MERITAGE CORP
Form S-4
October 23, 2003

Table of Contents

As filed with Securities and Exchange Commission on October 23, 2003

Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Form S-4

REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

Meritage Corporation

Co-registrants are listed on the following page

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**1531**	**86-0611231**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

8501 East Princess Drive, Suite 290

Scottsdale, Arizona 85255
(480) 609-3330
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Larry W. Seay
Chief Financial Officer and
Vice President Finance
8501 East Princess Drive, Suite 290
Scottsdale, Arizona 85255
(480) 609-3330
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:
Steven D. Pidgeon
Jeffrey E. Beck
Snell & Wilmer L.L.P.
One Arizona Center
400 East Van Buren Street
Phoenix, Arizona 85004
(602) 382-6000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the exchange offer pursuant to the registration rights agreement described in the enclosed prospectus have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title Of Each Class of Securities to be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Note(1)	Proposed Maximum Aggregate Offering Price(1)	Amount Of Registration Fee
Senior Notes due 2011	$75,000,000	109%	$81,750,000	$6,613.58
Guarantees of 9.75% Senior Notes due 2011	$75,000,000	(2)	(2)	(2)

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f) under the Securities Act of 1933.
(2) In accordance with Rule 457(m), no separate fee for the registration of the guarantees is required.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

Table of Co-Registrants(1)

Name of Each Co-Registrant as Specified in Its Charter	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
Monterey Homes Arizona, Inc.	Arizona	86-0861526
Meritage Paseo Crossing, LLC	Arizona	86-1006497
Monterey Homes Construction, Inc.	Arizona	86-0863537
Meritage Paseo Construction, LLC	Arizona	86-0863537
Meritage Homes of Arizona, Inc.	Arizona	86-1013006
Meritage Homes Construction, Inc.	Arizona	86-1021464
MTH-Texas GP, Inc.	Arizona	86-0875148
MTH-Texas LP, Inc.	Arizona	86-0875147
Legacy/ Monterey Homes L.P.	Arizona	91-1832213
Meritage Homes of Northern California, Inc.	California	86-0917765
Hancock-MTH Builders, Inc.	Arizona	86-1028847
Hancock-MTH Communities, Inc.	Arizona	86-1028848
Legacy Operating Company, L.P.	Texas	75-2929259
MTH-Texas GP II, Inc.	Arizona	04-3685852
MTH-Texas LP II, Inc.	Arizona	01-0716144
MTH-Homes Nevada, Inc.	Arizona	43-1976353
Meritage Holdings, L.L.C.	Texas	91-1832213
Hulen Park Venture, LLC	Texas	75-2771799
MTH Homes-Texas, L.P.	Texas	02-0618083
MTH-Cavalier, LLC	Arizona	86-0863537
MTH Golf, LLC	Arizona	56-2379206
Legacy-Hammonds Materials, L.P.	Texas	20-0145900

(1) The address, including zip code, and telephone number, including area code, of each co-registrant is 8501 East Princess Drive, Suite 290, Scottsdale, Arizona 85255, (480) 609-3330.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(3)
Registration Nos. 333-105043,
333-105043-01,
333-105043-02,
333-105043-03,
333-105043-04,
333-105043-05,
333-105043-06,
333-105043-07,
333-105043-08,
333-105043-09,
333-105043-10,
333-105043-11,
333-105043-12,
333-105043-13,
333-105043-14,
333-105043-15,
333-105043-16,
333-105043-17,
333-105043-18,
333-105043-19,
and 333-105043-20

SUBJECT TO COMPLETION, DATED OCTOBER 23, 2003

PROSPECTUS

OFFER TO EXCHANGE

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

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,

NEW YORK CITY TIME, ON , 2003, UNLESS EXTENDED.

We are offering to exchange up to $75 million of our 9.75% senior notes due 2011 (the exchange notes), which have been registered under the Securities Act of 1933, as amended, for the identical principal amount of our outstanding unregistered 9.75% senior notes due 2011 (the outstanding notes). The aggregate principal amount at maturity of the outstanding notes, and therefore, the principal amount at maturity of exchange notes which would be issued if all the outstanding notes were exchanged, is $75 million. The terms of the exchange notes will be identical with the terms of the outstanding notes, except that the issuance of the exchange notes is being registered under the Securities Act of 1933, and therefore the exchange notes will not be subject to the restrictions on transfer which apply to the outstanding notes.

Prior to the exchange offer, there has been no public market for the exchange notes. We do not currently intend to list the exchange notes on a securities exchange or seek approval for quotation of the exchange notes on an automated quotation system. Therefore, it is unlikely that an active trading market for the exchange notes will develop.

The exchange agent for the exchange offer is Wells Fargo Bank, National Association.

See Risk Factors, which begin on page 13, for a discussion of certain factors that should be considered in evaluating the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2003.

TABLE OF CONTENTS

Table of Contents

ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about us that is not included in or delivered with the document. This information is available without charge to security holders upon written or oral request. You may request a copy of this information, at no cost, by calling us or by writing to us at our principal executive offices in Arizona at the following address: Meritage Corporation, 8501 East Princess Drive, Suite 290, Scottsdale, Arizona 85255, Attention: Investor Relations. Our telephone number is (480) 609-3330. **In order to obtain timely delivery, you must make your request no later than five business days before the expiration of the exchange offer**. The exchange offer will expire on   , 2003, unless extended.

Our obligations under the Exchange Act to file periodic reports and other information with the SEC may be suspended, under certain circumstances, if our common stock and exchange notes are each hold of record by fewer than 300 holders at the beginning of any fiscal year and are not listed on a national securities exchange. We have agreed that, whether or not we are required to do so by the rules and regulations of the SEC, for so long as any of the exchange notes remain outstanding we will furnish to the holders of the exchange notes, and if required by the Exchange Act, file with the SEC, all annual, quarterly and current reports that we are or would be required to file with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act. In addition, we have agreed that, as long as any of the outstanding notes remain outstanding, we will make the information required by Rule 144A(d)(4) under the Securities Act available to any prospective purchaser of outstanding notes or beneficial owner of outstanding notes in connection with a sale of them.

No person has been authorized to give any information or to make any representations, other than those contained in this prospectus. If given or made, that information or those representations may not be relied upon as having been authorized by us. This prospectus does not constitute an offer to or solicitation of any person in any jurisdiction in which such an offer or solicitation would be unlawful.

