and all of such counterparts shall together constitute one and the same instrument.

9. Governing Law. This Fifth Supplemental Indenture shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to principles of conflicts of laws.

IN WITNESS WHEREOF, the Issuer, the Additional Guarantors and the Trustee have caused this Fifth Supplemental Indenture to be duly executed as of the date first above written.

ISSUER:

MERITAGE CORPORATION

By: /s/ Steven J. Hilton

Steven J. Hilton
Its: Co-Chairman, Co-President and Co-Chief Executive Officer

By: /s/ Larry W. Seay

Larry W. Seay
Its: Chief Financial Officer, Vice President-Finance and Secretary

ADDITIONAL GUARANTORS:

MISSION ROYALE GOLF COURSE, LLC

By: Hancock-MTH Builders, Inc., its Sole Member

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-Chairman and Co-CEO

LEGACY-HAMMONDS MATERIALS, L.P.

By: Meritage Holdings, L.L.C., its General Partner

By: Legacy/Monterey Homes L.P., its Sole Member

By: MTH-Texas GP, Inc., its General Partner

By: /s/ Steven J. Hilton

Steven J. Hilton
Its: Co-Chairman

By: /s/ Larry W. Seay

Larry W. Seay
Its: Vice President-Secretary

TRUSTEE:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Jeanie Mar

Its: Vice President

GUARANTORS:

MONTEREY HOMES ARIZONA, INC.

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-CEO, President and Chief Executive Officer

MERITAGE PASEO CROSSING, LLC

By: Meritage Homes of Arizona, Inc., its Sole Member

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-CEO and Chairman

MONTEREY HOMES CONSTRUCTION, INC.

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-CEO, President and Chief Executive Officer

MERITAGE PASEO CONSTRUCTION, LLC

By: Meritage Homes Construction, Inc., its
Sole Member

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-CEO and Co-Chairman

MERITAGE HOMES OF ARIZONA, INC.

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-CEO and Co-Chairman

MERITAGE HOMES CONSTRUCTION, INC.

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-CEO and Co-Chairman

MTH-TEXAS GP, INC.

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-Chairman

MTH-TEXAS LP, INC.

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-Chairman

LEGACY/MONTEREY HOMES L.P.

By: MTH-Texas GP, Inc., its General Partner

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-Chairman

MERITAGE HOMES OF NORTHERN
CALIFORNIA, INC.

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-CEO, President and Chief Executive Officer

HANCOCK-MTH BUILDERS, INC.

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-Chairman and Co-CEO

HANCOCK-MTH COMMUNITIES, INC.

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-Chairman and Co-CEO

LEGACY OPERATING COMPANY, L.P.

By: Meritage Holdings, L.L.C., its General Partner

By: Legacy/Monterey Homes L.P., its Sole Member

By: MTH-Texas GP, Inc., its General Partner

By: /s/ Steven J. Hilton

Steven J. Hilton
Its: Co-Chairman

By: /s/ Larry W. Seay

Larry W. Seay
Its: Vice President-Secretary

HULEN PARK VENTURE, LLC

By: Legacy/Monterey Homes L.P., its Sole Member

By: MTH-Texas GP, Inc., its General Partner

By: /s/ Steven J. Hilton

Steven J. Hilton
Its: Co-Chairman

By: /s/ Larry W. Seay

Larry W. Seay
Its: Vice President-Secretary

MERITAGE HOLDINGS, L.L.C.

By: Legacy/Monterey Homes L.P., its Sole Member

By: MTH-Texas GP, Inc., its General Partner

By: /s/ Steven J. Hilton

Steven J. Hilton

Its: Co-Chairman

By: /s/ Larry W. Seay

Larry W. Seay
Its: Vice President-Secretary

MTH HOMES-TEXAS, L.P.

By: MTH-Texas GP II, Inc., its General Partner

By: /s/ Steven J. Hilton

Steven J. Hilton
Its: Co-Chairman

By: /s/ Larry W. Seay

Larry W. Seay
Its: Vice President-Secretary

MTH-TEXAS GP II, INC.

By: /s/ Steven J. Hilton

Steven J. Hilton
Its: Co-Chairman

By: /s/ Larry W. Seay

Larry W. Seay
Its: Vice President-Secretary

MTH-TEXAS LP II, INC.

By: /s/ Steven J. Hilton

Steven J. Hilton
Its: Co-Chairman

By: /s/ Larry W. Seay

Larry W. Seay
Its: Vice President-Secretary

MTH-HOMES NEVADA, INC.

