

Meritage Homes CORP
Form DEF 14A
April 10, 2006

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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Meritage Homes Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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April 10, 2006

Dear Stockholder:

We have enclosed our Proxy Statement and Annual Report. The Annual Report provides a review of our record results for the past year as well as our current outlook for the upcoming year.

This year, we have several important matters to address at our Annual Meeting. The proposals to be voted upon at this year's Annual Meeting include the election of our nominees for director, and a proposal to approve an increase in our authorized capital stock so that we can maintain the flexibility to raise new capital to pursue our growth strategies, as well as proposals to approve both stock and cash based incentive plans for our management and employees.

In terms of the incentive plans we are recommending for approval, we note that, consistent with practices currently supported by shareholder advocate groups, the large majority of the compensation paid to our senior managers over the last several years has been tied directly to our company's financial performance. And we are proud to report that our performance has been excellent. For example, from 2000 to 2005 our revenues have increased to \$3 billion, a 45% compounded annual growth rate and our net earnings have increased at a rate of 48% over the same period. These results were a primary driver of the increase in our stock price from \$9.31 to \$62.92 per share (on a split adjusted basis) over the same period, a 576% increase in value.

Finally, we note that under current tax laws, the deductibility by the company of the compensation of our senior executives is subject to a number of conditions, including stockholder approval of our bonus and stock programs. ***Accordingly, it is critical that we obtain your approval of these plans, not only to ensure that our Board of Directors has the tools necessary to motivate and compensate our senior management, but also so that our company can deduct fully the amounts we pay to them, thereby maximizing earnings and, in turn, providing the greatest benefit to our stockholders.***

We look forward to your participation at the Annual Meeting either in person or by proxy.

Very truly yours,

Board of Directors

Enclosures

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date: Wednesday, May 17, 2006

Time: 10:00 a.m. Central time

Hotel Crescent Court

400 Crescent Court

Dallas, Texas 75201

To Our Stockholders:

You are invited to attend the Meritage Homes Corporation 2006 Annual Meeting of Stockholders for the following purposes:

1. To elect four Class I Directors, each to hold office until our 2008 annual meeting and until his successor is duly elected and qualified.
2. To approve an amendment to our charter to increase the number of authorized shares of Common Stock from 50,000,000 to 125,000,000,
3. To approve the 2006 Stock Incentive Plan,
4. To approve the 2006 Annual Incentive Plan,

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5. To ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2006 fiscal year, and

6. To conduct any other business that may properly come before the meeting or any postponement or adjournment thereof.

These items are more fully described in the accompanying Proxy Statement. Only stockholders of record at the close of business on March 31, 2006 are entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof. A copy of our 2005 Annual Report to Stockholders, which includes audited financial statements, is enclosed.

By Order of the Board of Directors,

C. Timothy White, Secretary

Scottsdale, Arizona

April 10, 2006

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THIS MEETING, PLEASE SUBMIT YOUR PROXY BY SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE ENVELOPE PROVIDED. YOU MAY ALSO AUTHORIZE A PROXY TO VOTE YOUR SHARES BY USING THE INTERNET OR TELEPHONE AS DESCRIBED ON THE PROXY CARD.

MERITAGE HOMES CORPORATION

17851 NORTH 85TH STREET

SUITE 300

SCOTTSDALE, ARIZONA 85255

www.meritagehomes.com

PROXY STATEMENT

This Proxy Statement is furnished to you in connection with the solicitation of proxies by the Board of Directors of Meritage Homes Corporation to be used in voting at our Annual Meeting of Stockholders on May 17, 2006. The meeting will be held at 10:00 a.m. Central time at Hotel Crescent Court, 400 Crescent Court, Dallas, Texas 75201. The proxy materials relating to the annual meeting, together with our annual report (which includes audited consolidated financial statements for our fiscal year ended December 31, 2005), were mailed on or about April 14, 2006 to stockholders of record at the close of business on March 31, 2006 (the record date).

You are entitled to revoke your proxy at any time before it is exercised by attending the annual meeting and voting in person, duly executing and delivering a proxy bearing a later date, or sending written notice of revocation to our Corporate Secretary at the above address. Whether or not you plan to be present at the annual meeting, we encourage you to sign and return the enclosed proxy card or to use telephone or Internet voting. Refer to your proxy card for instructions about voting by telephone, Internet and mail.

The Meritage Board of Directors is soliciting proxies. We will bear the entire cost of proxy solicitation, including charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of our outstanding common stock. We may solicit proxies through the mail, by personal interview or telephone, including through the use of a third party proxy solicitor. If we use a proxy solicitor, we estimate the cost will be approximately \$9,500.

The following information should be reviewed along with the audited consolidated financial statements, notes to consolidated financial statements, reports of independent registered public accounting firms and other information included in our 2005 Annual Report that was mailed to you along with this Proxy Statement.

VOTING SECURITIES OUTSTANDING

On the record date, there were 26,624,510 shares of Meritage common stock outstanding. The common stock is our only outstanding class of voting securities. Each share is entitled to one vote on each proposal to be voted on at the annual meeting. Only holders of record of common stock at the close of business on the record date will be permitted to vote at the meeting, either in person or by valid proxy.

VOTING PROXIES

Shares of common stock represented by properly executed proxy cards received by the Company in time for the meeting will be voted in accordance with the instructions specified in the proxies. Unless contrary instructions are indicated on a proxy, the shares of common stock represented by such proxy will be voted **FOR** the election as directors of the nominees named in this Proxy Statement, **FOR** the amendment to our charter increasing the number of authorized shares of common stock,

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FOR the 2006 Stock Option Plan, **FOR** the 2006 Annual Incentive Plan and **FOR** the ratification of the selection of Deloitte & Touche as the Company's independent registered public accounting firm.

Rules of the New York Stock Exchange (the NYSE) determine whether proposals presented at shareholder meetings are routine or non-routine. If a proposal is routine, a broker or other entity holding shares for an owner in street name may vote on the proposal without voting instructions from the owner. If a proposal is non-routine, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when the broker or other entity is unable to vote on a proposal because the proposal is non-routine and the owner does not provide instructions. All of the proposals other than Proposal No. 3 (the proposal to approve the 2006 Stock Incentive Plan) are routine proposals under the rules of the NYSE. As a result, brokers or other entities holding shares for an owner in street name may vote on the proposals even if no voting instructions are provided by the owner.

The management and Board of Directors of the Company know of no other matters to be brought before the meeting. If other matters are properly presented to the stockholders for action at the meeting or any adjournments or postponements thereof, it is the intention of the proxy holders named in the proxy to vote in their discretion on all matters on which the shares of common stock represented by such proxy are entitled to vote.

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SUMMARY

This summary highlights selected information from this Proxy Statement and may not contain all of the information that is important to you. To understand the proposals fully, you should carefully read this entire Proxy Statement, as well as the other documents to which we refer you, including the proposed amendment to our charter and the proposed 2006 Stock Incentive Plan and 2006 Annual Incentive Plan, each of which is attached as an Appendix to this Proxy Statement. We have included page references in parentheses to direct you to a more complete discussion of the proposals presented in this Proxy Statement.

General Information

Date, Time and Place of Meeting

The annual meeting will be held on Wednesday, May 17, 2006 at 10:00 a.m. Central time at Hotel Crescent Court, 400 Crescent Court, Dallas, Texas 75201.

Record Date

The record date for the annual meeting is March 31, 2006. Stockholders who hold shares of our stock at the close of business on the record date will be entitled to vote on the matters proposed in this Proxy Statement.

Voting Information

You can vote in person at the annual meeting or by proxy without attending the annual meeting. The shares represented by a properly executed proxy will be voted as you direct. To vote by proxy, you must fill out your proxy card and return it by mail, vote by telephone using the instructions on your proxy card or vote via the Internet using the instructions on your proxy card.

You can revoke your proxy any time before it is exercised by written notice delivered to the Company's Secretary, by timely delivery of a later signed proxy (including an Internet or telephone vote), or by voting in person at the annual meeting.

Quorum

The presence in person or by proxy of stockholders entitled to cast a majority of the votes entitled to be cast at the meeting is necessary to constitute a quorum at the meeting for the election of directors and for the other proposals. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining whether a quorum exists.

The Proposals

Election of Directors (page 4)

Steven J. Hilton, Raymond Oppel, William G. Campbell and Richard T. Burke, Sr., each of whom is presently serving as a Class I Director, are nominated for re-election.

