

Meritage Homes CORP  
Form 424B2  
February 28, 2005

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Filed Pursuant to Rule 424(b)(2)  
 Registration Nos. 333-87398 and 333-58793

## PROSPECTUS SUPPLEMENT

(To prospectus dated May 14, 2002  
 and prospectus dated July 27, 1998)  
 1,500,000 Shares  
 Common Stock

We are offering 900,000 shares of our common stock, and the selling securityholders identified in this prospectus supplement are offering 600,000 shares. We will not receive any proceeds from the sale of the shares by the selling securityholders.

Our common stock is traded on the New York Stock Exchange under the symbol MTH. On February 24, 2005 the last reported sale price of our common stock on the New York Stock Exchange was \$70.62 per share.

**Investing in our common stock involves a high degree of risk. Before buying any shares, you should read the discussion of material risks of investing in our common stock in Risk factors beginning on page S-11 of this prospectus supplement.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	Per share	Total
Public offering price	\$ 70.350	\$ 105,525,000
Underwriting discounts and commissions	\$ 2.814	\$ 4,221,000
Proceeds, before expenses, to Meritage Homes Corporation	\$ 67.536	\$ 60,782,400
Proceeds to selling securityholders	\$ 67.536	\$ 40,521,600

The underwriters may also purchase up to an additional 135,000 shares of common stock from us at the public offering price, less the underwriting discount and commissions payable by us to cover over-allotments, if any, within 30 days from the date of this prospectus. If the underwriters exercise the option in full, the total underwriting discounts and commissions will be \$4,600,890, and the total proceeds, before expenses to us will be \$69,899,760. Concurrently with this offering we are (1) offering to repurchase up to all of our 9<sup>3</sup>/<sub>4</sub>% senior notes due 2011, which total \$280 million, through a tender offer for those notes and (2) offering \$350 million aggregate principal amount of new 6<sup>1</sup>/<sub>4</sub>% senior notes due 2015 in a private placement.

Delivery of the shares of common stock will be made on or about March 2, 2005.

*Joint Book-Running Managers*

**UBS Investment Bank**

**Citigroup**

**Deutsche Bank Securities**

**JMP Securities**

**A.G. Edwards**

The date of this prospectus supplement is February 24, 2005

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This prospectus supplement supplements two different prospectuses, which are separately included as part of two different registration statements. The prospectus dated May 14, 2002, which is a part of Registration Statement No. 333-87398 and which we refer to as the company prospectus, relates to the offering by us of the securities described in the company prospectus up to \$300 million, of which this offering is a part. The prospectus dated July 27, 1998, which is a part of the Registration Statement No. 333-58793 and which we refer to as the selling securityholder prospectus, relates to the offering of common stock by the selling securityholders. We refer collectively to the company prospectus and the selling securityholder prospectus as the accompanying prospectuses.

This document has three parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectuses and the documents incorporated by reference. The second and third parts are the two accompanying prospectuses, which give more general information, some of which may not apply to this offering. **TO THE EXTENT THERE IS A CONFLICT BETWEEN THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT, THE INFORMATION CONTAINED IN THE ACCOMPANYING PROSPECTUSES OR THE INFORMATION CONTAINED IN ANY DOCUMENT INCORPORATED BY REFERENCE HEREIN OR THEREIN, THE INFORMATION CONTAINED IN THE MOST RECENTLY DATED DOCUMENT SHALL CONTROL.**

It is important for you to read and consider all information contained in this prospectus supplement and each accompanying prospectus, including the documents incorporated by reference herein and therein, in making your investment decision. This prospectus supplement and the accompanying prospectuses incorporate important business and financial information about us and our subsidiaries that is not included in or delivered with these documents. This information is available without charge to security holders upon written or oral request.

You should rely only on the information contained, incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectuses. We have not authorized anyone to give any information or to make any representation not contained, incorporated or deemed incorporated by reference in this prospectus supplement or the applicable accompanying prospectuses in connection with the offering of shares of common stock in this offering. You should not assume that the information contained in this prospectus supplement and the accompanying prospectuses is correct as of any date after the respective dates of this prospectus supplement and the accompanying prospectuses, even though this prospectus supplement and the accompanying prospectuses are delivered or these shares of common stock are offered or sold on a later date.

This prospectus supplement is not, and neither of the accompanying prospectuses are, an offer to sell any security other than the common stock and they are not soliciting an offer to buy any security other than the common stock. This prospectus supplement is not, and neither of the accompanying prospectuses are, an offer to sell this common stock to any person, and they are not soliciting an offer from any person to buy the common stock, in any jurisdiction where the offer or sale to that person is not permitted.