By: /s/ Steven J. Hilton

Steven J. Hilton
Its: Co-Chairman and Chief Executive Officer

By: /s/ Larry W. Seay

Larry W. Seay
Its: Vice President-Secretary

MTH-CAVALIER, LLC

By: Monterey Homes Construction, Inc., its Sole Member

By: /s/ Larry W. Seay

Name: Larry W. Seay
Title: Vice President-Secretary

By: /s/ Steven J. Hilton

Name: Steven J. Hilton
Title: Co-CEO, President and Chief Executive Officer

Exhibit 5.1

October 23, 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 $75 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; and (d) a court determination that any fees payable pursuant to a provision requiring the payment of attorneys' fees is reasonable.

(ii) 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; and (e) the accuracy and completeness of records of the Company and the Guarantors.

(iii) 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.

(iv) 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
MTH Golf, LLC
Legacy-Hammonds Materials, L.P.

Exhibit 10.1.1

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "First Amendment"), dated as of September 8, 2003, is entered into among MERITAGE CORPORATION, a Maryland corporation (the "Borrower"), the lenders listed on the signature pages hereof as Lenders (the "Lenders"), GUARANTY BANK, as Administrative Agent and Swing Line Lender, FLEET NATIONAL BANK, as Syndication Agent, and BANK ONE, NA, as Documentation Agent.

BACKGROUND

A. The Borrower, the Lenders, the Syndication Agent, the Documentation Agent, the Administrative Agent and the Swing Line Lender are parties to that certain Credit Agreement, dated as of December 12, 2002 (the "Credit Agreement"). The terms defined in the Credit Agreement and not otherwise defined herein shall be used herein as defined in the Credit Agreement.

B. The Borrower has requested an amendment to the Credit Agreement to account for a change in GAAP.

C. The Lenders, the Syndication Agent, the Documentation Agent, the Administrative Agent and the Swing Line Lender hereby agree to amend the Credit Agreement, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are all hereby acknowledged, the Borrower, the Lenders, the Syndication Agent, the Documentation Agent, the Swing Line Lender and the Administrative Agent covenant and agree as follows:

1. AMENDMENT. Section 1.03 of the Credit Agreement is hereby amended by adding a new clause (d) thereto to read as follows:

(d) In order to adhere to the intent of this Section 1.03, the financial ratios, calculations and covenants (including the computation of the components thereof) shall be calculated without giving effect to FASB Interpretation No. 46 enacted by the Financial Accounting Standards Board after the Closing Date, and all references to GAAP herein shall refer to GAAP as so calculated.

2. REPRESENTATIONS AND WARRANTIES TRUE; NO EVENT OF DEFAULT. By its execution and delivery hereof, the Borrower represents and warrants that, as of the date hereof:

(a) the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof as made on and as of such date;

(b) no event has occurred and is continuing which constitutes a Default or an Event of Default;

(c) (i) the Borrower has full power and authority to execute and deliver this First Amendment, (ii) this First Amendment has been duly executed and delivered by the Borrower, and (iii) this First Amendment and the Credit Agreement, as amended hereby, constitute the legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except as enforceability may be limited by applicable Debtor Relief Laws and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and except as rights to indemnity may be limited by federal or state securities laws;

(d) neither the execution, delivery and performance of this First Amendment or the Credit Agreement, as amended hereby, nor the consummation of any transactions contemplated herein or therein, will conflict with any Law or Organization Documents of the Borrower, or any indenture, agreement or other instrument to which the Borrower or any of their properties are subject; and

(e) no authorization, approval, consent, or other action by, notice to, or filing with, any governmental authority or other Person (including the Board of Directors of the Borrower or any Guarantor) is required for (i) the execution, delivery or performance by the Borrower of this First Amendment or (ii) the acknowledgement by each Guarantor of this First Amendment.

3. CONDITIONS TO EFFECTIVENESS. This First Amendment shall be effective upon satisfaction or completion of the following:

(a) the Administrative Agent shall have received counterparts of this First Amendment executed by the Required Lenders;

(b) the Administrative Agent shall have received counterparts of this First Amendment executed by the Borrower and acknowledged by each Guarantor; and

(c) the Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent and its counsel, such other documents, certificates and instruments as the Administrative Agent shall require.

4. REFERENCE TO THE CREDIT AGREEMENT.

(a) Upon the effectiveness of this First Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", or words of like import shall mean and be a reference to the Credit Agreement, as affected and amended hereby.

(b) The Credit Agreement, as amended by the amendments referred to above, shall remain in full force and effect and is hereby ratified and confirmed.