MARKET DATA

Market data and other statistical information used throughout this prospectus are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above.

Table of Contents

PROSPECTUS SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus and may not contain all of the information that is important to you. This summary is not complete and does not contain all of the information you should consider before investing in the notes. For a more complete understanding of this exchange offer, we encourage you to read this entire document (including the documents incorporated herein by reference) and the documents to which we have referred you. Unless otherwise indicated in this offering memorandum, the terms Meritage, the Company , we , our and us refer to Meritage Corporation and its subsidiaries and predecessors as a combined entity. results for the six months ended June 30, 2003 and all EBITDA, operating data and other operating ratios are unaudited.

The Company

We are a leading designer and builder of single-family homes in the rapidly growing Sunbelt states of Texas, Arizona, California and Nevada based on the number of home closings. We focus on providing a broad range of first-time, move-up and luxury homes to our targeted customer base. We and our predecessors have operated in Arizona since 1985, in Texas since 1987, in Northern California since 1989 and in Nevada since 1993.

We believe that the relatively strong population, job and income growth as well as the favorable migration characteristics of our markets will continue to provide significant growth opportunities for us. According to U.S. Housing Markets, a leading real estate and homebuilding publication of the Meyers Group, six of our nine markets, Dallas/ Ft. Worth and Houston, Texas, Phoenix/ Scottsdale, Arizona, Sacramento and East San Francisco Bay (East Bay), California and Las Vegas, Nevada, are among or part of the top 20 national housing markets based on annual housing permits issued in 2002, with Dallas/ Ft. Worth, Houston and Phoenix/ Scottsdale comprising three of the top six single-family housing markets. The other three markets that we operate in are Austin and San Antonio, Texas and Tucson, Arizona.

At June 30, 2003, we were actively selling homes in 137 communities, with base prices ranging from $94,000 to $910,000. We develop a design and marketing concept tailored to each community, which includes determination of the size, style and price range of homes, street layout, size and layout of individual lots and overall community design. The home designs offered in a particular community also depend upon such factors as the housing generally available in the area, the consumer demands of a particular market and our lot costs for the project.

In general, we focus on minimizing land risk by purchasing property only after full entitlements have been obtained and typically begin development or construction immediately after close. We acquire land primarily through rolling option contracts, allowing us to purchase individual lots as our building needs dictate. These arrangements allow us to control lot inventory typically on a non-recourse basis without incurring the risks of land ownership or financial commitments other than relatively small non-refundable deposits. At June 30, 2003, we owned or had options to acquire approximately 28,500 housing lots, of which more than eighty percent were under rolling option and land purchase contracts. We believe that the lots we own or have the right to acquire represent approximately a five year supply.

Issuance of the Outstanding Notes

The outstanding $75 million principal amount senior notes due 2011 were sold by us to UBS Securities LLC, Deutsche Bank Securities Inc., Banc One Capital Markets, Inc. and Fleet Securities, Inc., as initial purchasers, on September 25, 2003 pursuant to a purchase agreement dated September 18, 2003, as amended on September 24, 2003, between the initial purchasers and us. The initial purchasers subsequently resold the outstanding notes in reliance on Rule 144A and Regulation S under the Securities Act. We and the initial purchasers also entered into a registration rights agreement pursuant to which we agreed to offer to exchange the exchange notes registered under the Securities Act for the outstanding notes and also granted holders of outstanding notes rights under some circumstances to have resales of outstanding notes registered under the Securities Act. The exchange offer is intended to satisfy certain of our obligations under the registration rights agreement. See The Exchange Offer Purposes and Effects.

The outstanding notes were issued under an indenture dated as of May 30, 2001, between Meritage Corporation, its subsidiary guarantors and Wells Fargo Bank, National Association, as trustee. The exchange notes also are being issued under the indenture and are entitled to the benefits of the indenture. The form and terms of the exchange notes will be identical in all material respects with the form and terms of the outstanding notes, except that (1) the exchange notes will have been registered under the Securities Act and, therefore, will not bear legends describing restrictions on transferring them, and (2) holders of exchange notes will not be, and upon the completion of the exchange offer, holders of outstanding notes will no longer be, entitled to certain rights under the registration rights agreement intended for the holders of unregistered securities. The exchange offer will be deemed completed upon the delivery by us to the exchange agent under the indenture of exchange notes in the same aggregate principal amount as the aggregate principal amount of outstanding notes that are validly tendered and not withdrawn by holders of them in response to the exchange offer. See The Exchange Offer Termination of Certain Rights and Procedures for Tendering and Description of the Exchange Notes.

The proceeds we received from the issuance of the outstanding notes were used to repay a portion of our senior unsecured credit facility. We will receive no proceeds from completion of the exchange offer.

Our principal executive office in Arizona is located at 8501 East Princess Drive, Suite 290, Scottsdale, Arizona 85255, and our telephone number there is (480) 609-3330. Our principal executive office in Texas is located at 4050 West Park Boulevard, Plano, Texas 75093, and our telephone number there is (800) 210-6004. Information about our company and communities is provided through our website www.meritagehomes.com. Information on this website is not incorporated by reference in or otherwise part of this prospectus.

The Exchange Offer

The Exchange Offer	We are offering to exchange $75 million of our 9.75% senior registered notes due 2011 for identical principal amounts of our outstanding unregistered 9.75% senior notes due 2011. At the date of this prospectus, $75 million principal amount at maturity of outstanding notes are outstanding. See The Exchange Offer Terms of the Exchange Offer.
Expiration of the Exchange Offer	5:00 p.m., New York, time, on , 2003, unless the exchange offer is extended (the day on which the exchange offer expires being the expiration date). See The Exchange Offer Expiration Date; Extension; Termination; Amendments.
Conditions of the Exchange Offer	The exchange offer is not conditioned upon any minimum principal amount of outstanding notes being tendered for exchange. However, the exchange offer is subject to certain customary conditions, which we may waive. See The Exchange Offer Conditions of the Exchange Offer.
Accrued Interest on the Outstanding Notes	The exchange notes will bear interest at the rate of 9.75% per annum from and including their date of issuance. When the first interest payment is made with regard to the exchange notes, we will also pay interest on the outstanding notes which are exchanged, from the date they were issued or the most recent interest date on which interest had been paid (if applicable) to, but not including, the day the exchange notes are issued. Interest