The Board of Directors recommends a vote for each of these directors. If a quorum is present, the four nominees who receive a plurality of the votes cast at the meeting will be elected. Broker non-votes and votes that are withheld have no effect on the results of the vote. Please vote on this matter.

Amendment to Charter to
Increase Authorized Shares of Common Stock (page 5)

Our second proposal asks you to approve an amendment to our charter that would increase the number of shares of common stock the Company is authorized to issue from 50,000,000 to 125,000,000. As of February 28, 2006, the Company had 30,517,412 shares of common stock issued and outstanding or reserved for issuance pursuant to various incentive plans or the exercise of awards under such plans. We are asking you to approve an increase to our authorized capital to ensure that the Company will have sufficient shares of common stock available to meet the Company's future business needs. Although the Company has no current plans for the use of such shares, we may use such shares for, among other things, stock splits, stock dividends, public or private stock offerings or acquisitions.

The Board of Directors has approved this amendment and recommends a vote for this proposal. An affirmative vote of stockholders entitled to cast a majority of the votes entitled to be cast on the matter is required to approve the amendment to our charter. Broker non-votes and abstentions have the same effect as a vote against this proposal, so please vote.

Approval of the 2006 Stock
Incentive Plan (page 6)

In our third proposal, we are asking for your approval of the Company's 2006 Stock Incentive Plan. Under this plan, the Company's executives, officers, employees, non-employee directors, consultants and advisors are eligible to receive awards of stock options, stock appreciation rights, restricted stock awards, performance share awards and performance based awards. We are asking you to approve this plan to assist the Executive Compensation Committee, which administers the plan, in attracting, motivating and retaining experienced, qualified and productive executive personnel, with equity grants that align the interests of management and stockholders.

The Board of Directors has approved this plan and recommends a vote for this proposal. The affirmative vote of a majority of the votes cast on the proposal is required for approval of the 2006 Stock Incentive Plan, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. For purposes of the vote on the 2006 Stock Incentive Plan, abstentions will have the same effect as votes against the proposal and broker non-votes will have the same effect as votes against the proposal, unless holders of more than 50% in interest of all securities entitled to vote on the proposal cast votes, in which event broker non-votes will not have any effect on the result of the vote.

Approval of 2006 Annual
Incentive Plan (page 14)

We are also asking you to approve the Company's 2006 Annual Incentive Plan. The purpose of this plan is to provide for annual incentive rewards that are deductible under the Internal Revenue Code to the Company's key executives, including Steven J. Hilton and John R. Landon, our Co-CEOs, Larry W. Seay, Richard T. Morgan and C. Timothy White. This plan is administered by our Executive Compensation Committee and provides for cash awards payable to these employees upon the attainment of certain predetermined performance goals for the Company. This plan serves to align the interests of eligible employees with the interests of our stockholders and seeks to ensure that amounts payable under the plan are tax deductible.

The Board of Directors has approved this plan and recommends a vote for this proposal. If a quorum is present, an affirmative vote of a majority of the votes cast at the annual meeting is required to approve the 2006 Annual Incentive Plan. Broker non-votes and abstentions have no effect on the result of the vote.

Ratification of Auditor (page 16)

Our final proposal asks you to ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2006 fiscal year.

The Board of Directors recommends a vote for this proposal. If a quorum is present, an affirmative vote of a majority of the votes cast at the annual meeting is required to ratify the selection of Deloitte & Touche LLP as the Company's independent auditor. If the appointment is not approved by the stockholders, the adverse vote will be considered a direction to the Audit Committee to consider other auditors for next year. However, because of the difficulty in making any substitution of auditors so long after the beginning of the current year, the appointment in 2006 will stand, unless the Audit Committee finds other good reason for making a change.

ELECTION OF DIRECTORS

(Proposal No. 1)

Our Board of Directors currently has eight members. The directors are divided into two classes serving staggered two-year terms. This year our Class I Directors are up for election. The Board, upon the recommendation of its Nominating/Governance Committee, has nominated Steven J. Hilton, Raymond Oppel, William G. Campbell and Richard T. Burke, Sr., who are presently serving as Class I Directors, for re-election.

Their biographical information is set forth below:

Steven J. Hilton, 44, has been co-chairman and co-chief executive officer of Meritage Homes Corporation since 1997. Mr. Hilton co-founded Arizona-based Monterey Homes in 1985. Under Mr. Hilton's leadership, Monterey became publicly traded and combined with Legacy Homes in 1997, which thereafter became Meritage. Mr. Hilton received his Bachelor of Science degree in accounting from the University of Arizona and is a director of Western Alliance Bancorporation, a \$2.6 billion community bank based in Las Vegas, Nevada.

Raymond Oppel, 49, has been a director since December 1997. He was the co-founder, chairman and chief executive officer of the Oppel Jenkins Group, a regional homebuilder in Texas and New Mexico, which was sold in 1995 to the public homebuilder KB Home. Mr. Oppel is a licensed real estate broker and currently is active as a private investor in real estate development and land banking. Mr. Oppel has over 16 years of experience in the homebuilding business.

William G. Campbell, 47, has been a director since May 2002. Mr. Campbell is a co-founder and managing director of Knightsbridge Realty Capital, Inc., an advisory firm that plans and implements capitalization strategies for commercial real estate. Prior to forming Knightsbridge, Mr. Campbell was division manager of FINOVA Realty Capital, the commercial real estate financing division of the FINOVA Group. From 1995 until its acquisition by FINOVA in 1997, Mr. Campbell was chief operating officer of Belgravia Capital Corporation, a nationwide commercial mortgage-banking firm. Mr. Campbell holds an M.B.A. from Pepperdine University and has been a certified public accountant.

Richard T. Burke, Sr., 62, was appointed as a director in September 2004. Mr. Burke is on the Board of Directors of UnitedHealth Group, which he founded, took public in 1984 and served as chairman and chief executive officer until 1988. From 1995 until 2001, Mr. Burke was the owner and chief executive officer of the Phoenix Coyotes, a National Hockey League team. Mr. Burke is also a director of First Cash Financial Services, Inc.

All nominees have consented to serve as directors. The Board of Directors has no reason to believe that any of the nominees will be unable to act as a director. However, should a nominee become unable to serve or should a vacancy on the Board occur before the annual meeting, the Board may either reduce its size or designate a substitute nominee. If a substitute nominee is named, your shares will be voted for the election of the substitute nominee. In the vote on the election of the director nominees, stockholders may:

vote **FOR** all nominees;

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vote to **WITHHOLD** votes for all nominees; or

WITHHOLD votes as to specific nominees.

Unless you tell us by your proxy to vote differently, your shares will be voted **FOR** the Board's nominees.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE
ELECTION OF THE ABOVE-NAMED NOMINEES AS DIRECTORS.**

APPROVAL OF AN AMENDMENT TO THE MERITAGE HOMES CORPORATION

ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF

AUTHORIZED SHARES OF COMMON STOCK

(Proposal No. 2)

The Company's charter presently authorizes the issuance of 50,000,000 shares of common stock, \$.01 par value per share. On February 28, 2006, 26,819,620 shares of common stock were issued and outstanding. On that date, 2,997,792 shares of common stock were reserved for issuance pursuant to the Meritage Homes Corporation Stock Option Plan, and 700,000 were reserved for issuance pursuant to the Meritage Homes Corporation 2006 Stock Incentive Plan, subject to stockholder approval of the plan at this meeting (collectively, the Company Plans). Accordingly, of the 50,000,000 shares of common stock currently authorized, the Company has approximately 30,517,412 shares of common stock issued and outstanding or reserved for issuance pursuant to the Company Plans or pursuant to the exercise of awards granted under such plans.

The purpose of the proposed amendment is to ensure that the Company has adequate authorized shares of common stock available from time to time if needed for such corporate purposes as may be deemed appropriate by the Board of Directors. These corporate purposes might include, among other things, stock splits, stock dividends, public or private stock offerings or acquisitions. Although we have no specific plans or commitments for the issuance of the additional shares of common stock for which authorization is solicited, the Board of Directors believes that it would be desirable for the stockholders to authorize such additional shares at this time so that the Company is prepared to meet possible future needs for such shares without delay.