5. COSTS, EXPENSES AND TAXES. The Borrower agrees to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, reproduction,

execution and delivery of this First Amendment and the other instruments and documents to be delivered hereunder (including the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto).

6. GUARANTOR'S ACKNOWLEDGMENT. By signing below, each Guarantor (a) acknowledges, consents and agrees to the execution, delivery and performance by the Borrower of this First Amendment, (b) acknowledges and agrees that its obligations in respect of its Guaranty (i) are not released, diminished, waived, modified, impaired or affected in any manner by this First Amendment or any of the provisions contemplated herein, (c) ratifies and confirms its obligations under its Guaranty, and (d) acknowledges and agrees that it has no claims or offsets against, or defenses or counterclaims to, its Guaranty.

7. EXECUTION IN COUNTERPARTS. This First Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. For purposes of this First Amendment, a counterpart hereof (or signature page thereto) signed and transmitted by any Person party hereto to the Administrative Agent (or its counsel) by facsimile machine, telecopier or electronic mail is to be treated as an original. The signature of such Person thereon, for purposes hereof, is to be considered as an original signature, and the counterpart (or signature page thereto) so transmitted is to be considered to have the same binding effect as an original signature on an original document.

8. GOVERNING LAW; BINDING EFFECT. This First Amendment shall be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made and to be performed entirely within such state, provided that each party shall retain all rights arising under federal law, and shall be binding upon the parties hereto and their respective successors and assigns.

9. HEADINGS. Section headings in this First Amendment are included herein for convenience of reference only and shall not constitute a part of this First Amendment for any other purpose.

10. ENTIRE AGREEMENT. THE CREDIT AGREEMENT, AS AMENDED BY THIS FIRST AMENDMENT, AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

REMAINDER OF PAGE LEFT INTENTIONALLY BLANK

IN WITNESS WHEREOF, this First Amendment is executed as of the date first set forth above.

MERITAGE CORPORATION

By: /s/ Larry W. Seay

Larry W. Seay
VP-CFO

GUARANTY BANK, as Administrative Agent

By: /s/ Sam A. Meade

Name: Sam A. Meade
Title: Senior Vice President

GUARANTY BANK, as a Lender and Swing Line Lender

By: /s/ Sam A. Meade

Name: Sam A. Meade
Title: Senior Vice President

FLEET NATIONAL BANK, as a Lender and Syndication Agent

By: /s/ Daniel L. Silbert

Name: Daniel L. Silbert
Title: Director

BANK ONE, NA, as a Lender and Documentation Agent

By: _____
Name: _____
Title: _____

WELLS FARGO BANK ARIZONA NATIONAL ASSOCIATION, as a Lender

By: /s/ Victoria Benedict

Name: Victoria Benedict
Title: SVP

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Adrian Montero

Name: Adrian Montero
Title: Assistant Vice President

CALIFORNIA BANK AND TRUST, as a Lender

By: /s/ Stephanie Lantz

Name: Stephanie Lantz
Title: VP

COMPASS BANK, as a Lender

By: /s/ Steven S. Heslep

Name: Steven S. Heslep
Title: SVP

ACKNOWLEDGED AND AGREED TO:

MONTEREY HOMES ARIZONA, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MONTEREY HOMES CONSTRUCTION, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MERITAGE HOMES OF ARIZONA, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MERITAGE PASEO CROSSING, LLC

By: Meritage Homes of Arizona, Inc., its Sole Member

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MERITAGE HOMES CONSTRUCTION, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MERITAGE PASEO CONSTRUCTION, LLC

By: Meritage Homes Construction, Inc., its Sole Member

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

HANCOCK-MTH COMMUNITIES, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

HANCOCK-MTH BUILDERS, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MTH-TEXAS GP, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MTH-TEXAS LP, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

LEGACY/MONTEREY HOMES L.P.

By: MTH-Texas GP, Inc., its General Partner

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MERITAGE HOLDINGS, L.L.C.

By: Legacy/Monterey Homes, L.P., its Sole Member

By: MTH-Texas GP, Inc., its General Partner

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

LEGACY OPERATING COMPANY, L.P.

By: Meritage Holdings, L.L.C., its General Partner

By: Legacy/Monterey Homes, L.P., its Sole Member

By: MTH-Texas GP, Inc., its General Partner

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

HULEN PARK VENTURE, LLC

By: Legacy Monterey Homes L.P., its Sole Member

By: MTH-Texas GP, Inc., its General Partner

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MTH-TEXAS GP II, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MTH-TEXAS LP II, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MTH HOMES-TEXAS, L.P.