Table of Contents

	on the outstanding notes which are exchanged will cease to accrue on the day prior to the day on which the exchange notes are issued. The interest rate on the outstanding notes may increase under certain circumstances if we are not in compliance with our obligations under the registration rights agreement. See Description of the Exchange Notes.
Procedures for Tendering the Outstanding Notes	A holder of outstanding notes who wishes to accept the exchange offer must complete, sign and date a letter of transmittal, or a facsimile of one, in accordance with the instructions contained under the The Exchange Offer Procedures for Tendering and in the letter of transmittal, and deliver the letter of transmittal, or facsimile, together with the outstanding notes and any other required documentation to the exchange agent at the address set forth in The Exchange Offer Exchange Agent. Outstanding notes may be delivered physically or by confirmation of book-entry delivery of the outstanding notes to the exchange agent s account at The Depository Trust Company. By executing a letter of transmittal, a holder will represent to us that, among other things, the person acquiring the outstanding notes will be doing so in the ordinary course of the person s business, whether or not the person is the holder, that neither the holder nor any other person is engaged in, or intends to engage in, or has an arrangement or understanding with any person to participate in, the distribution of the exchange notes and that neither the holder nor any such other person is an affiliate, as defined under Rule 405 of the Securities Act, of ours. Each broker or dealer that receives exchange notes for its own account in exchange for outstanding notes which were acquired by the broker or dealer as a result of market-making activities or other trade activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See The Exchange Offer Procedures for Tendering.
Guaranteed Delivery Procedures	Eligible holders of outstanding notes who wish to tender their outstanding notes and (1) whose outstanding notes are not immediately available or (2) who cannot deliver their outstanding notes or any other documents required by the letter of transmittal to the exchange agent prior to the expiration date (or complete the procedure for book-entry transfer on a timely basis), may tender their outstanding notes according to the guaranteed delivery procedures described in the letter of transmittal. See The Exchange Offer Guaranteed Delivery Procedures.
Acceptance of the Outstanding Notes and Delivery of the Exchange Notes	Upon satisfaction or waiver of all conditions to the exchange offer, we will accept any and all outstanding notes that are properly tendered in response to the exchange offer prior to 5:00 p.m., New York Time, on the expiration date. The exchange notes issued pursuant to the exchange offer will be delivered promptly after expiration of the exchange offer. See The Exchange Offer Procedures for Tendering.

Withdrawal Rights	Tenders of outstanding notes may be withdrawn at any time prior to 5:00 p.m., New York Time, on the expiration date. See The Exchange Offer Withdrawal of Tenders.
The Exchange Agent	Wells Fargo Bank, National Association is the exchange agent. The address and telephone number of the exchange agent are set forth in The Exchange Offer Exchange Agent.
Fees and Expenses	We will bear all expenses incident to our consummation of the exchange offer and compliance with the registration rights agreement. We will also pay any transfer taxes which are applicable to the exchange offer (but not transfer taxes due to transfers of outstanding notes or exchange notes by the holder). See The Exchange Offer Fees and Expenses.
Resales of the Exchange Notes	Based on interpretations by the staff of the SEC set forth in no-action letters issued to persons unrelated to us, we believe exchange notes issued pursuant to the exchange offer in exchange for outstanding notes may be offered for resale, resold and otherwise transferred by the holder (other than (1) a broker-dealer who purchased the outstanding notes directly from us for resale pursuant to Rule 144A under the Securities Act or another exemption under the Securities Act or (2) a person that is an affiliate of ours, as that term is defined in Rule 405 under the Securities Act), without registration or the need to deliver a prospectus under the Securities Act, provided that the holder is acquiring the exchange notes in the ordinary course of business and is not participating, and has no arrangement or understanding with any person to participate, in a distribution of the exchange notes. Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes which outstanding notes were acquired by the broker as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See The Exchange Offer Purposes and Effects.
Federal Income Tax Consequences	The exchange offer will not be treated as a taxable event for United States federal income tax purposes. See Certain United States Federal Income Tax Considerations.

The Exchange Notes

The exchange notes will evidence the same debt as the outstanding notes and will be entitled to the benefits of the indenture under which both the outstanding notes were, and the exchange notes will be, issued. The following summary is not intended to be complete. For a more detailed description of the notes, see Description of the Exchange Notes.

Issuer	Meritage Corporation.
Securities Offered	$75 million aggregate principal amount of 9.75% Senior Notes due 2011 that have been registered under the Securities Act. The form and term of the exchange notes are identical in all material respects to the form and terms of the outstanding notes for which they may be exchanged pursuant to the exchange offer, except for certain transfer restrictions and registration

	rights relating to the outstanding notes and except for certain provisions providing for an increase in the interest rate on the outstanding notes under circumstances relating to the exchange offer. On May 30, 2001, we issued $165 million aggregate principal amount of our 9.75% Senior Notes due 2011 and on February 21, 2003 we issued $50 million aggregate principal amount of the same series (collectively, the initial notes), $10 million of which have been repurchased by us. The exchange notes offered by this prospectus are part of the same series of debt securities under the indenture governing the initial notes that we issued on May 30, 2001 and February 21, 2003. As of the date of this prospectus, we have $280 million aggregate principal amount of our 9.75% Senior Notes due 2011 outstanding. Unless the context otherwise requires, the outstanding notes, the exchange notes and the initial notes are sometimes referred to in this prospectus as the notes.
Maturity Date	June 1, 2011.
Interest	The exchange notes will accrue interest from December 1, 2003 at the rate of 9.75% per year. Interest on the exchange notes will be payable semi-annually in arrears on each June 1 and December 1 commencing on June 1, 2004.
	In connection with the issuance of the outstanding notes on September 25, 2003, we and the guarantors agreed to:
	file a registration statement to enable holders of the outstanding notes to exchange the outstanding notes for registered notes within 75 days of the original issue date of the outstanding notes, or by December 9, 2003;
	use our respective reasonable best efforts to cause the registration statement to become effective under the Securities Act within 150 days following the original issue date of the outstanding notes, or by February 22, 2004; and
	use our respective reasonable best efforts to complete the exchange offer within 180 days after the original issue date of the outstanding notes, or by March 23, 2004, but not on or before December 1, 2003.
	If we do not comply with these obligations (a registration default), we will be required to pay liquidated damages to the holders of the outstanding notes in the form of higher interest rates. Upon the occurrence of a registration default, the interest rate borne by the notes will be increased by 0.25% per annum and will continue to increase by 0.25% each 90 day period that the liquidated damages continue to accrue, up to a maximum of 1.00% per annum. After the cure of registration defaults, the accrual of liquidated damages will stop and the interest rate will revert to the original rate.
Sinking Fund	None.
Optional Redemption	We may redeem the notes, in whole or in part, at any time on or after June 1, 2006, at a redemption price equal to the principal