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Prospectus supplement summary

*This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus supplement and the accompanying prospectuses carefully, especially the risks discussed under the Risk Factors section beginning on page S-11 of this prospectus supplement, and our consolidated financial statements and the notes to those statements. Unless the context otherwise requires, all references to Meritage, we, us or our include Meritage Homes Corporation and its subsidiaries and predecessors as a combined entity. Unless indicated otherwise, all information in this prospectus supplement assumes that the underwriters do not exercise the over-allotment option described in Underwriting. All per share amounts in this prospectus supplement have been adjusted for a 2-for-1 stock split (in the form of a stock dividend) effected on January 7, 2005.*

**THE COMPANY**

We are a leading designer and builder of single-family homes in the fast-growing Southern and Western United States, 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. In 2004, we entered the Inland Empire market of Southern California with our acquisition of Citation Homes of Southern California and began start-up operations in the Denver, Colorado and Orlando, Florida markets. In February 2005, we expanded our Florida operations by acquiring the Fort Myers/Naples-based operations of Colonial Homes.

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 twelve markets, Los Angeles, California, Phoenix/ Scottsdale, Arizona, Dallas/ Ft. Worth and Houston, Texas, Las Vegas, Nevada and Orlando, Florida, are among or part of the top 10 national housing markets based on annual single-family housing permits issued in 2003, with Dallas/ Ft. Worth, Houston, Phoenix/ Scottsdale and Los Angeles comprising four of the top six single-family housing markets.

At December 31, 2004, we were actively selling homes in 139 communities, with base prices ranging from approximately \$96,000 to \$927,000. 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 factors such as the housing generally available in the area, the consumer demands of a particular market and our lot costs for the project. We seek to minimize land risk by purchasing a significant portion of our property after full entitlements that will allow us to construct homes 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. Recently, we have begun to purchase larger tracts of land through joint ventures. In some cases these joint ventures purchase undeveloped land and develop the land themselves. At December 31, 2004, we owned or had options to acquire approximately 39,000 housing lots, of which approximately 89% 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 and one half year supply.

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We have consistently achieved strong financial results while maintaining conservative fiscal policies. For the year ended December 31, 2004, our revenues were \$2.04 billion and our net earnings were \$139.0 million, as compared to \$1.47 billion and \$94.4 million, respectively, for the year ended December 31, 2003, an increase of 38.8% and 47.2%, respectively.

We believe that we are well positioned for future growth. Our backlog increased to 4,408 homes with a value of \$1.32 billion at December 31, 2004, up from 2,580 homes with a value of \$710.8 million at December 31, 2003, an 85.8% increase in dollars. New home orders increased to 2,055 homes with a value of \$669.9 million for the quarter ended December 31, 2004 from 1,147 homes with a value of \$343.2 million in the comparable 2003 period, a 95.2% increase in dollars. New home orders increased to 9,007 with a value of \$2.60 billion for the year ended December 31, 2004 from 6,152 homes with a value of \$1.63 billion in 2003, a 59.5% increase in dollars.

The table below summarizes our unaudited results of operations, balance sheet data and other financial data as of and for the quarter and year ended December 31, 2004.

	<b>Three Months Ended December 31, 2004</b>	<b>Year Ended December 31, 2004</b>
	<b>(unaudited) (in thousands)</b>	
<b>Statement of Earnings and Other Operating Data:</b>		
Total closing revenue	\$ 699,819	\$ 2,040,004
Total cost of closings	(556,193)	(1,631,534)
Gross profit	143,626	408,470
Net earnings	51,812	138,968
Basic earnings per share	\$ 2.01	\$ 5.33
Diluted earnings per share	\$ 1.88	\$ 5.03
Gross profit margin	20.5%	20.0%

	<b>As of December 31, 2004</b>
	<b>(unaudited) (in thousands)</b>
<b>Balance Sheet Data:</b>	
Cash and cash equivalents	\$ 47,876
Real estate	867,218
Total assets	1,265,394
Total liabilities and minority interest	742,839
Notes and loans payable and other borrowings	471,415
Stockholders equity	522,555

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The table provided below shows comparative operating and financial data regarding our homebuilding activities. Through December 31, 2004, we have had no sales or closings from our Denver, Colorado or Orlando, Florida start-up operations. We anticipate that we will begin delivering our first homes in Denver and Orlando during the latter part of 2005. In connection with our acquisition of Colonial Homes, we began selling and delivering homes in our Fort Myers/Naples division in February 2005.