The proposed amendment to the charter would increase the number of authorized shares of common stock from 50,000,000 to 125,000,000. If additional shares of common stock are issued, it may have a dilutive effect on earnings per share. In addition, the issuance of additional shares may have a dilutive effect on the voting power of the current stock owners because such stock owners do not have preemptive rights with respect to the issuance of additional shares of common stock, including the shares of common stock to be authorized by the proposed amendment. The full text of the proposed amendment to the Articles of Incorporation is set forth in *Appendix A* to this Proxy Statement.

If the proposed amendment to the charter is adopted, the additional authorized shares of common stock could be issued at the discretion of the Board of Directors for any corporate purpose, including those mentioned above, without further action by the stock owners, except as may be required by applicable laws or regulations, or the rules of the NYSE. While in certain instances an issuance of additional shares could have the effect of rendering a hostile attempt to acquire the Company more difficult, the Board of Directors is not aware of any circumstance potentially having such an anti-takeover effect.

Following approval, the amendment to the charter would become effective on the date the amendment is filed with the State Department of Assessments and Taxation of Maryland. It is anticipated that the appropriate filing to effect the share increase will be made as soon as practicable following approval of this proposal.

THE BOARD OF DIRECTORS HAS APPROVED THIS PROPOSAL TO AMEND THE COMPANY'S CHARTER TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 50,000,000 TO 125,000,000 AND RECOMMENDS A VOTE FOR ADOPTION OF PROPOSAL NO. 2.

APPROVE THE MERITAGE HOMES CORPORATION 2006 STOCK INCENTIVE PLAN

(Proposal No. 3)

General

The Company is seeking stockholder approval of the Meritage Homes Corporation 2006 Stock Incentive Plan (the 2006 Stock Plan). Our Board of Directors adopted the 2006 Stock Plan on February 15, 2006, and is effective on the date approved by the stockholders at the annual meeting. If approved, the 2006 Stock Plan will replace the current Meritage Homes Corporation Stock Option Plan, as amended (the Old Plan), which expires later in 2006.

As of December 31, 2005, there were 490,550 shares of common stock available for future awards under the Old Plan. If the stockholders approve the 2006 Stock Plan, the number of shares of common stock that will be available for issuance under the 2006 Stock Plan will be 700,000 shares, plus any shares available for future awards under the Old Plan as of the date of the annual meeting (to the extent not ultimately granted under the Old Plan prior to its expiration). The closing sales price of our common stock on March 15, 2006 was \$55.57 per share.

We have developed our compensation policies with the goals of attracting, motivating and retaining experienced, qualified and productive personnel, rewarding superior performance and providing incentives that are based on our performance, as well as aligning the interests of our employees and stockholders. The 2006 Stock Plan is designed to help us achieve these objectives by providing us the flexibility to grant stock options, stock appreciation rights, restricted stock and performance shares (each, an Award).

In addition to helping us achieve these objectives, our Board of Directors believes that the provisions of the 2006 Stock Plan reflect the Company s continued commitment to strong corporate governance practices in the interest of its stockholders in the following ways:

the 2006 Stock Plan prohibits stock option repricing without stockholder approval, other than in connection with a change in the Company s capitalization as described below in Change in Capitalization;

the 2006 Stock Plan prohibits issuing stock options or stock appreciation rights with an exercise price below fair market value on the date of grant; and

in order to account for the difference in the value of a grant of stock options or stock appreciation rights versus a grant of full value shares (i.e., restricted stock or performance share awards), the 2006 Stock Plan provides a formula to determine the total number of shares of common stock available for future Awards, pursuant to which the availability will be reduced by one share for each one share issued in connection with a stock option or stock appreciation right and by 1.38 shares for each one share issued in connection with any other type of Award.

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The number of shares subject to options outstanding under the Old Plan as of December 31, 2005 is 2,799,282 shares. These outstanding options have a weighted average exercise price of \$27.90 and a weighted average remaining term of 4.7 years.

The following summary description of the 2006 Stock Plan is qualified in its entirety by reference to the full text of the 2006 Stock Plan, which is attached to this Proxy Statement as *Appendix B*.

Shares Subject to the 2006 Plan

The total number of shares of common stock available for grants of Awards under the 2006 Stock Plan is 700,000, plus any shares of common stock available for future awards under the Old Plan as of the date of the Annual Meeting (to the extent not ultimately granted under the Old Plan prior to its expiration), which is estimated to be another 490,550 shares. As noted above, the total number of shares of common stock available for future Awards will be reduced by one share for each one share issued in connection with an option or a stock appreciation right and by 1.38 shares for each one share issued in connection with any other type of Award.

Except as provided below, shares of common stock subject to an Award that have been cancelled, expired, forfeited or otherwise not issued under the Award will again become available for grants of Awards under the 2006 Stock Plan. However, shares of common stock that are used to pay the exercise price of the Award or are delivered or withheld to pay withholding taxes or that were subject to a stock-settled stock appreciation right but not issued in such settlement will be counted against the total number of shares of common stock available for grants of Awards.

The shares to be delivered under the 2006 Stock Plan may consist of, in whole or in part, shares of common stock that are authorized but unissued or shares that were reacquired by the Company, whether on the open market or otherwise.

Administration

The 2006 Stock Plan will be administered by the Executive Compensation Committee (the *Committee*). The Committee has the authority to interpret and administer the 2006 Stock Plan in order to carry out the purposes of the 2006 Stock Plan. The Committee has the authority to determine those persons eligible to receive Awards, the number of shares subject to an award and to establish and interpret the terms and conditions of any Awards. The Committee may also make exceptions to the provisions of any Awards. All determinations of the Committee are final and binding.

Eligibility

Awards may be made to any officer, employee or executive of the Company, as well as to non-employee directors and consultants or advisors to the Company. As of December 31, 2005, there were six non-employee directors and approximately 1,810 officers and employees of the Company and its subsidiaries eligible to participate in the 2006 Stock Plan. The number of eligible participants is expected to increase over time based upon future growth of the Company.

Types of Awards

The 2006 Stock Plan provides for grants of stock options, stock appreciation rights, restricted stock, performance shares and performance-based awards, whether granted alone or in combination, pursuant to which shares of common stock, cash or a combination thereof may be delivered to the Award recipient; provided that stock appreciation rights will be paid only in shares.

Options. An option is the right to purchase shares of common stock at a future date at a specified exercise price. The Committee may grant both nonqualified stock options and incentive stock options under the 2006 Stock Plan. The per share exercise price will be determined by the Committee, but must be at least equal to the fair market value of the underlying shares of common stock on the date of grant. The Committee determines the date after which options may be exercised in whole or in part and the expiration date of each option, which cannot be more than ten years from the date of grant. However, in the case of an incentive stock option granted to a participant who holds more than 10% of the voting power of the Company, the exercise price must be at least 110% of the fair market value of the underlying shares of common stock on the date of grant and the expiration date cannot be more than five years from the date of grant. The exercise price of an option may be paid in shares of common stock, cash or a combination thereof, as determined by the Committee, including an irrevocable commitment by a broker to pay the exercise price from the proceeds of a sale of shares issuable under the option, the delivery of previously owned shares or withholding of shares

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deliverable upon exercise. Options cannot be repriced (or cancelled and regranted at a lower exercise price) other than in connection with a change in the Company's capitalization as described below in *Change in Capitalization*.

Stock Appreciation Rights. A stock appreciation right is a right granted to the participant to receive, in shares of common stock, an amount equal to the appreciation of one share of common stock from the date of grant.

Restricted Stock Awards. A restricted stock award involves an immediate transfer of ownership of a fixed number of shares of common stock to the participant, although the shares are subject to a risk of forfeiture or to other conditions or restrictions during specified periods of time. The participant is immediately entitled to voting, dividend and

other ownership rights in such shares. The Committee has discretion to waive in whole or in part restrictions or forfeiture conditions relating to the restricted stock award.

Performance Share Awards. Performance share awards are rights to receive, in cash, shares of common stock or a combination thereof, an amount equal to the value of common stock if certain performance goals are attained.

Performance-Based Awards. The purpose of performance-based awards is to qualify restricted stock or performance share awards as performance-based compensation pursuant to Section 162(m) of the Code. Section 162(m) of the Code limits the Company's federal income tax deduction for compensation paid to any of the executive officers named in the summary compensation table of its annual proxy statement. The limit is \$1 million per officer per year, with certain exceptions. However, the deductibility limit does not apply to performance-based compensation if the qualifying performance criteria are approved in advance by the Company's stockholders. Stockholder approval of this proposal will constitute stockholder approval of the qualifying performance criteria for purposes of Section 162(m) of the Code.

