

Meritage Homes CORP  
Form DEF 14A  
March 25, 2019  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)  
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)

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

Payment of Filing Fee (Check  
the appropriate box):

ý No fee required.  
Fee computed on  
table below per  
.. Exchange Act  
Rules 14a-6(i)(1)  
and 0-11.

Title of each  
class of

(1) securities to  
which  
transaction  
applies:

Aggregate  
number of

(2) securities to  
which  
transaction  
applies:

Per unit price  
or other

underlying  
value of  
transaction

computed  
pursuant to  
Exchange

(3) Act  
Rule 0-11  
(set forth the  
amount on  
which the  
filing fee is  
calculated  
and state  
how it was  
determined):

Proposed  
maximum

(4) aggregate  
value of  
transaction:

(5) Total fee  
paid:

Fee paid  
..previously with  
preliminary  
materials:

..Check box if  
any part of the  
fee is offset as

provided by  
Exchange Act  
Rule 0-11(a)(2)  
and identify the  
filing for which  
the offsetting  
fee was paid  
previously.

Identify the  
previous filing  
by registration  
statement  
number, or the  
Form or  
Schedule and  
the date of its  
filing.

Amount

(1) Previously  
Paid:

Form,  
Schedule or

(2) Registration  
Statement  
No.:

(3) Filing Party:

(4) Date Filed:

---

Dear Fellow Stockholders:

You are cordially invited to join us for our 2019 annual meeting of stockholders, which will be held on May 17, 2019, at 8:30 a.m. local time at our corporate office at 8800 East Raintree Drive, Suite 300, Scottsdale, Arizona, 85260. Holders of record of our common stock as of March 21, 2019 are entitled to notice of, and to vote at, the 2019 annual meeting.

The Notice of Annual Meeting of Stockholders and the proxy statement that follow describe the business to be conducted at the meeting. We may also report on matters of current interest to our stockholders at that meeting.

We are pleased to be furnishing these materials to our stockholders via the Internet. We believe this approach provides you with the information that you need while expediting your receipt of these materials, lowering our costs of delivery, and reducing the environmental impact of our annual meeting. If you would like us to send you printed copies of our proxy statement and accompanying materials, we will be happy to do so at no charge upon your request. For more information, please refer to the Important Notice Regarding the Availability of Proxy Materials that we previously mailed to you on or about April 1, 2019.

You are welcome to attend the meeting. However, even if you plan to attend, please vote your shares promptly and prior to the meeting to ensure they are represented at the meeting. You may submit your proxy by Internet or telephone, as described in the following materials, or, if you request printed copies of these materials, by completing and signing the proxy or voting instruction card enclosed therein and returning it in the envelope provided. If you decide to attend the meeting and wish to change your proxy, you may do so automatically by voting in person at the meeting.

If your shares are held in the name of a broker, bank, trust or other nominee, you may be asked for proof of ownership of these shares to be admitted to the meeting.

We thank you for your support.

Sincerely,

Steven J. Hilton

Chairman and Chief Executive Officer

8800 East Raintree Drive • Suite 300 • Scottsdale, Arizona • 85260 • Phone 480-515-8100

Listed on the New York Stock Exchange — MTH

---

Notice of Annual Meeting of Stockholders

Date: May 17, 2019

Time: 8:30 a.m. local time

Meritage Homes Corporation

8800 East Raintree Drive, Suite 300

Scottsdale, Arizona 85260

To Our Stockholders:

You are invited to attend the Meritage Homes Corporation 2019 annual meeting of stockholders at which we will conduct the following business:

1 Election of three Class II directors, each to hold office until our 2021 annual meeting,

2 Ratification of the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2019 fiscal year,

3 Advisory vote to approve compensation of our Named Executive Officers ("Say on Pay"), and

4 The conduct of any other business that may properly come before the meeting or any adjournment or postponement thereof.

These items are more fully described in the accompanying proxy. Only stockholders of record at the close of business on March 21, 2019 are entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof.

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THIS MEETING, PLEASE SUBMIT YOUR PROXY OR VOTING INSTRUCTION CARD BY FOLLOWING THE INSTRUCTIONS SET FORTH IN THE FOLLOWING MATERIALS. YOU MAY VOTE YOUR SHARES AND SUBMIT A PROXY OR VOTING INSTRUCTION CARD BY USING THE INTERNET, REGULAR MAIL OR TELEPHONE AS DESCRIBED HEREIN OR ON YOUR PROXY OR VOTING INSTRUCTION CARD.**

By Order of the Board of Directors

C. Timothy White, Secretary

Scottsdale, Arizona

March 25, 2019

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 17, 2019:**

**THIS PROXY STATEMENT AND MERITAGE'S 2018 ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT [INVESTORS.MERITAGEHOMES.COM](http://INVESTORS.MERITAGEHOMES.COM). ADDITIONALLY, AND IN ACCORDANCE WITH SEC RULES, YOU MAY ACCESS THESE MATERIALS ON THE COOKIES-FREE WEBSITE INDICATED IN THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS THAT YOU HAVE RECEIVED.**

---

TABLE OF CONTENTS

Table of Contents

<u>Proxy Summary</u>	<u>2</u>
<u>General Information</u>	<u>2</u>
<u>The Proposals</u>	<u>3</u>
<u>Election of Directors (Proposal No. 1)</u>	<u>6</u>
<u>Ratification of Independent Registered Public Accounting Firm (Proposal No. 2)</u>	<u>7</u>
<u>Advisory Vote to Approve Compensation of our Named Executive Officers (Proposal No. 3)</u>	<u>8</u>
<u>Security Ownership by Management and Principal Stockholders</u>	<u>10</u>
<u>Corporate Governance and Board Matters</u>	<u>12</u>
<u>Compensation Discussion and Analysis</u>	<u>22</u>
2018 Environment	<u>22</u>
<u>Executive Summary</u>	<u>22</u>
<u>Compensation Philosophy and Objectives</u>	<u>24</u>
<u>Compensation Best Practices</u>	<u>26</u>
<u>Independent Compensation Consultant</u>	<u>27</u>
<u>Compensation Program</u>	<u>27</u>
<u>Security Ownership Requirements</u>	<u>28</u>
<u>Equity-Based Awards</u>	<u>29</u>
<u>Employment Agreements in Effect for 2018</u>	<u>29</u>
<u>Discussion of NEO Compensation</u>	<u>33</u>
2019 Developments	<u>35</u>
<u>Executive Compensation Committee Report</u>	<u>37</u>
<u>Compensation of Officers and Directors</u>	<u>38</u>
<u>Potential Payments upon Termination or Change of Control</u>	<u>42</u>
<u>Director Compensation</u>	<u>46</u>
<u>Securities Authorized For Issuance Under Equity Compensation Plans</u>	<u>47</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>48</u>
<u>Certain Relationships and Related Transactions</u>	<u>49</u>
<u>Independent Auditors</u>	<u>50</u>
<u>Report of the Audit Committee</u>	<u>51</u>
<u>Stockholder Proposals, Director Nominations and Other Items of Business</u>	<u>52</u>
<u>Forward-Looking Statements</u>	<u>53</u>
<u>Annual Report on Form 10-K and Other Matters</u>	<u>54</u>

## PROXY SUMMARY

MERITAGE HOMES CORPORATION  
8800 EAST RAINTREE DRIVE  
SUITE 300  
SCOTTSDALE, ARIZONA 85260  
(480) 515-8100  
www.meritagehomes.com

### Proxy Summary

This summary highlights selected information contained elsewhere in this proxy statement and is not intended to contain all of the information that you should consider. Please read the entire proxy statement carefully before voting.