	Three Months Ended December 31,				Year Ended December 31,			
	2004		2003		2004		2003	
	Homes	\$	Homes	\$	Homes	\$	Homes	\$
(unaudited) (dollars in thousands)								
<b>Homes Ordered:</b>								
Texas	744	159,041	458	100,931	3,518	752,770	2,862	599,850
Arizona	713	195,030	348	106,087	3,490	884,771	1,881	509,913
California(1)	439	260,065	239	109,687	1,582	821,266	807	375,105
Nevada	159	55,788	102	26,543	417	146,141	602	150,120
Total	2,055	669,884	1,147	343,248	9,007	2,604,948	6,152	1,634,988
<b>Homes Closed:</b>								
Texas	981	211,390	840	172,079	3,152	681,099	2,828	577,330
Arizona	917	244,760	649	181,626	2,331	585,743	1,515	415,709
California	399	206,795	195	92,963	1,367	628,324	735	334,677
Nevada	97	35,309	100	25,418	404	120,576	564	134,265
Total	2,394	698,254	1,784	472,086	7,254	2,015,042	5,642	1,461,981
<b>Order Backlog:</b>								
Texas					1,485	313,090	1,119	241,419
Arizona					1,991	537,387	832	238,359
California					695	391,271	405	177,355
Nevada					237	79,203	224	53,638
Total					4,408	1,320,951	2,580	710,771

(1) Does not include 75 homes that were acquired in connection with our acquisition of Citation Homes in January 2004 and which were closed by us in 2004.

**Other recent events**

**Colonial Homes Acquisition.** On February 11, 2005, we completed the acquisition of substantially all of the homebuilding assets of Colonial Homes of Fort Myers/Naples, Florida. The purchase price was approximately \$64 million in cash plus the assumption of accrued liabilities of approximately \$9 million.

In addition, we have the right to acquire approximately 1,800 lots over a four-year period pursuant to an option agreement entered into between Meritage and Colonial. Colonial closed 355 homes in 2004 at an average selling price

of approximately \$347,000, resulting in home closing revenue of approximately \$123 million. We anticipate that the Colonial acquisition will allow us to expand our presence in the Florida market. In addition to single-family homes, Colonial Homes is also involved in the construction and sale of multi-story condominiums. Of the 355 homes closed by Colonial in 2004, 56 units represented condominium sales. We plan to develop condominium units in our Fort Myers/ Naples market.

**Concurrent Transactions.** Concurrently with this offering we are (1) offering to repurchase up to all of our 9<sup>3</sup>/<sub>4</sub>% senior notes due 2011, which total \$280 million, through a tender offer for those notes and (2) offering \$350 million aggregate principal amount of new 6<sup>1</sup>/<sub>4</sub>% senior notes due 2015 in a private placement.

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***Accounting Treatment of Model Home Leases; Internal Controls.*** Historically, the construction costs and related debt associated with model homes which are owned and leased to us by others and that we use to market our communities were not included in our balance sheet. In January 2005 we determined that the costs associated with these models are required to be included as assets on our balance sheet and that the lease payments needed to be recharacterized as interest and that such interest should be capitalized and allocated to cost of sales. As a result, we restated our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2004 and September 30, 2004. We have determined that the effect on our quarterly and year-end financial statements for 2003 and the quarter ended March 31, 2004 is immaterial.

In connection with the audit of our 2004 financial statements, our registered public accounting firm informed management that they believed our previous accounting treatment for our model lease program is a material weakness under Section 404 of the Sarbanes-Oxley Act of 2002 and PCAOB Auditing Standard No. 2. We agree with this assessment but believe that this is an isolated reportable condition and have made the appropriate adjustments to our financial statements for the year ended December 31, 2004. If our 2003 financial statements had been restated to conform to the 2004 treatment, the effect would have been an increase in total assets of less than 3% at year-end, an increase in cost of sales of less than 1% for the year (with an offsetting reclassification from commissions and other sales costs) and no change in net earnings for the year.

Our principal executive office in Arizona is located at 8501 East Princess Drive, Suite 290, Scottsdale, Arizona 85255, and our telephone number there is (877) 400-7888. Our principal executive office in Texas is located at 2745 North Dallas Parkway, Suite 600, 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](http://www.meritagehomes.com). Information on this website is not incorporated by reference in or otherwise part of this prospectus supplement or the accompanying prospectuses.

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The offering

The following summary is not intended to be complete. For a more detailed description of our common stock, see Description of capital stock in the accompanying company prospectus.

Common stock offered by us 900,000 shares (1)

Common stock offered by the selling securityholders 600,000 shares

Common stock to be outstanding after this offering 26,749,798 shares (2)

Use of proceeds

We estimate that the net proceeds to us from the offering after deducting underwriting discounts and commissions but before deducting the estimated offering expenses will be approximately \$60.8 million. We intend to use the proceeds received by us in this offering together with the proceeds from our offering of \$350 million aggregate principal amount of 6<sup>1</sup>/<sub>4</sub>% senior notes due 2015, to repurchase up to all of our 9<sup>3</sup>/<sub>4</sub>% senior notes due 2011 pursuant to a concurrent tender offer, to repay a portion of our senior unsecured credit facility and to pay related fees and expenses. We will not receive any of the proceeds from the sale of common stock by the selling securityholders.