For performance-based Awards, the Committee has the discretion to select the length of the performance period, the qualifying performance criteria and the level of the performance goal. For this purpose, the qualifying performance criteria will be any one or more of the following:

pre- or after-tax net earnings;

earnings before interest expense (including interest amortized to cost of sales) and income taxes (EBIT);

earnings before interest expense (including interest amortized to cost of sales), income taxes, depreciation and amortization (EBITDA);

revenue growth;

operating income;

operating cash flow;

return on net assets;

return on stockholders' equity;

return on assets;

return on capital;

share price growth;

shareholder returns;

gross or net profit margin;

earnings per share;

price per share; and

market share;

any of which may be measured in absolute terms or as compared to any incremental increase or as compared to results of a peer group.

Notwithstanding the satisfaction of the performance criteria, the number of shares issued under or the amount paid under an Award may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion may determine.

Limitations of Awards

The 2006 Stock Plan provides that participants may not receive Awards with respect to more than 100,000 shares of common stock during any calendar year.

Transferability Restrictions

Except as otherwise permitted by the Committee and certain transfers to family members, participants generally may not sell, transfer, pledge, assign or otherwise alienate or hypothecate Awards granted under the 2006 Stock Plan

other than by will or the laws of descent and distribution, and each option and stock appreciation right is generally exercisable only by a participant during his or her lifetime.

Change in Capitalization

The Committee shall adjust the number and kind of shares available for issuance under the 2006 Stock Plan and the number and kind of shares subject to the limitations described above in *Limitations of Awards* in the event of a recapitalization, consolidation, combination or exchange of shares, stock split, spin-off, stock dividend or similar corporate change that affects the number or kind of shares of the Company outstanding. The Committee may also adjust the exercise price, number or kind of shares subject to individual Awards and other terms to reflect the foregoing events.

Change in Control

If a change of control occurs and Awards are converted, assumed, or replaced by a successor, the Committee has the discretion to cause all outstanding Awards to become fully exercisable and all restrictions on outstanding Awards to lapse. If a change of control occurs and the Awards are not converted, assumed, or replaced by a successor, all outstanding Awards shall automatically become fully exercisable and all restrictions on outstanding Awards shall lapse.

Amendment to or Termination of the 2006 Stock Plan

The Committee with the Board's approval may amend, alter or discontinue the 2006 Stock Plan. However, other than in connection with a change in the Company's capitalization as described above in *Change in Capitalization*, no amendment may be made without stockholder approval if such amendment would:

- increase the maximum number of shares of common stock for which Awards may be granted under the 2006 Stock Plan;

- permit the Committee to grant options with an exercise price that is below the fair market value of a share of common stock on the date of grant;

- permit the Committee to extend the exercise period for an option beyond ten years from the date of grant;

- permit the Committee to reprice previously-granted options; or

- require stockholder approval under any laws, regulating or stock exchange rule.

New Plan Benefits

As of the date of this proxy statement, no Awards have been made under the 2006 Stock Plan. The benefits that will be awarded or paid under the 2006 Stock Plan are not currently determinable. The following table sets forth grants of options made under the Old Plan during 2005 to (i) each of the executive officers named on page 17; (ii) each of the director nominees for election (iii) all current executive officers, as a group; (iv) all current directors and director nominees who are not executive officers, as a group; (v) all employees, including all current officers who are not executive officers, as a group.

Individual or Group Name	Number of Shares Subject to Options Granted	Weighted Average Exercise Price Per Share
Executive Officers		
John R. Landon (1)	50,000	\$ 58.62
Steven J. Hilton(1) (2)	50,000	58.62
Larry W. Seay	20,000	58.62
C. Timothy White	20,000	70.38
Richard T. Morgan	12,500	59.15
Director Nominees		
Raymond Oppel	5,000	\$ 58.62
William G. Campbell	5,000	58.62
Richard T. Burke	5,000	58.62
Executive Officer Group (5 persons)	152,500	\$ 60.21
Non-Executive Officer Director Group (5 persons) (3)	30,000	\$ 58.62
Non-Executive Officer Employee Group (101 persons)	406,250	\$ 60.61
All non-employees		

(1) John R. Landon and Steven J. Hilton each received more than 5% of the options granted in 2005.

(2) Steven J. Hilton is also a director nominee.

(3) Excludes C. Timothy White

Accounting Treatment

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share-Based Payment* (SFAS 123(R)). SFAS 123(R) requires that companies measure and recognize compensation expense at an amount equal to the fair value of share-based payments granted under compensation arrangements. SFAS 123(R) became effective for the Company beginning in the first quarter of fiscal 2006. The estimated impact of the adoption of SFAS No. 123(R) is estimated to result in a reduction of net earnings ranging from approximately \$8 million to \$9 million in 2006 depending on, among other things, the number of options granted and the price of our stock, as well as the assumptions used to value options granted, such as the volatility of our stock, risk-free interest rates, employee exercise patterns and employee forfeiture rates.

U.S. Federal Tax Consequences

The following is only a summary of the consequences of U.S. federal income taxation to the participant and the Company with respect to the grant and exercise of Awards under the 2006 Stock Plan. The summary is not complete, does not discuss the income tax laws of any state or foreign country in which a participant may reside, and is subject to change. Participants in the 2006 Stock Plan should consult their own tax advisors regarding the specific tax consequences to them of participating in and receiving Awards under the 2006 Stock Plan.

Nonqualified Stock Options and Stock Appreciation Rights. Generally, a participant will not recognize income upon the grant of a nonqualified stock option or a stock appreciation right; instead, the holder of a nonqualified stock option or a stock appreciation right will recognize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the common stock at the time of exercise over the exercise price. Upon a subsequent sale of the shares of common stock received upon exercise, the difference between the net proceeds of sale and the fair market value of the shares on the date of exercise will generally be taxed as capital gain or loss (long-term or short-term, depending on the holding period).

Incentive Stock Options. A participant will not recognize income upon the grant of an incentive stock option. In addition, a participant will not recognize income upon the exercise of an incentive stock option if the participant satisfied certain employment and holding period requirements. To satisfy the employment requirement, a participant must exercise the option not later than three months after he or she ceases to be an employee of the Company or any of its subsidiaries (or later than one year if he or she is disabled), unless he or she has died. To satisfy the holding period requirement, a participant must hold the stock acquired upon exercise of the incentive stock option more than two years from the date of grant of the stock option and more than one year after the transfer of the shares of common stock to him or her. If these requirements are satisfied, on the sale of such stock, the participant will be taxed on any gain, measured by the difference between the option price and the net proceeds of sale, generally at long-term capital gains rates.

If shares of common stock acquired upon the timely exercise of an incentive stock option are sold, exchanged, or otherwise disposed of without satisfying the holding period requirements (a disqualifying disposition), the participant will, in the usual case, recognize (i) capital gain in an amount equal to the excess, if any, of the sales price over the fair market value of the shares on the date of exercise; (ii) ordinary income in an amount equal to the excess, if any, of the lesser of the sales price or the fair market value of the shares on the date of exercise over the option price of the option; and (iii) capital loss equal to the excess, if any, of the option price over the sales price.

Individuals are subject to an alternative minimum tax based upon an expanded tax base to the extent such tax exceeds the regular tax liability. The amount by which the fair market value of the shares acquired upon exercise of an incentive stock option exceeds the exercise price will be included as a positive adjustment in the calculation of the employee's alternative minimum taxable income in the year of exercise. The alternative minimum tax imposed on individual taxpayers is generally equal to the amount by which a specified percentage of the individual's alternative minimum taxable income (reduced by certain exemption amounts) exceeds his or her regular income tax liability for the year.

Stock options otherwise qualifying as incentive stock options will be treated as nonqualified stock options to the extent that the aggregate fair market value of stock with respect to which incentive stock options are exercisable for the first time by a participant during any calendar year (under all of the Company's plans) exceeds \$100,000 based on the fair market value of the stock at the date of grant.