Table of Contents

	amount plus a premium declining ratably to par, plus accrued interest.
	In addition, at any time prior to June 1, 2004, we may redeem up to 35% of the aggregate principal amount of the notes issued under the indenture with the net cash proceeds of one or more qualified equity offerings at a redemption price equal to 109.750% of the principal amount thereof, plus accrued interest, *provided* that:
	at least 65% of the aggregate principal amount of the notes issued under the indenture remains outstanding immediately after the occurrence of such redemption; and
	such redemption occurs within 90 days of the date of the closing of any such equity offering.
Change of Control	If we experience a change of control, we may be required to offer to purchase the notes at a purchase price equal to 101% of the principal amount, plus accrued interest.
Ranking and Guarantees	The outstanding notes are, and the exchange notes will be, our senior unsecured obligations. All of our existing subsidiaries (other than our two mortgage broker subsidiaries) and certain of our future subsidiaries will guarantee the exchange notes on a senior unsecured basis.
	The notes will rank equally with all of our and our guarantors existing and future senior unsecured debt.
	The exchange notes will rank senior to all of our and our guarantors debt that is expressly subordinated to the exchange notes, but will be effectively subordinated to all of our and our guarantors senior secured indebtedness to the extent of the value of the assets securing that indebtedness.
Consolidated Tangible Net Worth	If our consolidated tangible net worth falls below $60.0 million for any two consecutive fiscal quarters, we will be required to make an offer to purchase up to 10% of the notes then outstanding at a purchase price equal to 100% of the principal amount, plus accrued interest.
Restrictive Covenants	The indenture governing the notes contains covenants that, among other things, limit our ability and the ability of our subsidiaries to:
	incur additional indebtedness or liens;
	pay dividends or make other distributions or repurchase or redeem our stock;
	make investments;
	sell assets;
	enter into agreements restricting our subsidiaries ability to pay dividends;

	enter into transactions with affiliates; and
	consolidate, merge or sell all or substantially all of our assets.
	These covenants are subject to important exceptions and qualifications, which are described under the heading Description of the Exchange Notes in this prospectus.
Absence of a Public Market	The exchange notes will be a new issue of securities and there is currently no established market for them. The exchange notes, when issued, will generally be freely transferable (subject to restrictions discussed elsewhere herein) but will be a new issue of securities for which there will not initially be a market. Accordingly, there can be no assurance as to the development or liquidity of any market for the outstanding notes or, when issued, the exchange notes. The outstanding notes are eligible for trading in The PORTAL Market.
Use of Proceeds	We will receive no proceeds from the exchange of the exchange notes for the outstanding notes pursuant to the exchange offer. The net proceeds we received from the outstanding notes were used to repay a portion of our senior unsecured credit facility.
Trustee	Wells Fargo Bank, National Association.

Risk Factors

You should consider carefully the information set forth in the section of this prospectus entitled Risk Factors beginning on page 13 and all the other information provided to you in this prospectus in deciding whether to invest in the notes.

Table of Contents

Summary Historical Financial Information

The financial information below should be read in conjunction with the historical consolidated financial statements and related notes contained in the annual, quarterly and other reports filed by us with the SEC, which we have incorporated herein by reference. The data below includes the operations of Hancock Communities since its date of acquisition, effective June 1, 2001, Hammonds Homes since its date of acquisition, effective July 1, 2002 and Perma-Bilt Homes since its date of acquisition, effective October 1, 2002.

	Years Ended December 31,			Six Months Ended June 30,	
	2002	2001	2000	2003	2002
				(Unaudited)	
			(Dollars in thousands)		
Statement of Earnings Data:					
Total sales revenue	$1,119,817	$ 744,174	$ 520,467	$ 617,243	$ 421,172
Total cost of sales	(904,921)	(586,914)	(415,649)	(494,284)	(339,220)
Gross profit	214,896	157,260	104,818	122,959	81,952
Other income, net	5,435	2,884	1,847	2,072	2,282
Commissions and other sales costs	(65,291)	(41,085)	(28,680)	(41,073)	(26,596)
General and administrative expenses(1)	(41,496)	(36,105)	(21,215)	(24,288)	(18,789)
Interest expense			(8)		
Earnings before income taxes	113,544	82,954	56,762	59,670	38,849
Income taxes(1)	(43,607)	(32,295)	(21,000)	(22,585)	(15,345)
Net earnings	$ 69,937	$ 50,659	$ 35,762	$ 37,085	$ 23,504
Other Data:					
Gross profit margin(6)	19.2%	21.1%	20.1%	19.9%	19.5%
Interest amortized to cost of sales and interest expense	$ 19,259	$ 13,303	$ 9,179	$ 8,860	$ 8,031
Depreciation and amortization	6,780	5,741	3,407	3,746	2,877
Interest incurred(2)	19,294	16,623	10,634	12,119	9,335
Net cash (used in) provided by operating activities	(5,836)	(17,137)	6,252	(70,967)	(42,326)
Net cash (used in) investing activities	(142,805)	(75,739)	(8,175)	(11,679)	(7,293)
Net cash provided by (used in) financing activities	151,858	91,862	(7,102)	102,601	60,717
EBITDA(3)(6)	139,583	101,998	69,348	72,276	49,757
EBITDA margin(4)(6)	12.5%	13.7%	13.3%	11.7%	11.8%
Ratio of EBITDA to interest incurred(6)	7.23x	6.14x	6.52x	n/a	n/a
Ratio of total debt to EBITDA(6)	1.90x	1.74x	1.24x	n/a	n/a
Ratio of earnings to fixed charges(5)(6)	5.82x	5.39x	5.80x	4.85x	4.37x

8

Table of Contents

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

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

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

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

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

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

(5) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes plus fixed charges less capitalized interest. Fixed charges consist of interest expense including amortization of deferred debt expense, one-half of rent expense, which is deemed to be representative of an interest factor, and capitalized interest. See Exhibit 12.1 for calculation of ratio of earnings to fixed charges for all periods presented.

(6) EBITDA and operating ratios are unaudited.