New York Stock Exchange Symbol MTH

*(1) Does not include the exercise of the underwriters over-allotment option.*

*(2) The number of shares of common stock outstanding after the offering is based upon the number of shares outstanding as of February 18, 2005 and excludes up to 2,814,330 shares of common stock issuable upon the exercise of options outstanding, of which 806,268 shares are immediately exercisable at a weighted average price of \$9.94.*

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## Summary financial information

The following table presents summary historical consolidated financial and operating data of Meritage Homes Corporation and subsidiaries as of and for each of the three years in the period ended December 31, 2003 and as of September 30, 2004 and for the nine months ended September 30 for each of the last two years. The consolidated statement of earnings data for the years ended December 31, 2003, 2002 and 2001 have been derived from Meritage Homes Corporation's audited consolidated financial statements. The consolidated statements of earnings data for the nine months ended September 30, 2004 and 2003 have been derived from Meritage Homes Corporation's unaudited consolidated financial statements. These financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for fair presentation of the financial position and results of operations for the periods presented. 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 supplement. The data below includes the operations of Hancock Communities, Hammonds Homes, Perma-Bilt Homes and Citation Homes since their dates of acquisition, June 1, 2001, July 1, 2002, October 1, 2002 and January 1, 2004, respectively.

	Years ended December 31,			Nine months ended September 30,	
	2003(1)	2002(1)	2001(1)	2004	2003(1)
	(unaudited)				
	(dollars in thousands, except per share data)				
<b>Statement of Earnings Data:</b>					
Total closing revenue	\$ 1,471,001	\$ 1,119,817	\$ 744,174	\$ 1,340,185	\$ 997,995
Total cost of closings	(1,178,484)	(904,921)	(586,914)	(1,075,341)	(798,297)
Gross profit	292,517	214,896	157,260	264,844	199,698
Commissions and other sales costs	(92,904)	(65,291)	(41,085)	(79,906)	(64,534)
General and administrative expenses(2)	(53,929)	(41,496)	(36,105)	(52,672)	(38,691)
Other income, net	5,776	5,435	2,884	8,535	3,911
Earnings before provision for income taxes	151,460	113,544	82,954	140,801	100,384
Provision for income taxes(2)	(57,054)	(43,607)	(32,295)	(53,645)	(37,544)
Net earnings	\$ 94,406	\$ 69,937	\$ 50,659	\$ 87,156	\$ 62,840
Basic earnings per share	\$ 3.62	\$ 2.82	\$ 2.39	\$ 3.33	\$ 2.42
Diluted earning per share	\$ 3.42	\$ 2.66	\$ 2.15	\$ 3.14	\$ 2.29

**Other Data:**

Gross profit margin	19.9%	19.2%	21.1%	19.8%	20.0%
EBITDA(3)	\$ 182,283	\$ 139,583	\$ 101,998	\$ 171,151	\$ 120,628

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	At December 31,			At September 30,
	2003(1)	2002(1)	2001(1)	2004
				(unaudited)
	(dollars in thousands)			
<b>Balance Sheet Data:</b>				
Cash and cash equivalents	\$ 4,799	\$ 6,600	\$ 3,383	\$ 19,340
Real estate	678,001	484,970	330,238	898,376
Total assets	954,539	691,788	436,715	1,244,170
Notes and loans payable and other borrowings	351,491	264,927	177,561	516,727
Stockholders' equity	411,895	317,308	176,587	468,321

- (1) Historically, the construction costs and related debt associated with model homes which are owned and leased to us by others that we use to market our communities were not included in our balance sheet. See *Recent Developments* Other recent events Accounting Treatment of Model Home Leases; Internal Controls.
- (2) 2001 includes a \$383 loss related to the net effect of early extinguishments of long-term debt. Previously this amount, net of the tax effect of \$149, was reported as an extraordinary item. We have reclassified this loss as general and administrative expense and income tax benefit, respectively, to conform with the requirements of SFAS 145, which was effective for fiscal years beginning after May 15, 2002.
- (3) EBITDA represents net earnings before interest expense, interest amortized to cost of sales, income taxes, depreciation and amortization. EBITDA is a non-GAAP financial measure. A non-GAAP financial measure is a numerical measure of a registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of earnings, balance sheet, or statement of cash flows (or equivalent statements) of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. We have provided below a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure.
- EBITDA is presented here because it is used by management to analyze and compare Meritage with other homebuilding companies on the basis of operating performance and we believe it is a financial measure widely used by investors and analysts in the homebuilding industry. EBITDA as presented may not be comparable to similarly titled measures reported by other companies because not all companies calculate EBITDA in an identical manner and, therefore, it 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 earnings 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 generally accepted accounting principles in the United