By: MTH-Texas GP II, Inc., its General Partner

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MERITAGE HOMES OF NORTHERN CALIFORNIA, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MTH-HOMES NEVADA, INC.

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MTH-CAVALIER, LLC

By: Monterey Homes Construction, Inc., its Sole Member

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

MISSION ROYALE GOLF COURSE, LLC

By: Hancock-MTH Builders, Inc., its Sole Member

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

LEGACY-HAMMONDS MATERIALS, L.P.

By: Meritage Holdings, L.L.C., its General Partner

By: Legacy/Monterey Homes L.P., its Sole Member

By: MTH-Texas GP, Inc., its General Partner

By: /s/ Larry W. Seay

Larry W. Seay
Vice President and Secretary

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "AGREEMENT") is effective as of October 15, 2003 by and between MERITAGE CORPORATION, a Maryland corporation (the "COMPANY") and Larry W. Seay, an individual ("EXECUTIVE").

RECITALS

WHEREAS, Executive is currently the Chief Financial Officer, Vice President-Finance and Secretary 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 Chief Financial Officer, Vice President-Finance and Secretary of the Company, and Executive agrees to diligently perform the duties associated with such positions. Executive will report directly to the Co-Chairman and Co-Chief Executive Officers. 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 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 6. The Agreement will renew for additional one year periods (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. SALARY. The Company will pay Executive a base salary (the "BASE SALARY") at the annual rate of $250,000. Such salary will increase retroactively to $262,500 commencing June 30, 2003. The Base Salary will increase 5% on January 1, 2004 and on each Renewal Term thereafter. 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.

4. 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 12,500 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. 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.

5. 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 a $1,200 per month automobile allowance, such fringe benefits and other Executive benefits as are regularly provided by the Company to its management (e.g., health and life 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.

6. TERMINATION.

A. Voluntary Resignation by Executive (With Good Reason) or Termination Without Cause by the Company.

If Executive voluntarily terminates his employment with the Company

with Good Reason, or if 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 an amount equal to 100% of Executive's base salary and 100% of Executive's average bonus for the previous two fiscal years (the "CONSULTING, SEVERANCE AND NON-COMPETITION PAYMENT") in cash or by check within 15 days of the Date of Termination (subject to Executive's compliance with this Agreement, including Sections 7 and 8 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; and (v) at the option of the Company, the Executive shall, for a period of two years following termination, render consulting services to the Company as may be requested from time to time by the Chairman of the Board, not to exceed 10 hours per month. Provided (a) the Company requests Executive to provide consulting services to the Company pursuant to clause (v) above, and (b) Executive provides (or makes himself available to provide) such consulting services, any options previously granted to Executive shall continue to vest as if Executive remained employed by the Company. If the Company terminates employment under this Agreement without Cause during

the last three months of the Company's fiscal year, then 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 6(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 by Executive (Without Good Reason) or Termination for Cause by the Company.

(1) If the Executive resigns without Good Reason 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 a termination for Cause by the Company, the provisions of Section 7 (Restrictive Covenant) shall automatically become applicable for the periods set forth in Section 7, 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 October 15, 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.

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.

7. RESTRICTIVE COVENANT.

A. Executive hereby covenants and agrees that for a period of six months from the Date of Termination, Executive will not engage, directly or indirectly, either as a principal, partner, joint venturer, consultant or independent contractor, agent, or proprietor or in any other manner participate in the ownership, management, operation, or control of any person, firm, partnership, limited liability company, corporation, or other entity which engages in the business of providing any products or services, including, without limitation, homebuilding products or services, which are competitive with those products or services offered or sold by Company or its subsidiaries within any jurisdiction in which Company or its subsidiaries does or proposes to do business.

B. Executive hereby covenants and agrees that for a period of one year from the Date of Termination, Executive will not:

(1) Directly or indirectly solicit for employment (whether as an employee, consultant, independent contractor, or otherwise) any person who is an employee, independent contractor or the like of the Company or any of its subsidiaries, unless Company gives its written consent to such employment or offer of employment.

(2) Call on or directly or indirectly solicit or divert or take away from Company or any of its subsidiaries (including, without limitation, by divulging to any competitor or potential competitor or company or its subsidiaries) any person, firm, corporation, or other entity who was a customer or prospective customer of the Company during Executive's term of employment.

C. The covenants set forth in this Section 7 shall begin as of the date hereof and will survive the termination of employment under Section 6.

