

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
- Soliciting Material Pursuant to §240.14a-12

Meritage Homes Corporation  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- 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

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**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.**

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**MERITAGE HOMES CORPORATION**

17851 NORTH 85<sup>TH</sup> 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.