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

	Years ended December 31,			Nine months ended September 30,	
	2003	2002	2001	2004	2003
	(unaudited)				
	(dollars in thousands)				
Net earnings	\$ 94,406	\$ 69,937	\$ 50,659	\$ 87,156	\$ 62,840
Plus:					
Income taxes	57,054	43,607	32,295	53,645	37,544
Interest	22,287	19,259	13,303	21,381	14,513
Depreciation and amortization	8,536	6,780	5,741	8,969	5,731
EBITDA	\$ 182,283	\$ 139,583	\$ 101,998	\$ 171,151	\$ 120,628

**Home closing revenue, home orders and order backlog**

The tables provided below show operating and financial data regarding our homebuilding activities. Through December 31, 2004, we have had no sales or closings from our Denver, Colorado or Orlando, Florida start-up operations. We anticipate that we will begin delivering our first homes in Denver and Orlando during the latter part of 2005. In connection with our acquisition of Colonial Homes, we began selling and delivering homes in our Fort Myers/ Naples market in February 2005.

	Years ended December 31,			Nine months ended September 30,	
	2003	2002	2001	2004	2003
	(unaudited)				
	(dollars in thousands)				
<b>Home Closing Revenue</b>					
<b>Total</b>					
Dollars	\$ 1,461,981	\$ 1,112,439	\$ 742,576	\$ 1,317,488	\$ 989,895
Homes closed	5,642	4,574	3,270	4,860	3,858
Average sales price	\$ 259.1	\$ 243.2	\$ 227.1	\$ 271.1	\$ 256.6
<b>Texas</b>					
Dollars	\$ 577,330	\$ 387,264	\$ 259,725	\$ 469,709	\$ 405,251
Homes closed	2,828	2,090	1,518	2,171	1,988
Average sales price	\$ 204.1	\$ 185.3	\$ 171.1	\$ 216.4	\$ 203.8
<b>Arizona</b>					
Dollars	\$ 415,709	\$ 445,275	\$ 325,918	\$ 340,983	\$ 234,083
Homes closed	1,515	1,735	1,343	1,414	866
Average sales price	\$ 274.4	\$ 256.6	\$ 242.7	\$ 241.1	\$ 270.3
<b>California</b>					
Dollars	\$ 334,677	\$ 245,640	\$ 156,933	\$ 421,529	\$ 241,714
Homes closed	735	594	409	968	540

Average sales price	\$	455.3	\$	413.5	\$	383.7	\$	435.5	\$	447.6
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	Years ended December 31,			Nine months ended September 30,	
	2003	2002	2001	2004	2003
(unaudited) (dollars in thousands)					
<b>Nevada</b>					
Dollars	\$ 134,265	\$ 34,260	n/a	\$ 85,267	\$ 108,847
Homes closed	564	155	n/a	307	464
Average sales price	\$ 238.1	\$ 221.0	n/a	\$ 277.7	\$ 234.6
	Years ended December 31,			Nine months ended September 30,	
	2003	2002	2001	2004	2003
(unaudited) (dollars in thousands)					
<b>Home Orders</b>					
<b>Total</b>					
Dollars	\$ 1,634,988	\$ 1,161,899	\$ 700,104	\$ 1,935,064	\$ 1,291,740
Homes ordered	6,152	4,504	3,016	6,952	5,005
Average sales price	\$ 265.8	\$ 258.0	\$ 232.1	\$ 278.3	\$ 258.1
<b>Texas</b>					
Dollars	\$ 599,850	\$ 417,158	\$ 255,811	\$ 593,729	\$ 498,919
Homes ordered	2,862	2,134	1,516	2,774	2,404
Average sales price	\$ 209.6	\$ 195.5	\$ 168.7	\$ 214.0	\$ 207.5
<b>Arizona</b>					
Dollars	\$ 509,903	\$ 383,445	\$ 309,170	\$ 689,741	\$ 403,826
Homes ordered	1,881	1,425	1,165	2,777	1,533
Average sales price	\$ 271.1	\$ 269.1	\$ 265.4	\$ 248.4	\$ 263.4
<b>California</b>					
Dollars	\$ 375,105	\$ 329,252	\$ 135,123	\$ 561,241	\$ 265,418
Homes ordered	807	794	335	1,143	568
Average sales price	\$ 464.8	\$ 414.7	\$ 403.4	\$ 491.0	\$ 467.3
<b>Nevada</b>					
Dollars	\$ 150,120	\$ 32,044	n/a	\$ 90,353	\$ 123,577
Homes ordered	602	151	n/a	258	500
Average sales price	\$ 249.4	\$ 212.2	n/a	\$ 350.2	\$ 247.2