8. 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 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. "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 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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 Executive 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:	Larry W. Seay 802 W. El Caminito Dr. Phoenix, Arizona 85021 Phone: (602) 943-3128

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.

14. 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 Phoenix/Scottsdale metropolitan area. The arbitrator(s) shall award reasonable attorneys' fees and costs to the prevailing party.

15. 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 7 and 8 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.

16. 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.

17. 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.

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/ Steven J. Hilton

Name:

Title:

EXECUTIVE: LARRY W. SEAY

/s/ Larry W. Seay

EXHIBIT A

INCENTIVE COMPENSATION SCHEDULE

CFO BONUS COMPENSATION

BASE SALARY $250,000; $262,500 (effective, June 30, 2003)

PART I - BONUS

<TABLE>
<S> <C>
2003 - For 2003, as provided in the plan previously approved.
</TABLE>

2004/05	-	For 2004 and 2005 and any Renewal Term, Executive shall be entitled to a bonus equal to 0.40% 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. Such bonus calculation will be determined before taking into account the deduction for the compensation of (i) the Executive and (ii) the Co-Chief Executive Officers. - In addition, The Board at its discretion may award a subjective bonus to Executive if Executive fails to earn a bonus pursuant to the above formula.

</TABLE>

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. Executive does not have to wait until the Form 10-K is filed with the SEC.

AMENDED AND RESTATED
CHANGE OF CONTROL AGREEMENT
Effective October 15, 2003
(Original Date: February 1, 2000)

Dear Larry:

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) two 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) two 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, 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 the Chief Financial Officer or comparable position 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. [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 Chairman of the Board of Meritage 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 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 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 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 Section 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"). 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.

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/ Steven S. Hilton

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.

LARRY W. SEAY

/s/ Larry W. Seay

Exhibit 12.1

MERITAGE CORPORATION

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In Thousands, Except Ratio of Earnings to Fixed Charges)

<TABLE>
<CAPTION>

	Year ended December 31,					Six Months ended June 30,	
	2002	2001	2000	1999	1998	2003	2002
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
COMPUTATION OF EARNINGS:							
Earnings before income taxes	$ 113,544	$ 82,953	$ 56,762	$ 32,215	$ 30,500	$ 59,670	$ 38,849
Add: fixed charges	23,550	18,221	11,528	7,678	4,739	14,650	11,157
Add: amortization of capitalized interest	19,259	13,303	9,171	5,036	3,619	8,860	8,031
Less: interest capitalized	(19,294)	(16,623)	(10,626)	(7,025)	(3,711)	(12,119)	(9,335)
EARNINGS, AS ADJUSTED:	$ 137,059	$ 97,854	$ 66,835	$ 37,904	$ 35,147	71,061	48,702
COMPUTATION OF FIXED CHARGES:							
Interest expense, including amortization of deferred debt costs	$ 525	$ 348	$ 98	$ 96	$ 490	$ 524	$ 263
Interest portion of rent expense (1)	3,731	1,250	804	557	538	2,007	1,559
Capitalized interest	19,294	16,623	10,626	7,025	3,711	12,119	9,335
TOTAL FIXED CHARGES:	$ 23, 550	$ 18,221	$ 11,528	$ 7,678	$ 4,739	14,650	11,157
RATIO OF EARNINGS TO FIXED CHARGES:	5.82x	5.37x	5.80x	4.94x	7.42x	4.85x	4.37x

</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
MTH Golf, LLC
Legacy-Hammonds Materials, L.P.

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
October 22, 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

October 22, 2003

Exhibit 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-4 of Meritage Corporation of our report dated January 25, 2002 relating to the financial statements of Perma-Bilt, A Nevada Corporation, which appears in the Current Report on Form 8-K/A of Meritage Corporation dated July 2, 2003. We also consent to the references to us under the headings "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Orange County, California
October 22, 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:

Wells Fargo Bank, National Association
707 Wilshire Boulevard,
17th Floor
Los Angeles, CA 90017
Attention: Jeanie Mar

By Facsimile:

Fax: (213) 614-3355
(For eligible institutions only)
Wells Fargo Bank, National Association
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 $75 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:

Wells Fargo Bank, National Association
707 Wilshire Boulevard,
17th Floor
Los Angeles, CA 90017
Attention: Jeanie Mar

By Facsimile:

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:	
	Authorized Signature
Address:	Name:
	Title:
Area Code and Telephone Number:	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)	The grantor-trustee(1)
	b. So-called trust account that is not a legal or valid trust under State law	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.