### General Information

#### Proxy Statement Purpose

The Board of Directors of Meritage Homes Corporation (“Meritage”, “we” or the “Company”) is furnishing this Proxy Statement to solicit your proxy for our 2019 Annual Meeting of Stockholders. This Proxy Statement contains information to help you decide how you want your shares to be voted. To understand the proposals fully, you should carefully read this entire proxy statement and the other proxy materials identified in the Important Notice Regarding the Availability of Proxy Materials (“the Notice”). This proxy statement will be available on the Internet, and the Notice will be mailed to stockholders beginning on or about April 1, 2019.

#### Date, Time and Place of Meeting

The annual meeting will be held on Friday, May 17, 2019, at 8:30 a.m. local time at our corporate office at 8800 East Raintree Drive, Suite 300, Scottsdale, Arizona, 85260. If you require directions to the annual meeting, please call (480) 515-8100.

#### Who Can Vote

Stockholders who hold shares of our common stock at the close of business on March 21, 2019, the record date, will be entitled to one vote for each share held regarding each of the matters proposed in this proxy statement. 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. On the record date, there were 38,287,292 shares of Meritage common stock outstanding. The common stock is our only outstanding class of voting securities.

#### Voting Information

You can vote in person at the annual meeting or submit a proxy to have your shares represented without attending the annual meeting. The shares represented by a properly executed proxy will be voted as you direct. To submit a proxy, you must follow the instructions provided in this proxy statement and in the Notice. You may vote via the Internet, regular mail, or by calling the telephone number provided in the Notice, and you will be asked to enter your 11- or 12-digit control number. If you request a printed copy of these materials, you may also vote by filling out and signing the proxy or voting instruction card enclosed therein and returning it by mail in the envelope provided.

If you submit a signed proxy but do not indicate any voting instructions, your shares will be voted FOR the election as directors of the nominees named in this proxy statement, FOR the ratification of the selection of Deloitte & Touche LLP as the Company’s independent registered public accounting firm for fiscal 2019, and FOR the advisory vote to approve the compensation of our named executive officers.

You can revoke your proxy any time before it is voted by written notice delivered to the Company’s Secretary, by timely delivery of a later signed proxy (including via the Internet, regular mail, or telephone), or by voting in person at the annual meeting. Attendance at the meeting alone is not sufficient to revoke your proxy. You must also vote your shares to revoke your proxy.

## PROXY SUMMARY

## Holders of Record and Beneficial Owners

If your shares are registered directly in your name with our transfer agent, you are considered the “holder of record” of those shares.

If your shares are held in a brokerage account or by another nominee, you are considered the “beneficial owner” of shares held in “street name,” and the Notice is being forwarded to you by your broker or nominee (the “record holder”) along with a voting instruction card. As the beneficial owner, you have the right to direct your record holder regarding how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions.

As the holder of record or beneficial owner of shares, you are invited to attend the annual meeting. Please note, however, that if you are a beneficial owner, you may not vote your shares in person at the meeting unless you obtain a “legal proxy” from the record holder that holds your shares.

Rules of the New York Stock Exchange (the “NYSE”) determine whether proposals presented at stockholder meetings are “routine” or “non-routine.” If a proposal is routine, a broker or other entity holding shares for a beneficial owner in street name may vote on the proposal if you do not provide voting instructions. If a proposal is non-routine, the broker or other entity may vote on the proposal only if the beneficial 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 beneficial owner does not provide instructions. If you are a beneficial owner and do not give instructions to your record holder prior to the meeting, the record holder will be entitled to vote your shares in its discretion only on Proposal 2 (Ratification of Independent Registered Public Accounting Firm) and will not be able to vote your shares on Proposal 1 (Election of Directors) or Proposal 3 (Advisory Vote to Approve Compensation of our Named Executive Officers), and your shares will be treated as a “broker non-vote” on those proposals.

## Quorum

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

## The Proposals

The following three proposals will be considered at the Annual Meeting:

Proposal	Board Vote Recommendation	Page Number
1 Election of Directors	FOR Each Nominee	6
2 Ratification of Independent Registered Public Accounting Firm	FOR	7
3 Advisory Vote to Approve Compensation of our Named Executive Officers	FOR	8

## PROPOSAL 1

## Election of Directors

Each Class II director nominee is up for election for a two-year term. Each director nominee is a current director and during 2018 attended at least 75% of the aggregate of all meetings of the Board and of all Board committees on which he sits. Robert G. Sarver, a current Class II director, will retire from his position on the Board at the expiration of his term on May 17, 2019, the date of the Annual Meeting.

Name	Age	Director Since	Independent	AC	CC	NGC	LC
Peter L. Ax	59	2000	Yes	C		ü	ü
Gerald Haddock	71	2005	Yes			C	ü
Michael R. Odell	55	2011	Yes		C		

C=Chair AC Audit Committee

NGC Nominating/Governance Committee

ü =Member CC Executive Compensation Committee LC Land Committee



## PROXY SUMMARY

## PROPOSAL 2

## Ratification of Independent Registered Public Accounting Firm

Ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2019 fiscal year.

	Summary of Fees	
	2018	2017
Audit fees	\$1,229,000	\$1,080,000
Audit-related fees	—	—
Tax fees	29,600	—
All other fees	—	—
Total fees	\$1,258,600	\$1,080,000

## PROPOSAL 3

## Advisory Vote to Approve Compensation of our Named Executive Officers

Stockholders will be given the opportunity to vote on an advisory resolution to approve the compensation of our Named Executive Officers ("NEOs") (commonly referred to as "Say on Pay").

Our executive compensation program is designed to drive and reward superior corporate performance, both annually and over the long-term. The Board believes the Company's compensation policies and practices are effective in achieving the Company's goals of paying for performance and aligning the NEO's long-term interests with those of our stockholders.