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	Years ended December 31,			Nine months ended September 30,	
	2003	2002	2001	2004	2003
	(unaudited)				
	(dollars in thousands)				
<b>Order Backlog</b>					
<b>Total</b>					
Dollars	\$ 710,771	\$ 537,764	\$ 374,951	\$ 1,349,321	\$ 839,609
Homes in backlog	2,580	2,070	1,602	4,747	3,217
Average sales price	\$ 275.5	\$ 259.8	\$ 234.1	\$ 284.2	\$ 261.0
<b>Texas</b>					
Dollars	\$ 241,419	\$ 218,899	\$ 115,651	\$ 365,439	\$ 312,567
Homes in backlog	1,119	1,085	693	1,722	1,501
Average sales price	\$ 215.7	\$ 201.8	\$ 166.9	\$ 212.2	\$ 208.2
<b>Arizona</b>					
Dollars	\$ 238,359	\$ 144,155	\$ 205,985	\$ 587,117	\$ 313,898
Homes in backlog	832	466	776	2,195	1,133
Average sales price	\$ 286.5	\$ 309.3	\$ 265.4	\$ 267.5	\$ 277.1
<b>California</b>					
Dollars	\$ 177,355	\$ 136,927	\$ 53,315	\$ 338,041	\$ 160,631
Homes in backlog	405	333	133	655	361
Average sales price	\$ 437.9	\$ 411.2	\$ 400.9	\$ 516.1	\$ 445.0
<b>Nevada</b>					
Dollars	\$ 53,638	\$ 37,783	n/a	\$ 58,724	\$ 52,513
Homes in backlog	224	186	n/a	175	222
Average sales price	\$ 239.5	\$ 203.1	n/a	\$ 335.6	\$ 236.5

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Risk factors

*An investment in our stock involves a high degree of risk. Before purchasing our common stock, you should consider carefully the risks described below in this section, risks described under the heading Risk factors in the accompanying prospectuses and the risks described in the documents incorporated by reference in this prospectus. Other risks including those that we do not currently consider material, or may not anticipate, may harm our business, financial condition and results of operations. In this event, the market price of our common stock could decline and you could lose all or part of your investment.*

**RISKS RELATED TO OUR COMMON STOCK**

**Our issuance of common stock could result in a lowering of our stock price.**

To finance our business or future expansion we may issue additional shares of common stock. The potential future issuance of additional shares could create a market overhang that results in a lower price for our common stock.

**Our charter and bylaws and ownership structure could prevent a third party from acquiring us or limit the price investors might be willing to pay for shares of our common stock.**

We are subject to the Maryland Business Combination Act and the Maryland Control Share Acquisition Act. The Maryland Business Combination Act restricts the ability of Maryland corporations to enter into certain business combination transactions and the Maryland Control Share Acquisition Act can deter persons from acquiring control of a Maryland corporation. Our charter and our bylaws provide for a board of directors comprised of two classes of directors with staggered terms of office, and impose various procedural and other requirements. John R. Landon and Steven J. Hilton, our co-chairman and co-chief executive officers, together beneficially own approximately 15.6% of our outstanding common stock (approximately 12.9% after taking into account this offering). Alone or in combination, these matters may have the effect of delaying or preventing a change of control that other stockholders may believe beneficial or limiting the price investors might be willing to pay for shares of our common stock.

**Our stock price is volatile and could decline substantially.**

The stock market has, from time to time, experienced extreme price and volume fluctuations that are unrelated to the operating performance of particular companies. Over the course of the last 12 months, the price of our common stock has ranged from \$53.42 to \$75.15 per share. The market price of our common stock may fluctuate in response to many factors including:

- 4 our operating results failing to meet the expectations of securities analysts or investors in a particular period;
- 4 changes in analysts' recommendation and projections;
- 4 changes in general valuations for homebuilding companies;
- 4 material announcements by us or our competitors;
- 4 the market's perception of our prospects and the prospects of the homebuilding industry in general;

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**Risk factors**

4 changes in general market conditions or economic trends, such as increasing interest rates; and

4 broad market fluctuations.

Any of these factors could have a material adverse effect on your investment in our common stock and our common stock may trade at prices significantly below the offering price. As a result, you could lose some or all of your investment.

**RISKS RELATED TO OUR ACQUISITION OF COLONIAL HOMES**

**The integration of Colonial Homes may present challenges.**

The integration of Colonial Homes into our operations following the acquisition will involve a number of risks. In particular, the combined companies may experience attrition among management and personnel. The integration process could also disrupt the activities of our current businesses. The combination of the two companies will require, among other things, coordination of management, administrative and other functions. Failure to overcome these challenges or any other problems encountered in connection with the acquisition of Colonial Homes could cause our financial condition, results of operations and competitive position to decline.

**We may not achieve the anticipated benefits from the acquisition.**

Our integration of the Colonial Homes acquisition assumes certain synergies and other benefits. We cannot assure you that unforeseen factors will not offset the intended benefits of the acquisition in whole or in part.