Restricted Stock. A participant will not recognize income upon the grant of restricted stock. If the participant makes an election under Code Section 83(b) within 30 days after receiving the shares of restricted stock, however, he or she will recognize ordinary income in the year of receipt in an amount equal to the excess of the fair market value of such shares (determined without regard to the restrictions imposed by the 2006 Stock Plan) at the time of transfer over any amount paid by the participant. Then, upon the sale of such stock, the difference between the fair market value at the time of transfer and the net proceeds of sale will generally be taxed as capital gain or loss (long-term or short-term, depending on the holding period). If a participant makes a Section 83(b) election with respect to shares of common

stock that are subsequently forfeited, he or she will not be entitled to deduct any amount previously included in income by reason of such election. If a participant does not make a Section 83(b) election, the participant will recognize ordinary income in the year or years in which the award of restricted stock vests and any restrictions imposed by the 2006 Stock Plan on the Award terminate in an amount equal to the excess, if any, of the fair market value of such shares on the date the restrictions expire or are removed over any amount paid by the participant. If a Section 83(b) election has not been made, any dividends received with respect to shares of common stock subject to restrictions will be treated as additional compensation income and not as dividend income.

Performance Shares. A participant will not recognize income upon the grant of a performance share. The participant will recognize ordinary income in the year paid equal to the fair market value of shares of common stock or cash received.

Withholding Taxes. Generally, the Company will be required to withhold applicable taxes with respect to any ordinary income recognized by a participant in connection with Awards granted under the 2006 Stock Plan. The Committee may permit a participant to pay withholding taxes through the mandatory or elective sale of shares of common stock, by electing to have the Company withhold a portion of the shares that would otherwise be issued upon exercise of an Award (based upon the minimum statutory withholding amount) or by tendering shares already owned by the participant for more than six months.

Awards of performance shares under the 2006 Stock Plan may, in some cases, result in the deferral of compensation that is subject to the requirements of Section 409A of the Code. To date, the U.S. Treasury Department and Internal Revenue Service have issued only proposed regulations and other preliminary guidance regarding the impact of Section 409A on the taxation of these types of Awards. It is the intent of the Company that Awards under the 2006 Stock Plan will be structured and administered in a manner that complies with the requirements of Section 409A.

The Company will generally be entitled to a tax deduction corresponding in amount and time to the participant's recognition of ordinary income in the circumstances described above, provided, among other things, that such deduction meets the test of reasonableness and is an ordinary and necessary business expense. However, in connection with a change in control of the Company, and depending upon the terms and conditions of Awards granted under the 2006 Stock Plan and upon the individual circumstances of the participants, certain amounts with respect to Awards granted under the 2006 Stock Plan may constitute excess parachute payments under the golden parachute provisions of Section 280G of the Code. Under these provisions, a participant will be subject to a 20% excise tax on any excess parachute payment and the Company will be denied any deduction with respect to such payment. In addition, as described above, in certain instances as a result of the application of Section 162(m) of the Code, the Company may be denied a compensation deduction for Awards granted to certain officers that do not qualify as performance-based compensation to the extent their aggregate compensation exceeds \$1 million in a given year.

Securities Authorized for Issuance under Equity Compensation Plan

The following table summarizes our equity compensation under all of our equity compensation plans as of December 31, 2005:

Plan Category	(a) Number of Shares to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders	2,799,282	\$ 27.90	490,550
Equity compensation plans not approved by stockholders			n/a
Total	2,799,282	\$ 27.90	490,550

Securities Registration

We intend to register the shares of common stock available for issuance under the 2006 Stock Plan under a Registration Statement on Form S-8 to be filed with the SEC after approval of the 2006 Stock Plan by our stockholders.

THE BOARD OF DIRECTORS HAS APPROVED THIS PROPOSAL TO ADOPT THE

MERITAGE HOMES CORPORATION 2006 STOCK INCENTIVE PLAN AS ATTACHED AS APPENDIX B AND THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF PROPOSAL NO. 3.

APPROVE THE MERITAGE HOMES CORPORATION 2006 ANNUAL INCENTIVE PLAN

(Proposal No. 4)

The Board of Directors has adopted the Meritage Homes Corporation 2006 Annual Incentive Plan (the **Incentive Plan**). The Incentive Plan will become effective as of February 15, 2006, subject to stockholder approval at the annual meeting. No award may be made under the Incentive Plan after its expiration date, but awards made prior thereto may extend beyond that date.

The Incentive Plan will provide for annual incentive awards to certain of the Company's key executives and is being submitted to stockholders in an effort to assure that awards under the Plan will be tax deductible for the Company. Section 162(m) of the Code places a \$1 million annual limit on the amount of compensation paid to the executive officers named in the summary compensation table of the Company's annual proxy statement that may be deducted by the Company for federal income tax purposes, unless such compensation is based on the achievement of pre-established performance goal(s) set by the Executive Compensation Committee pursuant to an incentive plan that has been approved by the Company's stockholders. Stockholder approval of the Plan is necessary for maintaining the tax-deductible status of incentive payments made to the participants.

We have summarized below the key provisions of the Incentive Plan. Because it is a summary, it may not contain all of the information that is important to you. The summary is qualified in its entirety by reference to the full text of the 2006 Annual Incentive Plan, which is attached as *Appendix C* to this Proxy Statement.

Purpose of the Plan

Awards may be made under the Incentive Plan to any employee of the Company who is a covered employee within the meaning of Section 162(m) of the Code. A covered employee includes Meritage's Co-Chief Executive Officers and the four other most highly compensated executive officers of the Company. Non-employee directors are not eligible to receive an award under the Incentive Plan.

Administration

The Incentive Plan will be administered by the Executive Compensation Committee or any other committee appointed by the Board of Directors (the **Committee**), which consists of not less than two non-employee directors who are outside directors within the meaning of Section 162(m) of the Code. The Committee has full authority to interpret the Plan and to establish rules for its administration. The Committee has the authority to determine eligibility for participation in the Incentive Plan, to decide all questions concerning eligibility for and the amount of awards, and to establish and administer the performance goals (defined below) and certify whether, and to what extent, they are attained.

Determination of Awards

In determining awards to be made under the Incentive Plan, the Committee may approve a formula that is based on one or more objective criteria to measure corporate performance as set forth in the Plan (Performance Criteria). The Committee may establish Performance Criteria and as selected by the Committee, the Committee may set annual performance objectives (Performance Goals) with respect to such Performance Criteria for the Company. Performance Criteria must include one or more of the following: pre- or after-tax net earnings; earnings before interest expense (including interest amortized to cost of sales) and income taxes (EBIT); earnings before interest expense (including interest amortized to cost of sales), income taxes, depreciation and amortization (EBITDA); revenue growth; operating income; operating cash flow; return on net assets; return on shareholders equity; return on assets; return on capital; share price growth; shareholder returns; gross or net profit margin; earnings per share; price per share; and market share, any of which may be measured either in absolute terms, or as compared to any incremental increase, or as compared to results of a peer group. The Committee may provide that the Performance Criteria may include or exclude extraordinary charges, non-recurring or unusual items, accounting charges or similar items. The Committee shall, within the time prescribed by Section 162(m) of the Code, define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period for the participants.

Payment of awards will be made in cash. The Committee will make all determinations regarding the achievement of Performance Goals and the determination of actual awards. The Committee may in its discretion decrease, but not increase, the amount of any award that otherwise would be payable under the Incentive Plan.

Amount Available and Maximum Individual Awards

The Committee shall determine the amount available for awards in any year. The maximum award payable to any employee for a performance period is 1.85% of EBITDA, before consideration of bonuses paid to covered employees.

Amendment and Termination

The Committee may suspend or terminate the Incentive Plan at any time with or without prior notice. In addition, the Committee may from time to time and with or without prior notice, amend or modify the Incentive Plan in any manner, but may not without stockholder approval adopt any amendment that would require the vote of stockholders of the Company pursuant to Section 162(m) of the Code.