Compensation elements for our NEOs include:

Type	Form	Terms
Cash	Base Salary	Competitively market-based
Cash	Annual Incentive Compensation	Based on achievement of performance goals
Cash	Discretionary Bonuses	Based on specific individual achievements beyond those of the performance goals included in the annual incentive compensation calculations, subject to approval by the Executive Compensation Committee
Equity	Long-term Incentive Awards	Equity awards typically have a three-year service period and performance goals that span over a combination of a three-year cumulative period or three one-year periods
Other	Limited Perquisites	Primarily the reimbursement of certain life and disability (or equivalent) policies for the benefit of NEOs and their families and auto allowance for certain NEOs

## PROXY SUMMARY

### Other Matters

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 this proxy to vote in their discretion on all matters on which the shares of common stock represented by such proxy are entitled to vote. The entire cost of this solicitation of proxies will be borne by the Company, including expenses incurred in connection with preparing, assembling and mailing the Notice. The Company may reimburse brokers or persons holding stock in their names or in the names of their nominees for their expenses in sending the proxy materials to beneficial owners who request paper copies. Certain officers, directors and regular employees of the Company, who will receive no extra compensation for their services, may solicit proxies by mail, telephone, facsimile, electronically or personally.

### Corporate Governance

Meritage operates within a comprehensive plan of corporate governance for the purpose of defining responsibilities and setting high standards for ethical conduct. Our Board of Directors has established the following governance committees:

~~Audit Committee~~  
~~Executive Compensation Committee~~  
~~Nominating/Governance Committee~~  
~~Land Committee~~

The charter of each of these committees is available on our website, along with our Lead Director Charter, Code of Ethics, Corporate Governance Principles and Practices, Conflicts of Interest Policy and Securities Trading Policy. These items are also available in print, free of charge, to any stockholder who requests them by calling us or by writing to us at our principal executive offices at the address listed previously in this proxy statement, Attention: Secretary.

## PROPOSAL 1: ELECTION OF DIRECTORS

### Election of Directors

(Proposal No. 1)

Our Board of Directors currently has nine members. The directors are divided into two classes serving staggered two-year terms. This year, our Class II directors are up for election. The Board, upon the recommendation of the Nominating/Governance Committee, has nominated for re-election Peter L. Ax, Gerald Haddock and Michael R. Odell, all of whom are presently serving as Class II directors. Robert G. Sarver, also presently serving as a Class II director, will retire from his position on the Board at the expiration of his term at the annual stockholder meeting. The Board is evaluating its current size and reviewing options and possible candidates for Mr. Sarver's replacement following his retirement. The Board is not nominating for election at the 2019 annual meeting any Class II director for Mr. Sarver's seat and you may not vote for a greater number of persons than the number of nominees named in this proxy statement.

Biographical information for each of our director nominees is set forth beginning on page 14.

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 designated by the Board. In the vote on the election of the director nominees, stockholders may vote FOR, AGAINST, or ABSTAIN for each director.

Unless you elect to vote differently by so indicating on your signed proxy, your shares will be voted FOR the Board's nominees. To be elected a director, a director nominee must receive the affirmative vote of the majority of the votes cast, meaning, that the number of votes cast "for" a director nominee must exceed the number of votes "against" that director nominee. Any nominee for director who is an incumbent director but who is not elected by a majority of the votes cast, and with respect to whom no successor has been elected, will promptly tender his or her offer to resign to the Board of Directors for its consideration. The Nominating/Governance Committee of the Board of Directors will recommend to the Board of Directors whether to accept or reject the resignation offer, or whether other action should be taken. Broker non-votes and abstentions will not count as either votes for or against the nominee.

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

**PROPOSAL 2: RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**Ratification of Independent Registered Public Accounting Firm**

(Proposal No. 2)

The Board of Directors seeks an indication from stockholders of their approval or disapproval of the Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2019.

Deloitte & Touche LLP was appointed our auditor in 2004 and no relationship exists other than the usual relationship between auditors and clients.

An affirmative vote of the majority of the votes cast at the annual meeting, at which a quorum is present, is required to ratify the selection of Deloitte & Touche LLP as the Company's independent auditor. Abstentions will not be counted either for or against this proposal. If the appointment of Deloitte & Touche LLP as auditors for 2019 is not approved by stockholders, the adverse vote will be considered a direction to the Audit Committee to consider other auditors for next year. However, because of the difficulty in making any substitution of auditors after the beginning of the current year, the appointment in 2019 will stand, unless the Audit Committee determines there is a reason for making a change. In addition, even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interest of the Company and our stockholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" PROPOSAL NO. 2.**

**PROPOSAL 3: ADVISORY VOTE TO APPROVE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

**Advisory Vote to Approve Compensation of our Named Executive Officers  
(Proposal No. 3)**

Stockholders will be given the opportunity to vote on the following advisory resolution (commonly referred to as “Say on Pay”):

RESOLVED, that the compensation paid to the Company’s named executive officers, as disclosed herein pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED.

**Background  
on Proposal**

In accordance with the Dodd-Frank Act and related SEC rules, stockholders are being given the opportunity to vote at the annual meeting on this advisory resolution regarding the compensation of our NEOs.

At our 2018 Annual Meeting of Stockholders, the Company’s stockholders approved the compensation of our NEOs (on an advisory basis) by approximately 99% of total votes cast. We believe this high approval rating indicated that our stockholders were in agreement with the direction of our Executive Compensation Committee (“Compensation Committee”) of setting competitive compensation arrangements based on criterion believed to be both in line with the goals of our stockholders and at levels that are reasonable in relation to the Company’s performance and size. In addition, at our 2017 Annual Meeting of Stockholders, the Company’s stockholders indicated, on an advisory vote basis, that they preferred that we hold Say on Pay votes on an annual basis (a say on frequency vote is required to be held at least once every six years). This Proposal No. 3 represents this year’s Say on Pay vote.

For a comprehensive description of our executive compensation program, philosophy and objectives, including the specific elements of executive compensation that comprised the program in 2018, please refer to the Compensation Discussion and Analysis section of this proxy statement. The Summary Compensation Table and other executive compensation tables (and accompanying narrative disclosures) that follow it, beginning on page 38, provide additional information about the compensation that we paid to our NEOs in 2018. As described in the Compensation Discussion and Analysis, our executive compensation program is designed to drive and reward superior performance both annually and over the long term while simultaneously striving to be externally competitive. During 2018, through the combined efforts of our NEOs, Meritage was successful in generating year-over-year increases in many of our key operating metrics while also implementing operational changes to support our strategic pivot to focus primarily on entry-level and first move-up buyers (dollars in thousands):

	2018	2017	% Change
Home Closing Units	8,531	7,709	10.7%
Home Closing Revenue	\$3,474,712	\$3,186,775	9.0%
Home Order Units	8,089	7,957	1.7%
Home Order Value	\$3,240,091	\$3,296,788	(1.7)%
Backlog Units at period end	2,433	2,875	(15.4)%
Backlog Value at period end	\$1,015,918	\$1,245,771	(18.5)%
Earnings Before Income Taxes	\$283,254	\$247,519	14.4%
Diluted Earnings per Common Share (1)	\$5.58	\$3.41	63.6%

(1) 2017 includes a \$19.7 million charge related to the revaluation of our deferred tax asset that reflects the impact of a lower corporate

tax rate enacted by the Tax Cuts and Jobs Act in December 2017 and effective beginning in 2018.