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

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

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

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

Table of Contents

Home Sales Revenue, Sales Contracts and Backlog

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

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

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

Table of Contents

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

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

Table of Contents

RISK FACTORS

You should consider carefully the information set forth in this section along with all the other information provided to you or incorporated by reference in this prospectus in deciding whether to invest in the notes.

Risks Relating to Meritage

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

The homebuilding industry is cyclical and is significantly affected by changes in economic and other conditions, such as employment levels, availability of financing, interest rates, and consumer confidence. These factors can negatively affect the demand for, cost of and pricing of our homes. The occurrence or continuation of any of the above items and the items described below could have a negative impact on our business and adversely affect the value of the notes. We are subject to various risks, many of which are outside of our control, including delays in construction schedules, cost overruns, changes in governmental regulations (such as no- or slow-growth initiatives), increases in real estate taxes and other local government fees, and raw materials and labor costs.

We are also subject to the potential for significant variability and fluctuations in the cost and availability of real estate. Although historically we have generally developed parcels ranging from 100 to 300 lots, in order to achieve and maintain an adequate inventory of lots, we are beginning to purchase larger parcels, in some cases with a joint venture partner. Write-downs of our real estate could occur if market conditions deteriorate and these write-downs could be material in amount. Write-downs may also occur if we purchase land at higher prices during stronger economic periods and the value of that land subsequently declines during slower economic periods.

We are subject to construction defect and home warranty claims arising in the ordinary course of business which could lead to additional reserves or expenses that may adversely affect our business.

Construction defect and home warranty claims are common in the homebuilding industry and can be costly. While we maintain product liability insurance and generally require our subcontractors and design professionals to indemnify us for liabilities arising from their work, we cannot assure you that these insurance rights and indemnities will be adequate to cover all construction defect and warranty claims for which we may be liable. For example, we may be responsible for applicable self-insured retentions, which have increased recently, and certain claims may not be covered by insurance or may exceed applicable coverage limits.

We face reduced coverages and increased costs of insurance.

Recently, lawsuits have been filed against builders asserting claims of personal injury and property damage caused by the presence of mold in residential dwellings. Some of these lawsuits have resulted in substantial monetary judgments or settlements. We believe that we have maintained adequate insurance coverage to insure against these types of claims for homes completed before October 1, 2003. Insurance carriers have been excluding claims from policies arising from the presence of mold for many builders and, as of October 1, 2003, our insurance policy began excluding mold coverage. We believe we have sufficient retentions to protect against these types of claims related to homes completed after September 30, 2003. If our retentions are not sufficient to protect against these types of claims or if we are unable to obtain adequate insurance coverage, a material adverse effect on our business, financial condition and results of operations could result if we are exposed to claims arising from the presence of mold in the homes that we sell.

Partially as a result of the September 11 terrorist attacks, the cost of insurance has risen, deductibles or retentions have increased significantly and the availability of insurance has diminished. Significant increases in our cost of insurance coverage or retentions could have a material adverse effect on our business, financial condition and results of operations.

We experience fluctuations and variability in our operating results on a quarterly basis and, as a result, our historical performance may not be a meaningful indicator of future results.

We historically have experienced, and expect to continue to experience, variability in home sales and net earnings on a quarterly basis. As a result of such variability, our historical performance may not be a meaningful indicator of future results. Fluctuations in our results could cause the value of the notes to decline. Factors that contribute to this variability include:

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

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

In general, housing demand is adversely affected by increases in interest rates and housing costs and the unavailability of mortgage financing. Most of our buyers finance their home purchases through third-party lenders providing mortgage financing. If mortgage interest rates increase and, consequently, the ability of prospective buyers to finance home purchases is adversely affected, home sales, gross margins and cash flow may also be adversely affected and the impact may be material. Although interest rates are currently near historically low levels, they have begun to rise in recent months and it is impossible to predict future increases or decreases in market interest rates. In addition, homebuilding activities depend upon the availability and costs of mortgage financing for buyers of homes owned by potential customers, as those customers (move-up buyers) often need to sell their residences before they purchase our homes. Any reduction of financing availability could adversely affect home sales.

If we are unable to successfully compete in the highly competitive homebuilding industry, our financial results and growth could suffer.

The homebuilding industry is highly competitive. We compete for sales in each of our markets with national, regional and local developers and homebuilders, existing home resales and, to a lesser extent, condominiums and available rental housing. If we are unable to successfully compete, our financial results and growth could suffer and the value of, or our ability to service, the notes could be adversely affected. Some of our competitors have significantly greater financial resources or lower costs than we do. Competition among both small and large residential homebuilders is based on a number of interrelated factors, including location, reputation, amenities, design, quality and price. Competition is expected to continue and become more intense, and there may be new entrants in the markets in which we currently operate and in markets we may enter in the future.

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

We have operations in Texas, Arizona, Northern California and Nevada. Our lack of geographic diversification could adversely impact us if the homebuilding business in our current markets should decline, since there may not be a balancing opportunity in a stronger market in other geographic regions.

Table of Contents

We are subject to extensive government regulation that could cause us to incur significant liabilities or restrict our business activities.

Regulatory requirements could cause us to incur significant liabilities and costs and could restrict our business activities. We are subject to local, state, and federal statutes and rules regulating certain development matters, as well as building and site design. We are subject to various fees and charges of government authorities designed to defray the cost of providing certain governmental services and improvements. We may be subject to additional costs and delays or may be precluded entirely from building projects because of no-growth or slow-growth initiatives, building permit ordinances, building moratoriums, or similar government regulations that could be imposed in the future due to health, safety, welfare, or environmental concerns. We must also obtain licenses, permits, and approvals from government agencies to engage in certain activities, the granting or receipt of which are beyond our control.

We are also subject to a variety of local, state, and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. Environmental laws or permit restrictions may result in project delays, may cause substantial compliance and other costs and may prohibit or severely restrict development in certain environmentally sensitive regions or geographic areas. Environmental regulations can also have an adverse impact on the availability and price of certain raw materials, such as lumber.

We continue to consider growth or expansion of our operations which could have a material adverse effect on our cash flows or profitability.