**Colonial Homes is engaged in the construction and sale of condominiums.**

In connection with our acquisition of Colonial, we will be involved in the construction and sale of multi-story condominiums homes. Prior to this acquisition, our business has involved only the construction and sale of single-family homes. The construction and sale of condominium homes involves different construction processes and subcontractors and, to a degree, different customers. In addition, condominium homes typically involve more extensive sales and warranty regulations. Although we now employ most of the Colonial Homes employees that were involved with the Colonial business (including condominium construction and sales), we have no prior experience in the condominium business. In addition, we are exploring expanding into condominium construction and sales in other markets in which we operate and we would face similar challenges and risks with such an endeavor.

**RISKS RELATING TO MERITAGE**

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

In general, housing demand is adversely affected by increases in interest rates and housing costs and the unavailability of mortgage financing. Most of our buyers finance their home purchases through third-party lenders providing mortgage financing. If mortgage interest rates increase and, consequently, the ability of prospective buyers to finance home purchases is adversely affected, home sales, gross margins and cash flow may also be adversely affected and the impact may be material. Interest rates are currently near historically low levels, however, 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.

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**Risk factors**

**We may 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. 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 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.

**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 development depends on our ability to attract and retain qualified personnel. We have employment agreements with Messrs. Hilton and Landon, but we do not have employment agreements 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.

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

We have operations in Texas, Arizona, California, Nevada, Colorado and Florida. Our limited 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 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 begun excluding claims arising from the presence of mold from policies for many builders and, as of October 1, 2003, our insurance policy began excluding mold coverage. If our retentions are not sufficient to protect against these types of claims or if we are unable to obtain

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**Risk factors**

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.

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

We have significant homebuilding operations in Texas, California and Florida. Some of our markets in Texas and Florida occasionally experience severe weather conditions, such as tornadoes or hurricanes. 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 flow and earnings.

**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 price of our stock. 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.

**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.

**Our registered public accounting firm informed us of a material weakness in our system of internal controls, policies and procedures, which could adversely affect our business or reputation.**

We are evaluating our internal controls over financial reporting in order to allow management to report on, and our registered public accounting firm to attest to, our internal controls over financial reporting, as required by the Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC, which we refer to as Section 404. In early 2005, our registered public accounting firm informed our management and audit committee that they believe our accounting for our model lease program constituted a material weakness under Section 404 and PCAOB Auditing Standard No. 2. We agree with this assessment and have made the appropriate adjustments to our financial statements. During the course of our evaluation it is possible that we may identify other material weaknesses or significant deficiencies, which could harm our business, reputation or operating results. As a result, investors could lose confidence in our reported financial information and the trading price of our stock could drop significantly.

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**Risk factors**

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

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

We are also subject to the potential for significant variability and fluctuations in the cost and availability of real estate. 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 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 price of our stock to decline. Factors that contribute to this variability include:

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

**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 price of our stock 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

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**Risk factors**

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.

**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, and could cause delays in our homebuilding projects.

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.

Beginning in late 2003, we established relationships with title insurance companies in three states where we do business, pursuant to which one of our subsidiaries receives a portion of the fees and premiums on title insurance purchased by certain of our homebuyers and reinsures a portion of the policy risk. The California Insurance Commissioner and regulators in other states are investigating these types of arrangements. We are in the process of terminating those arrangements that have not been expressly approved by a state regulator. In total, these arrangements contributed approximately \$600,000 to our fiscal 2004 pre-tax earnings. Depending on the outcome of these investigations, we could be subject to fines or sanctions which could harm our operating results or reputation.

**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 conflict in 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 supplement 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 supplement includes forward looking statements encouraged by the Private Security Litigation Reform Act of 1995. 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 supplement, the words estimates, expects, anticipates, projects, plans, intends, believes, forec, 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

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**Risk factors**

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 supplement. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this prospectus supplement are set forth in this Risk factors section.

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Use of proceeds

Our net proceeds from the sale of the 900,000 shares of our common stock offered in this offering will be approximately \$60.8 million, after deducting the underwriters' discounts and commissions but before deducting the estimated expenses of this offering. If the underwriters' over-allotment option is exercised in full, the net proceeds will be approximately \$69.9 million. We plan to use the proceeds received by us in this offering together with the proceeds from our offering of \$350 million aggregate principal amount of 6<sup>1</sup>/<sub>4</sub>% senior notes due 2015 to repurchase up to all of our 9<sup>3</sup>/<sub>4</sub>% senior notes due 2011 pursuant to a concurrent tender offer, to repay a portion of our senior unsecured credit facility and to pay related fees and expenses.

Our senior unsecured credit facility matures in May 2007 and 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. The interest rate for borrowings under the bank credit facility at December 31, 2004 was prime (5.25%) or at LIBOR (approximately 2.584%) plus two percent.

We will not receive any proceeds from the sale of 600,000 shares of our common stock by the selling securityholders.