New Plan Benefits

As of the date of this proxy statement, the Committee has made performance-based bonus awards to four covered employees for 2006. These awards are subject to approval of the Incentive Plan by the Company's stockholders at the annual meeting. Subject to the approval of the 2006 Plan, the Committee has approved the following performance-based awards:

to John R. Landon and Steven J. Hilton (Co-CEOs), for the performance period (fiscal 2006), a bonus equal to .825% of EBITDA (before consideration of bonuses paid to certain executive officers and one-time financing charges) if the Company's return on assets is in the top half of public homebuilders having revenues of \$500 million or more per year, and an additional .825% of EBITDA if the Company's return on equity is in the top half of these public builders. If either measurement falls within the 33% to 49% percentile, the bonus shall be .5363% of EBITDA for the applicable measurement. If either measurement falls below the 33% threshold, then there will not be any formula bonus paid with respect to such measurement;

to Larry W. Seay (Chief Financial Officer), for the performance period (fiscal 2006), a bonus equal to .20% of EBITDA (before consideration of bonuses paid to certain executive officers and one-time financing charges) if the Company's return on assets is in the top half of public homebuilders having revenues of \$500 million or more per year, and an additional .20% of EBITDA if the Company's return on equity is in the top half of these public builders. If either measurement falls within the 33% to 49% percentile, the bonus shall be .13% of EBITDA for the applicable measurement. If either measurement falls below the 33% threshold, then there will not be any formula bonus paid with respect to such measurement; and

to C. Timothy White (General Counsel), for each of the next two performance periods (fiscal 2006 and 2007), a bonus equal to .1125% of EBITDA (before consideration of bonuses paid to certain executive officers and one-time financing charges).

The benefits to be paid under the Incentive Plan are not currently determinable. During 2005, the Company paid to Messrs. Landon, Hilton and Seay performance-based incentive compensation based on substantially similar performance criteria of \$8,806,808, \$8,606,808 and \$2,086,984, respectively.

THE BOARD OF DIRECTORS HAS APPROVED THIS PROPOSAL TO ADOPT THE MERITAGE HOMES CORPORATION 2006 ANNUAL INCENTIVE PLAN AS ATTACHED AS *APPENDIX C* AND THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF PROPOSAL NO. 4.

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(Proposal No. 5)

The Board of Directors seeks an indication from stockholders of their approval or disapproval of the Audit Committee's appointment of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm for 2006.

Deloitte & Touche LLP was appointed our auditor in 2005 and no relationship exists other than the usual relationship between auditors and clients.

If the appointment of Deloitte & Touche LLP as auditors for 2006 is not approved by stockholders, the adverse vote will be considered a direction to the Audit Committee to consider other auditors for next year. However, because of the difficulty in making any substitution of auditors so long after the beginning of the current year, the appointment in 2006 will stand, unless the Audit Committee finds other good reason for making a change.

THE BOARD OF DIRECTORS HAS APPROVED THIS PROPOSAL NO. 5 AND THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL NO. 5.

SECURITY OWNERSHIP BY MANAGEMENT AND PRINCIPAL STOCKHOLDERS

Management. The following table summarizes, as of March 15, 2006, the number and percentage of outstanding shares of our common stock beneficially owned by the following:

each Meritage director and nominee for director;

each executive officer named in the compensation summary under Executive Compensation; and

all Meritage directors and executive officers as a group.

Name Of Beneficial Owner(1)	Position With The Company	Number Of Shares Owned (2)	Right To Acquire By May 14, 2006	Total Shares Beneficially Owned	Percent Of Outstanding Shares
John R. Landon	Director, Co-Chairman and Co-CEO	1,911,136	138,000	2,049,136	7.7%
Steven J. Hilton	Director, Co-Chairman and Co-CEO	1,727,194(3)	234,000	1,961,194	7.3
Robert G. Sarver	Director	428,000(4)	62,500	490,500	1.8
Raymond Oppel	Director		32,500	32,500	*
Peter L. Ax	Director		42,500	42,500	*
William G. Campbell	Director	500	15,000	15,500	*
Richard T. Burke, Sr.	Director		7,500	7,500	*
Gerald W. Haddock	Director		5,000	5,000	*
Larry W. Seay	Executive Vice President and Chief Financial Officer	23,926	92,484	116,410	*
C. Timothy White	Executive Vice President, General Counsel and Secretary	21,264(5)	40,000	61,264	*
Richard T. Morgan	Vice President and Treasurer	20,106	48,100	68,206	*
All directors and executive officers as a group (11 persons)		4,132,126	717,584	4,849,710	19.1%

* Less than 1%.

(1) The address for our directors and executive officers is c/o Meritage Homes Corporation, 17851 North 85th Street, Suite 300, Scottsdale, Arizona 85255.

(2) The amounts shown include the shares of common stock actually owned as of March 15, 2006, and the shares which the person or group had the right to acquire within 60 days of that date. The number of shares includes shares of common stock owned of record by such person's spouse and minor children and by other related individuals and entities over whose shares of common stock such person has custody, voting control or the power of disposition. In calculating the percentage of ownership, all shares of common stock which the identified person had the right to acquire within 60 days of March 15, 2006 upon exercise of options are considered as outstanding for computing the percentage

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of the shares owned by that person or group, but are not considered as outstanding for computing the percentage of the shares of stock owned by any other person.

- (3) Shares are held by family trusts.
- (4) Mr. Sarver is deemed to beneficially own 6,000 shares through his spouse and 2,000 shares through a minor child.
- (5) Includes 20,000 shares pledged to a third party lending institution to secure a loan.

Certain Other Beneficial Owners. Based on filings made under the Securities Exchange Act of 1934, as of March 15, 2006, the only other known beneficial owners of more than 5% of Meritage common stock are shown in the following table:

Name of Other Beneficial Owners	Address Of Beneficial Owner	Shares Beneficially Owned	
		Number	Percent
EARNEST Partners, LLC(1)	75 14 th Street, Suite 2300, Atlanta, GA 30309	3,153,625	11.5%

(1) Based solely on a Schedule 13G, filed with the SEC on February 8, 2006. EARNEST Partners, LLC has sole voting power with respect to 960,761 shares, shared voting power with respect to 1,119,864 shares and sole dispositive power with respect to 3,153,625 shares.

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

The Board of Directors is elected by the stockholders to oversee the stockholders' interests in the operation and overall success of our business. The Board serves as the ultimate decision-making body of the Company, except for those matters reserved to or that require a vote of our stockholders. The Board selects and oversees the members of senior management who are charged by the Board with conducting the business of the Company. Meritage has established and operates in accordance with a comprehensive plan of corporate governance that defines and sets high ethical standards for the conduct of our officers and employees. This plan provides an important framework within which the Board of Directors can pursue the Company's strategic objectives and ensure long-term stockholder value.

Corporate Governance Principles and Practices

We have adopted Corporate Governance Principles and Practices that define the key elements of our corporate governance framework and philosophy, including:

- director qualifications,
- independence criteria,
- director responsibilities,
- our committee structure,
- officer and director stock ownership requirements,
- director resignation policy,
- director access to officers and employees,
- our philosophy with respect to director compensation,
- requirements regarding director orientation and continuing education, and
- our plans with respect to management succession.

Our Corporate Governance Principles and Practices are available on our website at www.meritagehomes.com and we will provide a print copy to any stockholder upon request. These principles are reviewed regularly by the Nominating/Governance Committee and changes are made as appropriate.

Director Qualification and Independence

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Determinations regarding the eligibility of director candidates are made by the Nominating/Governance Committee, which considers the candidate's qualifications as to age, skills, and experience in the context of the needs of the Board of Directors and our stockholders. The Nominating/Governance Committee also evaluates the independence of each candidate. Consistent with the rules and regulations of the New York Stock Exchange (NYSE), at least a majority of the Board of Directors must be independent.

No director will be deemed to be independent unless the Board of Directors affirmatively determines that the director has no material relationship with the Company, either directly or as an officer, shareowner or partner of an organization that has a relationship with the Company. The Board observes all criteria established by the NYSE and other governing laws and regulations. In its annual review of director independence, the Board of Directors considers all commercial, banking, consulting, legal, accounting, charitable or other business relationships any director may have with the Company.

As a result of its annual review, the Board of Directors has determined that a majority of Meritage's Board members are independent. Our independent directors, identified by an asterisk in the next table, are Peter Ax, Raymond Oppel, William Campbell, Richard Burke and Gerald Haddock.