We may continue to consider growth or expansion of our operations in our current markets or in other areas of the country. Our expansion into new or existing markets could have a material adverse effect on our cash flows or profitability. The magnitude, timing and nature of any future expansion will depend on a number of factors, including suitable acquisition candidates, the negotiation of acceptable terms, our financial capabilities and general economic and business conditions. New acquisitions may result in the incurrence of additional debt, some of which could be secured, and therefore, structurally senior to the notes. Acquisitions also involve numerous risks, including difficulties in the assimilation of the acquired company s operations, the incurrence of unanticipated liabilities or expenses, the diversion of management s attention from other business concerns, risks of entering markets in which we have limited or no direct experience, and the potential loss of key employees of the acquired company.

We are dependent on the services of certain key employees and the loss of their services could harm our business.

Our success largely depends on the continuing services of certain key employees, including our Co-Chief Executive Officers, Steven J. Hilton and John R. Landon, and our continued favorable development depends on our ability to attract and retain qualified personnel. We have employment agreements with Steven J. Hilton and John R. Landon, but we do not have an employment agreement with certain other key employees. We believe that Steven J. Hilton and John R. Landon each possess valuable industry knowledge and experience and leadership abilities that would be difficult in the short term to replicate. The loss of key employees could harm our operations and business plans.

We depend on the continued availability and satisfactory performance of our subcontractors which, if unavailable, could have a material adverse effect on our business.

We conduct our construction operations only as a general contractor. Virtually all architectural and construction work is performed by unaffiliated third-party subcontractors. As a consequence, we depend on the continued availability of and satisfactory performance by these subcontractors for the design and construction of our homes. We cannot assure you that there will be sufficient availability of and satisfactory performance by these unaffiliated third-party subcontractors. In addition, inadequate subcontractor resources could have a material adverse affect on our business.

Table of Contents

Our future operating results may be adversely impacted by high inflation.

We, like other homebuilders, may be adversely affected during periods of high inflation, mainly because of higher land and construction costs. Also, higher mortgage interest rates may significantly affect the affordability of mortgage financing to prospective buyers. Inflation also increases our cost of financing, materials and labor and could cause our financial results or growth to decline, which could impact the value of the notes and the cash flow available to service the notes. We attempt to pass cost increases on to our customers through higher sales prices. To date, inflation has not had a material adverse effect on our results of operations; however, inflation could impact our future operating results.

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

We have significant homebuilding operations in Texas and Northern California. Some of our markets in Texas occasionally experience severe weather conditions, such as tornadoes or hurricanes. Northern California has experienced a significant number of earthquakes, flooding, landslides and other natural disasters in recent years. We do not insure against some of these risks. These occurrences could damage or destroy some of our homes under construction or our building lots, which may result in losses that exceed our insurance coverage. We could also suffer significant construction delays or substantial fluctuations in the pricing or availability of building materials. Any of these events could cause a decrease in our revenue, cash flows and earnings.

There are a number of laws, regulations and accounting pronouncements, recently adopted or proposed, that could affect our corporate governance or accounting practices.

In the past several months, a number of new laws, governmental and stock exchange regulations, as well as accounting policies, principles or practices, have been adopted or proposed, many of which could, depending on their ultimate outcome or interpretations, affect our corporate governance or accounting methods. As an example, the accounting profession recently adopted new standards for whether certain transactions should be accounted for as on- or off-balance sheet transactions. We have the right to acquire a substantial amount of lot inventory through rolling options with third parties and, to a lesser extent, joint ventures. Prior to the adoption of FASB Interpretation No. 46, these transactions were generally not reflected as on-balance sheet transactions. FIN 46 is applicable immediately to transactions entered into subsequent to January 31, 2003. Accordingly, based on the provisions of this FASB interpretation, we recorded at June 30, 2003 approximately $31.1 million of assets and approximately $29.4 million of liabilities related to certain rolling options and similar contractual arrangements which qualify as variable interests that are required to be consolidated. We are continuing to evaluate new and proposed accounting standards relating to on- and off-balance sheet transactions. The FASB has delayed implementation of FIN 46 for VIE s created prior to February 1, 2003. If we had implemented FIN 46 for VIE s created prior to that date, an increase of approximately $10 to $12 million in consolidated real estate not owned would have been reflected on our balance sheet. Such a change could alter investor s perceptions of our financial position and liquidity which could have an adverse affect on our stock and bond prices. At the present time, we do not believe that these pronouncements, and other current proposals, will materially affect us; however, we cannot assure you that the ultimate interpretation or implementation of new and proposed laws and other pronouncements will not produce such an effect. See note (7) to Summary Historical Financial Information.

Acts of war may seriously harm our business.

Acts of war or any outbreak or escalation of hostilities between the United States and any foreign power, including the armed conflict with Iraq, may cause disruption to the economy, our company, our employees and our customers, which could impact our revenue, cost and expenses, and financial condition.

Table of Contents

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

This prospectus includes forward looking statements. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, business trends and other information that is not historical information. When used in this prospectus, the words estimates, expects, anticipates, projects, plans, intends, believes, forecasts and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management s expectations, beliefs and projections will result or be achieved.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this prospectus are set forth in this Risk Factors section.

Risks Associated with the Notes

Our substantial level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations on the notes.

As of September 30, 2003, we had approximately $383.8 million of indebtedness. In addition, subject to restrictions in the indenture for the notes we are offering and the agreement for our senior unsecured credit facility, we may incur additional indebtedness. The high level of our indebtedness could have important consequences to you, including the following:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;

- we must use a substantial portion of our cash flow from operations to pay interest and principal on the notes and other indebtedness, which will reduce the funds available to us for other purposes such as capital expenditures;

- we have a higher level of indebtedness than some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in planning for, or responding to, changing conditions in our industry, including increased competition; and

- we are more vulnerable to economic downturns and adverse developments in our business.

We expect to obtain the money to pay our expenses and to pay the principal and interest on the notes, our senior unsecured credit facility and other debt from cash flow from our operations. Our annual debt service requirements for the notes is approximately $27.3 million. Because the notes carry a fixed rate of interest, we are not subject to interest rate risk for these obligations.

Our annual debt service requirements for our senior unsecured credit facility depends on a number of factors, including the level of borrowings under the facility and interest rates. Our projected annual debt service requirements relating to the credit facility are approximately $3.4 million based on outstanding credit facility borrowings at September 30, 2003. For each one percent increase in interest rates, this debt service requirement would increase by approximately $940,000 per year. The scheduled maturity for the outstanding borrowings under our credit facility is December 2005. Our ability to meet our expenses thus depends on our future performance, which will be affected by financial, business, economic and other factors. We will not be able to control many of these factors, such as economic conditions in the markets where we operate and pressure from competitors.