The Compensation Committee continually evaluates the compensation packages for our NEOs and adjusts them as conditions warrant, including setting performance targets for both cash and equity awards, some of which have been forfeited in cases where performance targets were not met. The Compensation Committee engages an external compensation consultant annually regarding the design of our executive compensation program. The Company has implemented prudent and responsible compensation policies in the stockholders’ interest, some of which include:

A substantial portion of compensation is incentive based and is "at-risk", as discussed beginning on page 24.  
Incentive compensation is balanced between cash and equity awards, as discussed beginning on page 24.  
The employment agreements for our CEO and our NEOs include a provision for the clawback (or offset) of incentive bonuses to the extent any financial results are misstated as the result of the NEO's willful misconduct or gross negligence.

**PROPOSAL 3: ADVISORY VOTE TO APPROVE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

NEOs must comply with security ownership requirements, as discussed on page 28.

Perquisites are limited to auto allowances and reimbursement of certain life and disability or long-term care insurance premiums, and limited other benefits as discussed on page 32.

Effects of

Advisory

Vote

Because the vote on this proposal is advisory in nature, it will not affect any compensation already paid or awarded to our NEOs and will not be binding on the Board of Directors or the Compensation Committee. However, the Compensation Committee will consider the outcome of the vote when making future executive compensation decisions.

An affirmative vote of a majority of the votes cast at the annual meeting, at which a quorum is present, is required to approve this advisory vote. Broker non-votes and abstentions have no effect on the result of the vote.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” APPROVAL OF THE RESOLUTION SET FORTH ABOVE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

## SECURITY OWNERSHIP BY MANAGEMENT AND PRINCIPAL STOCKHOLDERS

## Security Ownership by Management and Principal Stockholders

Management. The following table summarizes, as of March 21, 2019, the number and percentage of outstanding shares of our common stock beneficially owned by the following:

- each Meritage director and nominee for director;
- each executive officer named in the summary compensation table; and
- all Meritage directors and executive officers as a group.

Name Of Beneficial Owner (1)	Position With The Company	Number Of Shares Owned	Right To Acquire May 20, 2019	Total Shares Beneficially Owned (2)	Percent Of Outstanding Shares (3)
Steven J. Hilton	Director, Chairman and CEO	1,677,319	(4)—	1,677,319	4.4 %
Robert G. Sarver	Director	205,659	(5)—	205,659	*
Raymond Oppel	Director	70,000	—	70,000	*
Peter L. Ax	Director	47,500	—	47,500	*
Richard T. Burke, Sr.	Director	72,500	—	72,500	*
Gerald Haddock	Director	48,500	(6)—	48,500	*
Dana C. Bradford	Director	68,000	—	68,000	*
Michael R. Odell	Director	39,000	—	39,000	*
Deborah Ann Henretta	Director	19,167	—	19,167	*
Hilla Sferruzza	Executive Vice President and Chief Financial Officer	29,487	—	29,487	*
C. Timothy White	Executive Vice President, General Counsel and Secretary	33,265	(7)—	33,265	*
Phillippe Lord	Executive Vice President and Chief Operating Officer	30,673	—	30,673	*
Javier Feliciano	Executive Vice President and Chief Human Resources Officer	7,038	—	7,038	*
All current directors and executive officers as a group (13 persons)		2,348,108	—	2,348,108	6.1 %

\* Less than 1%.

(1) The address for our directors and executive officers is c/o Meritage Homes Corporation, 8800 East Raintree Drive, Suite 300, Scottsdale, Arizona 85260.

(2) The amounts shown include the shares of common stock actually owned as of March 21, 2019, and the shares that the person or group had the right to acquire within 60 days of that date. The number of shares includes shares of common stock owned by other related individuals and entities over whose shares of common stock such person has custody, voting control or the power of disposition.

(3) Based on 38,287,292 shares outstanding as of March 21, 2019.

Shares are held by family trusts. As of March 21, 2019, Mr. Hilton had 900,000 shares pledged to a third-party lending institution, 350,000 of which are securing loans. Our pledging policy is discussed on page 21 of this proxy statement.

(5) Shares are held by family trusts or family members (6,000 shares Penny Sarver—wife; 2,000 shares Penny Sarver FBO Max Sarver—minor son; 8,170 shares Robert Sarver—trustee of Eva Lauren Hilton Trust; 8,170 shares Robert Sarver—trustee of Shari Rachel Hilton Trust; 181,319 shares Robert Sarver—trustee of Robert Sarver Trust). Mr. Sarver has expressly disclaimed any beneficial ownership of the shares held by the trusts for the benefit of



Mr. Hilton's children (Eva Lauren Hilton Trust and Shari Rachel Hilton trust).

Includes 4,000 shares held by The Haddock Center, a charitable organization for which Mr. Haddock serves as a (6) board member and has authority to make investment decisions on behalf of. Mr. Haddock has expressly disclaimed beneficial ownership of these shares.

(7) 7,946 shares are held by a family trust.

## SECURITY OWNERSHIP BY MANAGEMENT AND PRINCIPAL STOCKHOLDERS

Certain Other Beneficial Owners. Based on filings made under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of March 21, 2019, the only other known beneficial owners of more than 5% of Meritage common stock are shown in the following table:

Name of Other Beneficial Owners	Address Of Beneficial Owner	Shares Beneficially Owned	
		Number	Percent
BlackRock, Inc. (1)	55 East 52 <sup>nd</sup> Street, New York, NY 10055	6,221,109	15.6 %
The Vanguard Group (2)	100 Vanguard Boulevard, Malvern, PA 19355	3,888,832	10.2 %
Dimensional Fund Advisors, LP (3)	6300 Bee Cave Road, Austin, TX 78746	3,285,000	8.2 %
Earnest Partners, LLC (4)	1180 Peachtree Street NE, Suite 2300, Atlanta, GA 30309	2,057,404	5.1 %

Based solely on a Schedule 13G/A filed with the SEC on January 31, 2019, BlackRock, Inc. and certain affiliated (1) entities have sole voting power with respect to 6,053,679 shares and sole dispositive power with respect to 6,221,109 shares.