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**Table of Contents****Capitalization**

The following table sets forth our cash and capitalization on an actual, as adjusted and pro forma as adjusted basis as of December 31, 2004. As adjusted data takes into account the issuance and sale of the common stock offered by us pursuant to this prospectus and the payment of related fees and expenses. Pro forma as adjusted data also reflects (1) the issuance of an aggregate principal amount of \$350 million of our 6<sup>1</sup>/<sub>4</sub>% senior notes due 2015 that are being offered concurrently herewith, (2) the repurchase of 100% of our outstanding 9<sup>3</sup>/<sub>4</sub>% senior notes due 2011 and (3) the payment of related fees and expenses. See "Use of proceeds" in this prospectus supplement. We do not have the right to call the 9<sup>3</sup>/<sub>4</sub>% senior notes. We plan to purchase the notes through a tender offer, which requires the affirmative consent of the note holders. Accordingly, there can be no assurance that we will be able to repurchase all or any of the notes. Further, there can be no assurance that the private placement of the new senior notes due 2015 will be successful.

	<b>As of December 31, 2004</b>		
	<b>Actual</b>	<b>As adjusted for shares offered</b>	<b>Pro forma as adjusted for shares offered, notes offered and tender offer</b>
		<b>(unaudited)</b>	
		<b>(dollars in thousands)</b>	
Cash and cash equivalents	\$ 47,876	\$ 108,358	\$ 131,818
<b>Total debt:</b>			
Senior unsecured credit facility(1)	\$	\$	\$
9 <sup>3</sup> / <sub>4</sub> % senior notes due 2011	286,913	286,913	
7% senior notes due 2014	130,083	130,083	130,083
6 <sup>1</sup> / <sub>4</sub> % senior notes due 2015 offered concurrently herewith			348,250
Other borrowings	54,419	54,419	54,419
<b>Total debt</b>	<b>\$ 471,415</b>	<b>\$ 471,415</b>	<b>\$ 532,752</b>
<b>Stockholders' equity:</b>			
Common stock, par value \$0.01 per share	\$ 315	\$ 324	\$ 324
Additional paid-in capital	209,630	270,103	270,103
Retained earnings	381,583	381,583	361,997(2)
Treasury stock at cost, 5,704,452 shares	(68,973)	(68,973)	(68,973)
<b>Total stockholders' equity</b>	<b>522,555</b>	<b>583,037</b>	<b>563,451</b>
<b>Total capitalization</b>	<b>\$ 993,970</b>	<b>\$ 1,054,452</b>	<b>\$ 1,096,203</b>

(1) As of February 18, 2005, \$121.6 million was outstanding under our senior unsecured credit facility.

(2) Reflects a reduction in retained earnings resulting from the net effect of the following:

Tender premiums and commissions	\$ (33,258)
Accretion of existing note premium and write-off of existing note offering costs	1,780
Legal, printing and other costs relating to the tender offer	(200)
Tax effect of above adjustments	12,092
<b>Total</b>	<b>\$ (19,586)</b>

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## Selling securityholders

The table below presents information as of February 18, 2005 regarding the selling securityholders and the shares that the selling securityholders may offer and sell under this prospectus supplement. Such information has been provided to us by the selling securityholders for use in this prospectus supplement. More specifically, the following table sets forth as to the selling securityholders: the number and percent of shares of our common stock that the selling securityholders beneficially owned prior to this offering; the number of shares of common stock to be offered for sale by the selling securityholders under this prospectus supplement; and the number and percent of shares of our common stock to be held by the selling securityholders after the offering, assuming all of the shares offered by this prospectus supplement by the selling securityholders are sold and that the selling securityholders do not acquire or dispose of any other shares of our common stock prior to the termination of this offering.

Name	Shares Beneficially Owned Prior to Offering		Number of Shares Being Offered	Shares Beneficially Owned After Completion of Offering(1)	
	Number of Shares	Percent		Number of Shares	Percent
John R. Landon(2)	2,015,136	7.80%	300,000	1,715,136	6.41%
Steven J. Hilton(2)	2,027,194	7.84%	300,000	1,727,194	6.46%

(1) Assumes that the total outstanding number of shares after completion of the offering is 26,749,798 shares, which assumes 900,000 shares are sold by us and 600,000 by the selling securityholders in this offering, and assumes the underwriters do not exercise their right to purchase 135,000 additional shares from us.

(2) John R. Landon and Steven J. Hilton are Co-Chairmen and Co-Chief Executive Officers of Meritage Homes Corporation.

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Price range of common stock; dividend policy

Our common stock is listed on the New York Stock Exchange under the symbol MTH. The following table sets forth the high and low sales prices for transactions involving our common stock during each calendar quarter, as reported on the New York Stock Exchange Composite Tape. Share data is adjusted for a 2-for-1 stock split in the form of a stock dividend effective January 7, 2005.

	<b>High</b>	<b>Low</b>
<b>2005:</b>		
First Quarter (through February 24, 2005)		