We cannot be certain that our cash flow will be sufficient to allow us to pay principal and interest on our debt, including the notes, and meet our other obligations. If we do not have sufficient funds, we may be required to refinance all or part of our existing debt, including the notes, sell assets or borrow more money. We cannot guarantee that we will be able to do so on terms acceptable to us, if at all. In addition, the terms of existing or future debt agreements, including our senior unsecured credit facility and the indenture, may restrict us from pursuing any of these alternatives.

The indenture for the notes we are offering and our senior unsecured credit facility impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities and taking some corporate actions.

The indenture for the notes and our senior unsecured credit facility impose significant operating and financial restrictions on us. These restrictions limit the ability of us and our subsidiaries, among other things, to:

- incur additional indebtedness or liens;
- pay dividends or make other distributions;
- repurchase our stock;
- make investments;
- sell assets;
- enter into agreements restricting our subsidiaries ability to pay dividends;
- enter into transactions with affiliates; and
- consolidate, merge or sell all or substantially all of our assets.

In addition, the indenture for the notes requires us to maintain a minimum consolidated tangible net worth and our senior unsecured credit facility requires us to maintain other specified financial ratios. We cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities. A breach of any of these covenants or our inability to maintain the required financial ratios could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable.

We may not be able to satisfy our obligations to holders of the notes upon a change of control or a decline in our consolidated tangible net worth.

Upon the occurrence of a change of control, as defined in the indenture, each holder of the notes will have the right to require us to purchase the notes at a price equal to 101% of the principal amount, together with any accrued interest and liquidated damages, if any, to the date of purchase. Our failure to purchase, or give notice of purchase of, the notes would be a default under the indenture, which would in turn be a default under our senior unsecured credit facility. In addition, a change of control may constitute an event of default under our senior unsecured credit facility. A default under our senior unsecured credit facility could result in an event of default under the indenture if the lenders accelerate the debt under our credit facility.

In addition, if our consolidated tangible net worth falls below $60.0 million for any two consecutive fiscal quarters, we are required to make an offer to purchase up to 10% of the notes then outstanding at a price equal to 100% of the principal amount, together with any accrued interest and liquidated damages, if any, to the date of purchase. As of September 30, 2003 our consolidated tangible net worth was approximately $300.9 million.

If either event occurs, we may not have enough assets to satisfy all obligations under our senior unsecured credit facility and the indenture. In order to satisfy our obligations we could seek to refinance the indebtedness under our senior unsecured credit facility and the notes or obtain a waiver from the lenders or you as a holder of the notes. We cannot assure you that we would be able to obtain a waiver or refinance our indebtedness on terms acceptable to us, if at all.

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

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

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

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

The guarantees may be voided under specific legal circumstances.

The outstanding notes are, and the exchange notes will be, guaranteed by all of our existing subsidiaries (other than our two mortgage broker subsidiaries) and certain future subsidiaries. The guarantees may be subject to review under U.S. federal bankruptcy law and comparable provisions of state fraudulent conveyance laws if a bankruptcy or reorganization case or lawsuit is commenced by or on behalf of our or one of a guarantor s unpaid creditors. Under these laws, if a court were to find in such a bankruptcy or reorganization case or lawsuit that, at the time any guarantor issued a guarantee of the notes:

- it issued the guarantee to delay, hinder or defraud present or future creditors; or
- it received less than reasonably equivalent value or fair consideration for issuing the guarantee at the time it issued the guarantee and:
  - it was insolvent or rendered insolvent by reason of issuing the guarantee; or
  - it was engaged, or about to engage, in a business or transaction for which its remaining unencumbered assets constituted unreasonably small capital to carry on its business; or
  - it intended to incur, or believed that it would incur, debts beyond its ability to pay as they mature;

then the court could void the obligations under the guarantee, subordinate the guarantee of the notes to that guarantor s other debt or take other action detrimental to holders of the notes and the guarantees of the notes.

Table of Contents

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the law of the jurisdiction that is being applied in any proceeding to determine whether a fraudulent transfer had occurred. Generally, however, a person would be considered insolvent if, at the time it incurred the debt:

- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

We cannot be sure as to the standard that a court would use to determine whether or not a guarantor was solvent at the relevant time, or, regardless of the standard that the court uses, that the issuance of the guarantees would not be voided or the guarantees would not be subordinated to the guarantors other debt. If such a case were to occur, the guarantee could also be subject to the claim that, since the guarantee was incurred for our benefit, and only indirectly for the benefit of the guarantor, the obligations of the applicable guarantor were incurred for less than fair consideration.

Based upon financial and other information currently available to us, we believe that the debt evidenced by the guarantees is being incurred for proper purposes and in good faith. We believe that the guarantors:

- are solvent and will continue to be solvent after issuing the guarantees;
- will have sufficient capital for carrying on the business we intend to conduct after this offering is completed; and
- will be able to service their debts as they come due.

There is no established trading market for the exchange notes and you may not be able to sell the notes quickly or at the price that you paid.

We expect that there will be a limited trading market for the exchange notes, if any. Although the exchange notes will be registered, we do not intend to list the exchange notes on any securities exchange or to arrange for quotation on any automated dealer quotation systems. The initial purchasers have advised us that they intend to make a market in the outstanding notes and the exchange notes, but they are not obligated to do so. Each initial purchaser may discontinue any market making in the outstanding notes or exchange notes at any time, in its sole discretion. As a result, we cannot assure you as to the liquidity of any trading market for the exchange notes.

We also cannot assure you that you will be able to sell your exchange notes at a particular time or that the prices that you receive when you sell will be favorable. We also cannot assure you as to the level of liquidity of the trading market for the exchange notes or, in the case of any holders of outstanding notes that do not exchange them, the trading market for the notes following the offer to exchange the outstanding notes for exchange notes. Future trading prices of the outstanding notes and exchange notes will depend on many factors, including:

- our operating performance and financial condition;
- our ability to complete the offer to exchange the notes for the exchange notes;
- the interest of securities dealers in making a market; and
- the market for similar securities.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the outstanding notes and, if issued, the exchange notes will be subject to disruptions. Any disruptions may have a negative effect on noteholders, regardless of our prospects and financial performance.

There may be adverse consequences to holders of outstanding notes that do not tender their outstanding notes pursuant to the exchange offer.

If you fail to properly exchange your outstanding notes for exchange notes, you will continue to hold outstanding notes subject to transfer restrictions, and the liquidity of the trading market for any untendered outstanding notes may be substantially limited.