Based solely on a Schedule 13G/A filed with the SEC on March 11, 2019, The Vanguard Group has sole voting (2) power with respect to 40,418 shares, shared voting power with respect to 4,872 shares, sole dispositive power with respect to 3,847,659 shares and shared dispositive power with respect to 41,173 shares.

Based solely on a Schedule 13G/A filed with the SEC on February 8, 2019, Dimensional Fund Advisors, LP has (3) sole voting power with respect to 3,192,393 shares and sole dispositive power with respect to 3,285,000 shares.

Based solely on a Schedule 13G/A filed with the SEC on February 14, 2019, Earnest Partners, LLC has sole voting (4) power with respect to 467,562 shares, shared voting power with respect to 140,716 shares and sole dispositive power with respect to 2,057,404 shares.

For each of the reporting owners set forth above, the beneficially owned shares are held in various individual funds owned or managed by the reporting owners. The Form 13G/A filed by BlackRock, Inc. referenced above reports that the interest of iShares Core S&P Small-Cap ETF holds more than five percent of the outstanding stock of the Company.

## CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

### Corporate Governance and Board Matters

#### Role of the Board of Directors

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

#### Corporate Governance Principles and Practices

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

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

Our Corporate Governance Principles and Practices are available on our website at [investors.meritagehomes.com](http://investors.meritagehomes.com) and we will provide a printed copy to any stockholder upon request. These principles are reviewed regularly by the Nominating/Governance Committee and changes are made as the Committee deems appropriate.

#### Director Qualifications and Diversity

Our Board of Directors is comprised of a group of individuals whose previous experience, financial and business acumen, personal ethics and dedication and commitment to our Company allow the Board to complete its key task as the over-see and governing body of Meritage Homes Corporation. The specific experience and qualifications of each of our Board members are set forth below. The Board is committed to a policy of inclusiveness and diversity. The Board believes members should be comprised of persons with diverse skills, expertise, backgrounds and experiences including, without limitation, the following areas:

- management or board experience in a wide variety of enterprises and organizations,
- banking, capital markets and finance,
- accounting,
- legal and regulatory,

real estate, including homebuilding, commercial and land development,  
sales and marketing, and  
operations.

Our bylaws require a customary majority voting standard for the election of directors. In addition, our Corporate Governance Principles and Practices require that any nominee for director who is an incumbent director but who is not elected by the vote required in the bylaws, and with respect to whom no successor has been elected, promptly tender his or her offer to

## CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

resign to the Board of Directors for its consideration. The Nominating/Governance Committee of the Board of Directors will recommend to the Board of Directors whether to accept or reject the resignation offer, or whether other action should be taken. In determining whether to recommend that the Board of Directors accept any resignation offer, the Nominating/Governance Committee will be entitled to consider all factors believed relevant by the Nominating/Governance Committee's members. The Board of Directors will act on the Nominating/Governance Committee's recommendation within 90 days following certification of the election results and will announce its determination and rationale in a Form 8-K. In deciding whether to accept the resignation offer, the Board of Directors will consider the factors considered by the Nominating/Governance Committee and any additional information and factors that the Board of Directors believes to be relevant. If the Board of Directors accepts a director's resignation offer pursuant to its process, the Nominating/Governance Committee will recommend to the Board of Directors and the Board of Directors will thereafter determine what action, if any, will be taken with respect to any vacancy created by a resignation. Any director who tenders his or her resignation pursuant to this policy will not participate in the proceedings of either the Nominating/Governance Committee or the Board of Directors with respect to his or her own resignation.

In case of a Board vacancy or if the Board elects to increase its size, determinations regarding the eligibility of director candidates are made by the Nominating/Governance Committee, which considers the candidate's qualifications as to skills and experience in the context of the needs of the Board of Directors and our stockholders. When seeking new Board candidates, the Nominating/Governance Committee is committed to a policy of inclusiveness and will take reasonable steps to ensure that women and minority candidates are considered for the pool of candidates from which the Board nominees are chosen and will endeavor to include candidates from non-traditional venues.

The following charts provide summary information about the tenure and demographics of our directors, excluding Robert G. Sarver who will retire from his position on the Board at the expiration of his term at the annual stockholder meeting:

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

Our Board is comprised of the following members:

Class I Directors

Steven J. Hilton, 57 Mr. Hilton has been the Company's chairman and Chief Executive Officer since May 2006. Mr. Hilton was the co-chairman and co-Chief Executive Officer of Meritage Homes Corporation from 1996 to May 2006. In 1985, Mr. Hilton co-founded Arizona-based Monterey Homes, the predecessor company to Meritage Homes Corporation. Under Mr. Hilton's leadership, Monterey became publicly traded in 1996. Mr. Hilton received his Bachelor of Science degree in accounting from the University of Arizona and is a director of Western Alliance Bancorporation (a NYSE listed company), a leading bank holding company based in Phoenix, Arizona.

Raymond Oppel, 62 Mr. Hilton has over 30 years of real estate experience and is considered an expert and innovator in the homebuilding industry. He is a frequent participant in panels and interviews regarding the industry. Mr. Oppel has been a director since December 1997. Mr. Oppel is a licensed real estate broker and currently is active as a private investor in real estate development. 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 purchased in 1995 by public homebuilder KB Home.

Richard T. Burke, Sr., 76 Mr. Oppel has over 30 years of experience in the homebuilding business. Mr. Oppel possesses extensive knowledge about the real estate industry in general and the homebuilding industry in particular. Mr. Burke has been a director since September 2004. Mr. Burke retired in September 2018 from the position of Chairman of the Board of Directors of UnitedHealth Group, which he founded, took public in 1984 and served as Chief Executive Officer. He remains the UnitedHealth Group's designated lead Director. From 1995 until 2001, Mr. Burke was the owner and Chief Executive Officer of the Phoenix Coyotes, a National Hockey League team and has served as a director for a number of other companies, both public and private.

Dana C. Bradford, 54 Mr. Burke is a business and civic leader in Phoenix, Arizona, and his experience as the chairman and CEO of a multi-billion dollar public company provides the Board with outstanding corporate governance and financial insight.

Mr. Bradford has been a director since August 2009. Mr. Bradford is Chairman and Chief Executive Officer of C3 Brands, a diversified consumer brands company. From 2005 to 2012, Mr. Bradford was the president and managing partner of McCarthy Capital Corporation, a private equity firm. He also serves as a director on the boards of Southwest Value Partners, a San Diego-based real estate company and Customer Service Profiles, an Omaha-based provider of customer satisfaction data and analytics. Mr. Bradford formerly served as chairman of the board of SAFE Boats International, a Seattle-based manufacturer of defense and emergency response boats and Vornado Air, a Wichita-based consumer brands company and formerly served as a director on the boards of Ballantyne, NRG Media, Guild Mortgage and Gold Circle Films.