In making this determination, the Board of Directors evaluated whether there exists any relationships between these individuals and Meritage. Except as noted below, the Board of Directors determined no relationship exists between Meritage and any independent director. Although the Board of Directors identified and evaluated a relationship between the Company and Ray Oppel, an independent director, it determined that this relationship is not material and does not affect Mr. Oppel's independence. Mr. Oppel had a 7.5% limited partnership interest in a joint venture that sold lots to

Hammonds Homes, which arrangement was entered into prior to our 2002 acquisition of Hammonds. Mr. Opiel earned approximately \$36,000 in 2004 from this joint venture. Mr. Opiel received no earnings related to this joint venture in 2005. In addition, Mr. Opiel and his adult children collectively own an approximate 9.4% limited partnership interest in a joint venture that owns real property in Texas. Meritage has entered into a contract with the limited partnership to acquire a portion of the real property and has made deposits totaling approximately \$25,000 as of December 31, 2005. The Board considered these relationships and determined that they do not impair Mr. Opiel's independence because he holds only a limited partnership interest and as such has no control over management of the partnerships. Accordingly, Mr. Opiel is not in a position to negotiate or influence the terms of any transaction in which the partnerships may engage. Moreover, the transactions are, individually and in the aggregate, immaterial in relation to Mr. Opiel's net worth.

Steven Hilton and John Landon are not considered independent because they are employed by the Company.

Prior to 2004, Robert Sarver was deemed an independent director. The Nominating/Governance Committee has continually monitored certain relationships between Robert Sarver and Meritage along with relationships between Robert Sarver and Messrs. Hilton and Landon. In the past, Messrs. Sarver, Hilton and Landon had certain business relationships unrelated to Meritage. The Nominating/Governance Committee evaluated these relationships and determined that they did not impair Mr. Sarver's independence because they did not involve Meritage and were insignificant in relation to Mr. Sarver's net worth. During 2004, Mr. Sarver became the controlling owner of the Phoenix Suns basketball team, in which Messrs. Hilton and Landon purchased minority ownership interests. This relationship was closely evaluated by the Nominating/Governance Committee because of its significance to Messrs. Sarver, Hilton and Landon and because a pre-existing relationship between the Phoenix Suns and Meritage existed under which Meritage purchases advertising with the Phoenix Suns. Based on this ongoing evaluation, the Nominating/Governance Committee continues to believe that Mr. Sarver is independent within the meaning of the NYSE's rules. Indeed, the Nominating/Governance Committee and the Board of Directors believe Mr. Sarver is a valuable member of the Board and that the Company benefits from his extensive business experience. Despite these beliefs, the Nominating/Governance Committee concluded it is in the best interest of Meritage's stockholders that Mr. Sarver not be deemed an independent director. At last year's annual meeting, Mr. Sarver was elected as a Class II director to serve as an additional non-independent member of the Board.

The Board has also determined that all governance committees of the Board are composed entirely of independent directors.

The Board and Board Committees

We currently have eight incumbent directors and the following committees: Audit Committee, Executive Compensation Committee and Nominating/Governance Committee.

During 2005, the Board of Directors held eleven meetings. Each director attended all of these meetings and the committee meetings of which he is a member, except as follows: Mr. Campbell was unable to attend one Board meeting and one Audit Committee meeting; Mr. Sarver was unable to attend two Board meetings; Mr. White (who resigned from the Board in October 2005 after joining the Company as Executive Vice President - General Counsel and Secretary) was unable to attend one Board meeting; and Mr. Burke was unable to attend one Audit Committee meeting. Directors are expected to attend the Meritage Annual Meeting of Stockholders. All directors attended our 2005 annual meeting, which was held on May 11, 2005.

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The following table summarizes the current members of our Board of Directors and describes the current members of each of the Committees and the number of meetings held during 2005.

				Executive Compensation Committee		Nominating/Governance Committee	
Board of Directors		Audit Committee					
John R. Landon							
Steven J. Hilton							
Peter L. Ax* +			X**		X		X
Robert G. Sarver							
Raymond Oppel*			X		X **		X
William G. Campbell*			X		X		X **
Richard T. Burke, Sr.*			X				
Gerald W. Haddock*			X				
Number of Meetings			11		7		2

* = Independent Director

X = Member

** = Chair

+ = Lead Independent Director

Audit Committee

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The Board of Directors has established an Audit Committee in accordance with the Securities Exchange Act of 1934, and the rules and regulations of the NYSE. The Audit Committee assists the Board of Directors:

- in fulfilling its oversight of the integrity of the Company's financial statements,
- in determining the Company's compliance with legal and regulatory requirements,
- in determining the independent registered public accounting firm's qualifications and independence, and
- in evaluating the performance of the Company's internal audit function and independent registered public accounting firm.

The Audit Committee has the sole authority to appoint or replace the independent registered public accounting firm and approves all audit engagement fees and terms of all significant non-audit engagements with the independent registered public accounting firm in accordance with the pre-approval policies set forth in our Audit Committee charter. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from the Company for, outside legal, accounting or other advisors as it deems necessary to carry out its duties.

The Audit Committee operates under a written charter established by the Board. The charter is available on our website at www.meritagehomes.com and we will provide a print copy to any stockholder upon request. Each member of the Audit Committee meets the independence requirements of the NYSE and the Securities Exchange Act of 1934, and is financially literate, knowledgeable and qualified to review our financial statements. The Board of Directors has determined that each of Peter Ax and William Campbell is an audit committee financial expert. Information about Messrs. Ax's and Campbell's past business and educational experience is included in their biographies in this Proxy Statement under the caption "Director Information."

The report of the Audit Committee is included in this Proxy Statement on page 34.

Executive Compensation Committee

The Board of Directors has established an Executive Compensation Committee in accordance with the NYSE's rules and regulations. The Executive Compensation Committee regularly reports to the Board of Directors and its responsibilities include:

- reviewing and approving goals and objectives relative to the compensation of our Co-CEOs, evaluating our Co-CEOs' performance in light of these goals and approving the compensation of our Co-CEOs,

making recommendations to the Board of Directors with regard to non-CEO compensation and equity-based awards, and producing a report on executive compensation to be included in our annual Proxy Statement.

The Executive Compensation Committee operates under a written charter, which is available on our website at www.meritagehomes.com and we will provide a print copy to any stockholder upon request. Each member of the Executive Compensation Committee meets the independence requirements of the NYSE. The report of the Executive Compensation Committee is included in this Proxy Statement at page 28.

Nominating/Governance Committee

The Board of Directors has established a Nominating/Governance Committee, which directly reports to the Board of Directors and is responsible for:

identifying individuals qualified to become Board members and recommending director nominees for the next annual meeting of stockholders,

developing and recommending Corporate Governance Principles and Practices applicable to the Company,

leading the Board of Directors in its annual review of the Board's performance, and

recommending nominees for the Executive Compensation Committee and Audit Committee.

The Nominating/Governance Committee has the sole authority to retain and terminate any search firm used to identify director candidates, including sole authority to approve the search firm's fees and other retention terms. The Nominating/Governance Committee operates under a written charter, which is available on our website at www.meritagehomes.com and we will provide a print copy to any stockholder upon request. Each member of the Nominating/Governance Committee meets the independence requirements of the NYSE.

Director Nomination Process

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Stockholder Nominees. The policy of the Nominating/Governance Committee is to consider properly submitted stockholder nominations for candidates for membership on the Board of Directors as described below. In evaluating such nominations, the Nominating/Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership qualifications and criteria described below. Any stockholder nominations proposed for consideration by the Nominating/Governance Committee must include the nominee's name and qualifications for Board membership and should be submitted to:

Meritage Homes Corporation

17851 North 85th Street

Suite 300

Scottsdale, Arizona 85255

Attn: Corporate Secretary

The Secretary will forward all nominations to the Nominating/Governance Committee. In addition, the Company's bylaws permit stockholders to nominate directors for consideration at an annual stockholder meeting. For a description of the process for submitting such nominations, and the deadline to propose actions for consideration at next year's annual meeting, please see "Stockholder Proposals" on page 38 of this Proxy Statement.

Director Qualifications. The Nominating/Governance Committee will evaluate prospective nominees using the standards and qualifications set forth in the Company's Corporate Governance Principles and Practices. Prospective nominees should have the highest professional and personal ethics and values, as well as broad experience at the policy-making level in business, government, education or public interest. They should be committed to enhancing stockholder value and should have sufficient time to devote to carrying out their duties and to provide insight based upon experience, talent, skill and expertise appropriate for the Board. Each prospective nominee must be willing and able to represent the interests of the stockholders of the Company.

Identifying and Evaluating Nominees for Directors. The Nominating/Governance Committee utilizes a variety of methods for identifying and evaluating nominees to serve as directors. The Nominating/Governance Committee assesses the current composition of the Board of Directors, the balance of management and independent directors and the need for Audit Committee expertise in its evaluation of prospective nominees. In the event that vacancies are anticipated, or otherwise arise, the Nominating/Governance Committee may seek recommendations from current Board members, professional search firms, outside legal, accounting and other advisors, or stockholders in order to locate qualified nominees. After completing its evaluation, the Nominating/Governance Committee will make a recommendation to the full Board of Directors as to the persons who should be nominated by the Board of Directors, and the Board will determine the nominees after considering such recommendations.