We will only issue exchange notes in exchange for outstanding notes that you timely and properly tender. You should allow sufficient time to ensure timely delivery of the outstanding notes, and you should carefully follow the instructions on how to tender your outstanding notes set forth under the The Exchange Offer Procedures for Tendering and in the letter of transmittal that accompanies this prospectus. Neither we nor the exchange agent are required to notify you of any defects or irregularities relating to your tender of notes.

The holders of outstanding notes that do not exchange them pursuant to this exchange offer will continue to be subject to restrictions on the transfer of the outstanding notes because the issuance of the outstanding notes was not registered under the Securities Act or registered or qualified under any state securities laws. We do not currently anticipate that, except in certain limited circumstances, we will register the outstanding notes under the Securities Act. To the extent that we exchange outstanding notes a result of this exchange offer, the ability to trade untendered outstanding notes may be adversely affected.

USE OF PROCEEDS

We will receive no proceeds from the exchange of the exchange notes for the outstanding notes pursuant to the exchange offer. We used the gross proceeds of $80.5 million from the sale of the outstanding notes to repay a portion of our senior unsecured credit facility and to pay fees, commissions and expenses relating to the sale of the outstanding notes. Of the gross proceeds, approximately $80.3 million was used to pay down our senior unsecured credit facility and $0.2 million was used to pay fees and other costs of the foregoing. See Description of Certain Existing Indebtedness for information regarding our existing debt.

Table of Contents

SELECTED HISTORICAL FINANCIAL DATA

The following table presents selected historical consolidated financial and operating data of Meritage Corporation and subsidiaries as of and for each of the last five years ended December 31, 2002 and the six months ended June 30 for each of the last two years. The financial data has been derived from our audited and unaudited consolidated financial statements and related notes. You should read this data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes contained in the annual, quarterly and other reports filed by us with the SEC, which we have incorporated by reference into this prospectus. The data below includes the operations of Sterling Communities, Hancock Communities, Hammonds Homes and Perma-Bilt Homes since their respective dates of acquisition. Those dates are as follows: Sterling Communities, acquired July 1, 1998; Hancock Communities, effective June 1, 2001; Hammonds Homes, effective July 1, 2002; and Perma-Bilt Homes, effective October 1, 2002.

	Years Ended December 31,					Six Months Ended June 30,	
	2002	2001	2000	1999	1998	2003	2002
						(Unaudited)	
			(Dollars in thousands)				
Statement of Earnings Data:							
Total sales revenue	$1,119,817	$ 744,174	$ 520,467	$ 341,786	$ 257,113	$ 617,243	$ 421,172
Total cost of sales	(904,921)	(586,914)	(415,649)	(277,287)	(205,188)	(494,284)	(339,220)
Gross profit	214,896	157,260	104,818	64,499	51,925	122,959	81,952
Other income, net(1)	5,435	2,884	1,847	2,064	3,961	2,072	2,282
Commissions and other sales costs	(65,291)	(41,085)	(28,680)	(19,243)	(14,292)	(41,073)	(26,596)
General and administrative expenses(2)	(41,496)	(36,105)	(21,215)	(15,100)	(10,632)	(24,288)	(18,789)
Interest expense			(8)	(6)	(462)		
Earnings before income taxes	113,544	82,954	56,762	32,214	30,500	59,670	38,849
Income taxes(2)(3)	(43,607)	(32,295)	(21,000)	(13,269)	(6,497)	(22,585)	(15,345)
Net earnings	$ 69,937	$ 50,659	$ 35,762	$ 18,945	$ 24,003	$ 37,085	$ 23,504
Other Financial Data:							
Gross profit margin(8)	19.2%	21.1%	20.1%	18.9%	20.2%	19.9%	19.5%
Interest amortized to cost of sales and interest expense	$ 19,259	$ 13,303	$ 9,179	$ 5,042	$ 4,080	$ 8,860	$ 8,031
Depreciation and amortization	6,780	5,741	3,407	2,528	1,637	3,746	2,877
Interest incurred(4)	19,294	16,623	10,634	7,031	4,172	12,119	9,335
Net cash (used in) provided by operating activities	(5,836)	(17,137)	6,252	(36,387)	(2,366)	(70,967)	(42,326)
Net cash (used in) investing activities	(142,805)	(75,739)	(8,175)	(9,902)	(3,928)	(11,679)	(7,293)
Net cash provided by (used in) financing activities	151,858	91,862	(7,102)	47,324	10,435	102,601	60,717

EBITDA(5)(8)	139,583	101,998	69,348	39,784	36,217	72,276	49,757
EBITDA margin(6)(8)	12.5%	13.7%	13.3%	11.6%	14.1%	11.7%	11.8%
Ratio of EBITDA to interest incurred(8)	7.23x	6.14x	6.52x	5.66x	8.68x	n/a	n/a
Ratio of total debt to EBITDA(8)	1.90x	1.74x	1.24x	2.16x	1.03x	n/a	n/a
Ratio of earnings to fixed charges(7)(8)	5.82x	5.39x	5.80x	4.94x	7.42x	4.85x	4.37x

Table of Contents

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

	At December 31,					At June 30,
	2002	2001	2000	1999	1998	2003
						(Unaudited)
	(Dollars in thousands)					
Balance Sheet Data:						
Real estate	$484,970	$330,238	$211,307	$171,012	$104,759	$611,318
Consolidated real estate not owned(9)						31,067
Total assets	691,788	436,715	267,075	226,559	152,250	887,414
Total debt	264,927	177,561	86,152	85,937	37,205	371,875
Liabilities related to consolidated real estate not owned(9)						29,357
Stockholders equity	317,308	176,587	121,099	90,411	72,279	350,048

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

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

(3) Due to the use of our net operating loss carryforward (NOL) obtained from our predecessor, we paid limited income taxes during 1998, until the NOL was fully utilized.

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

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

Table of Contents

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

	Years Ended December 31,					Six Months Ended June 30,	
	2002	2001	2000	1999	1998	2003	2002
				(Unaudited) (Dollars in thousands)			
Net earnings	$69,937	$50,659	$35,762	$18,945	$24,003	$37,085	$23,504
Plus:							
Income taxes	43,607	32,295	21,000	13,269	6,497	22,585	15,345
Interest	19,259	13,303	9,179	5,042	4,080	8,860	