Mr. Bradford earned a bachelor's degree in business administration from the University of Arizona and an MBA from Creighton University. Mr. Bradford brings additional perspective to the Board relating to real estate and corporate finance matters.

Deborah Ann Henretta, 57 Ms. Henretta has been a director since March 2016. Ms. Henretta retired from Proctor & Gamble, Co. ("P&G") in 2015. Throughout her 30 years at P&G, she held various senior positions throughout several sectors, serving as President of Global Business while concurrently serving as Head/Senior Executive Officer of Global Beauty; President of Global Baby/Toddler & Adult Care; and Vice President of Fabric Conditioners and Bleach. She has been a director at Corning, Inc. since 2013, at Nisource Inc. since

2015 and at Staples, Inc. from 2016 to September 2017 when Staples was acquired by Sycamore Partners, a private equity investor.

Ms. Henretta is a Partner at G100 Companies where she assisted in establishing a New Director Board Excellence Program that includes director education on board oversight, governance including digital transformation and cyber security.

Ms. Henretta graduated summa cum laude from St. Bonaventure University with a BA in communications in 1983. She earned her MA in advertising research and teaching assistantship from Syracuse University Newhouse School of Public Communications in 1985.

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

Class II Directors

Peter L. Ax, 59 Mr. Ax has been a director since September 2000 and is the Company's lead independent director. He is the Chief Executive Officer of UpscriptHealth, a telemedicine-based software platform which allows pharmaceutical manufacturers to sell medications direct-to-consumer. He also remains the managing partner of Phoenix Capital Management, an operationally focused venture capital firm. Mr. Ax is the former chairman and Chief Executive Officer of SpinCycle, Inc., a public reporting consolidator and developer of coin-operated laundromats. Previously, Mr. Ax served as head of the Private Equity Placement Division and senior vice president of Lehman Brothers in New York and has served in various operating roles for enterprises operated by Phoenix Capital Management. Mr. Ax is also on the board of directors of iGo, Inc. (formerly, NASDAQ: IGOI).

Mr. Ax holds an MBA from the Wharton School at the University of Pennsylvania, a J.D. from the University of Arizona, and a B.S.B.A. from the University of Arizona, and has been a certified public accountant. Mr. Ax possesses extensive skills and experience relating to, among other things, capital markets and corporate finance.

Gerald Haddock, 71 Mr. Haddock has been a director since January 2005. Mr. Haddock is the founder of Haddock Enterprises, LLC and formerly served as president and Chief Executive Officer of Crescent Real Estate Equities, a diversified real estate investment trust. He is currently a director of ENSCO International, Plc., a leading global offshore oil and gas drilling service company. As a director for ENSCO, he has served as its co-lead director and Chairperson of the Audit Committee and is also a member of the Nominating & Governance Committee. Mr. Haddock is also a director of Union Acquisition Corp., a special purpose acquisition corporation, and he has served in this capacity since November 2017. From December 2004 to October 2008, Mr. Haddock served as a Board Member of Cano Petroleum, Inc. He also serves on the board of trustees and is a member of various committees for the Baylor College of Medicine (2011 to 2015), the Executive Investment Committee at Baylor University, the M.D. Anderson Proton Therapy Education and Research Foundation, the CEELI Institute, and the Johnny Unitas Golden Arm Educational Foundation.

Mr. Haddock received his Bachelor of business administration and Juris Doctorate degrees from Baylor University. He also received a Masters of Law in Taxation degree from New York University and an MBA degree from Dallas Baptist University.

Michael R. Odell, 55 Mr. Odell has been a director since December 2011. Since 2017, he has been president and Chief Executive Officer of Marubeni Automotive Aftermarket Holdings LLC, a holding company for investments in the automotive aftermarket and also president and Chief Executive Officer of XL Parts LLC, an automotive parts distributor. In 2015 and 2016, he served as president of Eastern Auto Parts Warehouse, an automotive parts distributor. From 2008 through 2014, he served as president, Chief Executive Officer and board member of The Pep Boys - Manny, Moe & Jack, a NYSE-listed Fortune 1000 company and the nation's leading automotive aftermarket service and retail chain. Mr. Odell joined Pep Boys in 2007 as Chief Operating Officer. Previously, he served as executive vice president and general manager of Sears Retail & Specialty Stores, a \$26 billion division of Sears Holdings Corporation.

Mr. Odell started his career as a CPA with Deloitte & Touche LLP. Mr. Odell holds an M.B.A. from Northwestern University's Kellogg School of Management, and a B.S. in Accounting from the University of Denver's Daniels College of Business. Mr. Odell has deep service, retail and distribution experience, with a broad background in strategic planning, leadership, operations and finance.





## CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

### Director Independence

The Nominating/Governance Committee evaluates and reports to the Board of Directors regarding the independence of each candidate. Consistent with the rules and regulations of the NYSE, at least a majority of the Board of Directors must be independent. No director will be deemed to be independent unless the Board affirmatively determines that the director has no material relationship with the Company, either directly or as an officer, shareowner, member, partner or trustee of an organization that has a relationship with the Company. The Board observes all criteria established by the NYSE and other governing laws and regulations. In its review of director independence, the Board considers all commercial, banking, consulting, legal, accounting, charitable and other business relationships the director may have with the Company.

As a result of its review, the Board of Directors has determined that a majority of Meritage's Board members are independent. Our independent directors are Peter L. Ax, Raymond Oppel, Richard T. Burke, Sr., Gerald Haddock, Dana C. Bradford, Michael R. Odell and Deborah Ann Henretta.

In making this determination, the Board of Directors evaluated whether any relationships exist between these individuals and Meritage and determined that no relationship exists between Meritage and any independent director. Steven J. Hilton is not considered independent because he is employed by the Company.

Mr. Sarver is not considered an independent director. Mr. Sarver will retire from his position on the Board at the expiration of his term on May 17, 2019.

The Board has also determined that all committees of the Board, with the exception of Land Committee, should be comprised entirely of independent directors and therefore neither Mr. Hilton nor Mr. Sarver serve on any Board committees.

### Board Leadership Structure

Steven J. Hilton, our co-founder and Chief Executive Officer ("CEO"), also serves as a director and the Chairman of the Board. We believe Mr. Hilton's unique industry experience and continuing involvement in the day-to-day operations of the Company make him highly qualified to serve as our Board's Chairman. Mr. Hilton co-founded Meritage Homes and is thus intimately familiar with its history, culture and operations. Mr. Hilton possesses in-depth knowledge and expertise in the homebuilding industry as a whole and Meritage Homes in particular and is the Company's largest non-institutional stockholder. The Board of Directors has concluded that this puts Mr. Hilton in a unique position and makes it compelling for him to serve both as Chairman of the Board and CEO to effectively represent the stockholders' interest.