Executive Sessions of Independent Directors

Our Corporate Governance Principles and Practices dictate that the non-management members of the Board of Directors will meet in executive session at least quarterly outside the presence of directors that are employees or officers of the Company. The non-management directors met in executive session seven times during 2005 and early 2006. Peter Ax is the Company's Lead Independent Director and presides over these executive session meetings.

Code of Ethics

Meritage Homes Corporation is committed to conducting business consistent with the highest ethical and legal standards. The Board of Directors has adopted a Code of Ethics, which is applicable to all employees, including our Co-CEOs and our Chief Financial Officer. The Code is available on our website at www.meritagehomes.com and we will provide a print copy to any stockholder upon request.

Communications with the Board of Directors

Interested persons may communicate with the Board of Directors by writing to our Lead Independent Director at the address set forth on page 21.

CONTINUING DIRECTOR INFORMATION

Meritage divides its Board of Directors into two classes, one of which is up for election this year, as set forth under Election of Directors (Proposal No. 1). The following sets forth biographical information regarding each member of the class of directors whose term will continue until the 2007 annual meeting of stockholders.

John R. Landon, 48, has been co-chairman and co-chief executive officer of Meritage Homes Corporation since 1997. Mr. Landon founded Texas-based Legacy Homes in 1987, which became a part of Meritage in 1997. Prior to founding Legacy Homes, Mr. Landon's experience included land acquisition and development operations for a large homebuilder, sales and land development for the Trammel Crow Residential Group and public accounting with Ernst & Whinney. Mr. Landon received his undergraduate degree in accounting from Louisiana State University.

Robert G. Sarver, 44, has been a director since December 1996, and is the chairman and chief executive officer of Western Alliance Bancorporation, a director of Skywest Airlines, and the managing partner of the Phoenix Suns basketball team. He was the chairman and chief executive officer of California Bank & Trust from 1998 to 2001. From 1995 to 1998, he served as chairman of Grossmont Bank. In 1990, Mr. Sarver co-founded and currently serves as the executive director of Southwest Value Partners and Affiliates, a real estate investment company. Mr. Sarver founded the National Bank of Arizona and was its President until its acquisition by Zions Bancorporation in 1994. Mr. Sarver has been a certified public accountant.

Peter L. Ax, 47, has been a director since September 2000 and is the managing partner of Phoenix Capital Management, an investment banking and merchant banking firm. Mr. Ax is the former chairman and chief executive officer of SpinCycle, Inc., a publicly held consolidator and developer of coin-operated Laundromats. Previously, Mr. Ax served as head of the Private Equity Division and senior vice president of Lehman Brothers in New York. Mr. Ax is also on the board of directors of CashX, Inc. and Medit Marketing, Inc. and serves on the Advisory Board of Directors of Cascadia Capital, a Seattle based investment banking and merchant banking firm. Mr. Ax holds an M.B.A. from the Wharton School at the University of Pennsylvania and a law degree from the University of Arizona, and has been a certified public accountant. He has also been an accounting instructor at the Wharton School.

Gerald W. Haddock, 58, was appointed as a director in January 2005. Mr. Haddock is the founder of Haddock Enterprises, LLC and formerly served as President and CEO of Crescent Real Estate Equities, a diversified real estate investment trust. He is currently a Director and Audit Committee Chairman of ENSCO International, Inc., a leading global offshore oil and gas drilling service company, and a director of Cano Petroleum, Inc., a Ft. Worth-based producer of crude oil and natural gas that specializes in enhanced recovery technology. He also serves on the Board of Directors of the Baylor Foundation of Baylor University, on the Dean's Strategic Council for the Graduate Tax Program at New York University and on the Board of Trustees of the M.D. Anderson Proton Therapy Education and Research Foundation.

DIRECTOR COMPENSATION

Non-employee directors receive an annual cash retainer of \$50,000, plus expenses related to attending Board and Committee meetings, and an annual grant of stock options. Our lead director receives \$55,000 annually in addition to his annual retainer. Non-employee directors receive no additional cash compensation for attending Board or Committee meetings. The following table summarizes the compensation we paid in 2005 to our non-employee directors.

Name	Fees earned or paid in cash (\$)	Option Awards (#)(1)(2)
Peter L. Ax	\$ 164,170	5,000
Robert G. Sarver(3)	\$ 50,000	5,000
Raymond Oppel	\$ 50,000	5,000
William G. Campbell	\$ 50,000	5,000
Richard T. Burke(3)	\$ 50,000	5,000
Gerald W. Haddock	\$ 50,000	10,000
C. Timothy White(4)	\$ 33,340	5,000

(1) Non-employee director stock options vest in equal share increments on each of the first two anniversary dates of the date of grant and have an exercise price equal to the closing price of our common stock on the date of grant.

(2) As of December 31, 2005, the outstanding number of options held by the non-employee directors was 45,000, 85,000, 35,000, 17,500, 15,000 and 10,000 for Messrs. Ax, Sarver, Oppel, Campbell, Burke and Haddock, respectively.

(3) As part of reimbursing directors for out-of-pocket expenses incurred in attending Board and committee meetings, we reimburse certain directors for charter aircraft service. During 2005, we made reimbursements of approximately \$80,500 and \$8,400, to Messrs. Burke and Sarver, respectively.

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10.56

Second Amendment to Executive Salary Continuation Agreement of Robert T. Herr dated June 4, 2002 and Amended September 15, 2004, is included as exhibit 10.56 to the Registrant's 10-K for December 31, 2008, which is incorporated by this reference herein.

10.57

First Amendment to Split Dollar Agreements of Robert T. Herr dated September 15, 2004, is included as exhibit 10.57 to the Registrant's 10-K for December 31, 2008, which is incorporated by this reference herein.

10.58

Executive Salary Continuation Agreement of Robert T. Herr dated December 17, 2008, is included as exhibit 10.58 to the Registrant's 10-K for December 31, 2008, which is incorporated by this reference herein.

10.64

First Amendment to the Plumas Bank Amended and Restated Director Retirement Agreement for Alvin Blickenstaff adopted on September 19, 2007, is included as Exhibit 10.64 to the Registrant's 8-K filed on September 25, 2007, which is incorporated by this reference herein.

10.65

First Amendment to the Plumas Bank Amended and Restated Director Retirement Agreement for Arthur C. Grohs adopted on September 19, 2007, is included as Exhibit 10.65 to the Registrant's 8-K filed on September 25, 2007, which is incorporated by this reference herein.

- 10.67 First Amendment to the Plumas Bank Amended and Restated Director Retirement Agreement for Terrance J. Reeson adopted on September 19, 2007, is included as Exhibit 10.67 to the Registrant's 8-K filed on September 25, 2007, which is incorporated by this reference herein.
- 10.69 First Amendment to the Plumas Bank Amended and Restated Director Retirement Agreement for Daniel E. West adopted on September 19, 2007, is included as Exhibit 10.69 to the Registrant's 8-K filed on September 25, 2007, which is incorporated by this reference herein.
- 10.70 First Amendment to the Plumas Bank Amended and Restated Director Retirement Agreement for Gerald W. Fletcher adopted on October 9, 2007, is included as Exhibit 10.70 to the Registrant's 10-Q for September 30, 2007, which is incorporated by this reference herein.
- 11 Computation of per share earnings appears in the attached 10-Q under Plumas Bancorp and Subsidiary Notes to Condensed Consolidated Financial Statements as Footnote 5 Earnings Per Share.
- 31.1 Rule 13a-14(a) [Section 302] Certification of Principal Financial Officer dated April 28, 2010.
- 31.2 Rule 13a-14(a) [Section 302] Certification of Principal Executive Officer dated April 28, 2010.
- 32.1 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated April 28, 2010.
- 32.2 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated April 28, 2010.

SIGNATURES

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

PLUMAS BANCORP

(Registrant)

Date: April 28, 2010

/s/ Richard L. Belstock
Richard L. Belstock
Interim Chief Financial Officer

/s/ Andrew J. Ryback
Andrew J. Ryback
Interim President and Chief Executive Officer