Mr. Ax, our Audit Committee Chair, serves as the Board's lead independent director. Mr. Ax has extensive knowledge of capital markets and corporate finance and has previously served as CEO of a publicly traded corporation. We believe that Mr. Ax's role as our lead independent director serves as a counterbalance to and complements Mr. Hilton's position as Board Chairman and provides the appropriate level of independent director oversight. Additionally, our lead independent director collaborates with Mr. Hilton in establishing agendas for Board meetings, presides over all independent director meetings and can call special meetings of the independent directors as he deems necessary to address any matters the lead independent director feels should be addressed by the majority of our directors at any time. To more formalize the role, duties and qualifications of the lead independent director, the Board of Directors has adopted a Lead Director Charter. This Charter is available on our website at [investors.meritagehomes.com](http://investors.meritagehomes.com) and we will provide a printed copy to any stockholder upon request.

### CEO and Management Succession;

Board  
Composition  
and  
Refreshment

Under the charter of the Nominating/Governance Committee, it is the role of the Nominating/Governance Committee to review and recommend to the Board of Directors changes as needed to the Company's Corporate Governance Principles and Practices, including items such as management succession, policies and principles for CEO selection and performance review, policies regarding succession in the event of an emergency or departure of the CEO, and Board diversity, tenure and refreshment. Our Corporate Governance Principles and Practices provide, among other things, that our Compensation Committee is to conduct an annual review of the performance of the CEO.

The Board of Directors considers management evaluation and CEO succession planning an important responsibility of the Board. Under our Corporate Governance Principles and Practices, the Board of Directors is responsible for approving a succession plan for our CEO and other senior officers. Issues relating to CEO succession planning are addressed regularly (at least annually) by the Board.

## CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

### Risk

#### Oversight

Our Board of Directors has overall responsibility for the oversight of risk management. As part of this oversight, on a regular basis, our Board of Directors receives reports from various members of management and is actively involved in monitoring and approving key decisions relating to our operations and strategy. Additionally, the management teams at our divisions must obtain approvals from our corporate executive team prior to engaging in certain activities or committing prescribed amounts of the Company's financial and operational resources. As a result, senior management, who report directly to executive management, cannot authorize transactions that exceed prescribed thresholds that, while they may result in short-term benefits for their divisions, may expose the Company to unwarranted risks. Similarly, our executive management (including our NEOs) cannot engage in certain transactions without approval from our Board of Directors. For example, management must obtain approval from the Board of Directors, acting through the Land Committee, before proceeding with any land acquisition above a pre-established threshold. In addition, our General Counsel regularly reports to the Board of Directors information concerning ongoing litigation and possible legal, regulatory and other risks that might expose the Company to liability or loss.

The Board also annually reviews the Company's insurance programs.

Management operates the business within parameters established by an annual budget that is reviewed and approved by the Board of Directors. At each regular Board meeting, management provides the Board of Directors a status report with respect to the budget and addresses any material variances. We believe our budgeting process provides a useful mechanism for identifying risks and the related rewards and provides a quantitative method for evaluating those risks and rewards. The Board of Directors also provides oversight of risk through its standing committees. For example: Our Audit Committee is responsible for reviewing and analyzing significant financial and operational risks and how management is managing and mitigating such risks through its internal controls and risk management processes. Our VP of Internal Audit reports directly to the Audit Committee and provides routine updates on the progress and findings of the department's on-going internal audit reviews. Our external auditors also have at least quarterly discussions with our Audit Committee, and meet both with and without Company management present, to highlight what they perceive as our key financial risks. Our Audit Committee plays an important role in overseeing our internal controls monitoring and is regularly engaged in discussions with management regarding business risks, operational risks, transactional risks and financial risks.

Our Compensation Committee oversees risks relating to the compensation and incentives provided to our senior executive officers. The Compensation Committee negotiates and approves all of the employment agreements of our NEOs and the Compensation Committee approves all grants of equity awards to all of our eligible employees. The Compensation Committee has the sole authority to hire outside compensation advisors and consultants and to determine the terms, scope and fees of such engagements.

Only Independent Directors sit on our governance Committees. Although it is not a requirement that members of our Land Committee are independent, currently all members are independent directors.

#### The Board

#### and Board

#### Committees

We currently have nine incumbent directors and the following committees:

• Audit Committee

• Executive Compensation Committee

• Nominating/Governance Committee

• Land Committee

Our Board of Directors typically meets on a quarterly basis, with additional meetings held as required. During 2018, the Board of Directors held seven meetings. Throughout 2018, each director attended at least 75% of the aggregate of the Board and committee meetings of which they were a member. Our Land Committee does not have regularly

scheduled meetings but rather meets when significant land transactions require the Land Committee's consideration. Directors are expected to attend our annual meetings of stockholders. All directors attended our 2018 annual meeting held on May 17, 2018.

## CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

The following table identifies the current members of our Board of Directors and the number of meetings held during 2018:

Board of Directors	Audit Committee	Executive Compensation Committee	Nominating/Governance Committee	Land Committee
Steven J. Hilton*				
Peter L. Ax +	C		ü	ü
Raymond Oppel		ü		ü
Richard T. Burke, Sr.	ü			
Gerald Haddock			C	ü
Dana C. Bradford	ü	ü		ü
Michael R. Odell		C		
Robert G. Sarver				
Deborah Ann Henretta			ü	
Number of Meetings	8	9	4	11

\* =Chairman of the Board

ü =Member

C=Committee Chair

+ =Lead Independent Director

#### Audit Committee

The Board of Directors has established an Audit Committee in accordance with Section 3(a)(58)(A) of the Exchange Act, and the rules and regulations of the NYSE. The Audit Committee assists the Board of Directors in:

- fulfilling its oversight of the integrity of our financial statements,
- overseeing our compliance with legal and regulatory requirements,
- determining our independent registered public accounting firm’s qualifications and independence,
- evaluating the performance of our internal audit function and independent registered public accounting firm, and
- reviewing and approving any related party transaction between the Company and senior executive officers or directors.

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

The Audit Committee operates under a written charter established by the Board. The charter is available on our website at [investors.meritagehomes.com](http://investors.meritagehomes.com) and we will provide a printed copy to any stockholder upon request. Each member of the Audit Committee meets the independence requirements of the NYSE and the Exchange Act, and is financially literate, knowledgeable and qualified to review our financial statements. In addition, each member of the Audit Committee has accounting or related financial management expertise. The Board of Directors has determined that Peter L. Ax, the Chair of our Audit Committee and each of our other two directors who serve as audit committee members are independent directors as defined by the NYSE’s listing standards, and each is an “audit committee financial expert.” Information about past business and educational experience of Mr. Ax and other members of the Audit Committee is included in their biographies in this proxy statement under the caption “—Director Qualifications and Diversity —”.

The report of the Audit Committee is included in this proxy statement under the caption “Report of the Audit Committee.”

Executive Compensation Committee

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

- reviewing and approving goals and objectives relative to the compensation of our NEOs, evaluating our NEOs' performance in light of these goals and approving the compensation of our NEOs,
- reviewing and considering input from stockholders with respect to compensation agreements with our NEOs,
- overseeing all equity-based award grants,

## CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

- making recommendations to the Board of Directors with regard to non-NEO compensation and equity-based awards, and

- producing a report on executive compensation to be included in our annual proxy statement.

The Compensation Committee is currently comprised of three members of the Board, each of whom is independent under the independence standards of the NYSE, a “non-employee director” under Section 16 of the Exchange Act, and an “outside director” for purposes of Section 162(m) of the Internal Revenue Code (the “Code”). Generally, the Compensation Committee Chair is in charge of setting the schedule for the Compensation Committee’s meetings as well as the agenda of each meeting.

The Compensation Committee operates under a written charter, which is available on our website at [investors.meritagehomes.com](http://investors.meritagehomes.com). We will provide a printed copy of the charter to any stockholder upon request.

The Compensation Committee has the sole authority to hire outside compensation advisors and consultants and to determine the terms, scope, fees and costs of such engagements. From 2013 to mid-2018, the Compensation Committee engaged The POE Group (“POE Group”) annually to provide an update on current compensation trends and to provide recommendations on the compensation packages of our NEOs. In the latter half of 2018, the Compensation Committee engaged Pearl Meyer as its new independent executive compensation consultant.

The Compensation Committee determines executive compensation with respect to our NEOs independent of management. The Compensation Committee approves all grants of equity-based awards. For the NEOs, the number and type of equity award grants are determined or based on an employment agreement between the Company and the NEO, which may be periodically re-negotiated and revised, as approved by the Compensation Committee. For non-NEOs, management is responsible for recommending to the Compensation Committee the persons to receive grants and the nature and size of the proposed award. Because management is responsible for the day-to-day operation of the Company, the Compensation Committee believes that management is in the best position to make this recommendation.

### Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee is, or has been, an employee of Meritage or any of its subsidiaries. There are no interlocking relationships between Meritage and other entities that might affect the determination of the compensation of Meritage’s executive officers.

### Nominating/Governance Committee

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

- developing director qualifications and determining whether newly elected directors or prospective director candidates meet those qualifications,

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

- considering recommendations for director nominations received from stockholders,

- reviewing and recommending changes as needed to the Company’s Corporate Governance Principles and Practices,

- addressing such items as management succession, including policies and principles for our CEO selection and

- performance review and succession in the event of an emergency or departure of the CEO,

- director qualification standards, including policies regarding director tenure, retirement and succession,

- reviewing the charters of the Compensation Committee, Audit Committee and Nominating/Governance Committee and any other committees,

- assessing and monitoring, with Board involvement, the Board’s performance and the contributions and performance of individual directors,

- recommending nominees for the Compensation Committee, Audit Committee, Nominating/Governance Committee, and Land Committee, and

- promoting adherence to a high standard of corporate governance and Company values.



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

## CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

### Land Committee

The Board of Directors has established a Land Committee, which directly reports to the Board of Directors. The Land Committee is responsible for reviewing and approving/denying land acquisition transactions recommended by management in excess of a predetermined monetary threshold. The Committee is intended to function as an additional approval mechanism for executive management's land acquisition approval policies and procedures.

As of the date of this filing, the Land Committee was comprised of Messrs. Ax, Oppel, Haddock and Bradford. The Land Committee is transactional in nature; accordingly, the frequency of meetings is not pre-determined, and rather meetings only occur when significant land transactions arise that require Land Committee consideration. Currently, no compensation is paid to any director for service on the Land Committee, and there is not a Land Committee chair.

### Director Nomination Process

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

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

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

Meritage Homes Corporation  
8800 East Raintree Drive  
Suite 300  
Scottsdale, Arizona 85260  
Attn: Secretary

The Secretary will forward all recommendations to the Nominating/Governance Committee.

**Stockholder Nominations.** Our bylaws also permit stockholders to nominate directors for election at an annual stockholder meeting. For a description of the process for submitting such nominations for consideration at next year's annual meeting, please see "Stockholder Proposals, Director Nominations and Other Items of Business" on page 52 of this proxy statement.

**Proxy Access.** Our bylaws permit an eligible stockholder, or a group of up to 20 stockholders, that has continuously owned at least three percent of the Company's outstanding shares of common stock for three years to include in the

Company's proxy materials director nominations of up to 20% (rounded to the nearest whole number) of the number of Directors constituting the class up for election at any annual meeting. For a description of the process and deadlines for submitting such nominations for consideration at next year's annual meeting, please see "Stockholder Proposals, Director Nominations and Other Items of Business" on page 52 of this proxy statement.

#### Director Orientation and Continuing Education

It is the policy of the Board that all new directors should participate in an orientation program sponsored by the Company. This orientation is designed to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Ethics, its principal officers, its internal audit function, and its independent registered public accounting firm. In addition, the Board encourages each director to attend prominent

## CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

continuing education programs. The Company will pay for the director's tuition and reasonable and customary travel expenses to attend continuing education programs.

### Executive Sessions of Independent Directors

Our Corporate Governance Principles and Practices dictate that the non-management members of the Board of Directors will meet in executive session at least quarterly outside the presence of directors that are employees or officers of the Company. The non-management directors met in executive session four times during 2018. Peter L. Ax is our Lead Independent Director and presides over these executive session meetings.

### Code

of

### Ethics

We are committed to conducting business consistent with the highest ethical and legal standards. The Board of Directors has adopted a Code of Ethics, which is applicable to all employees, including our senior and executive management and our directors. The Code is available on our website at [investors.meritagehomes.com](http://investors.meritagehomes.com) and we will provide a print copy to any stockholder upon request.

### Meritage Stock Pledging Policy

In February 2013, the Nominating/Governance Committee approved a modification to the Company's securities trading policy prohibiting all future pledging of the Company's equity securities by our employees, NEOs and directors. In connection with this policy, the Company adopted a grandfather provision relating to existing pledges. As of the date our modified policy was adopted, only Messrs. Hilton and Sarver had outstanding pledges. Our grandfather provision exempts existing pledges and continuation or replacements thereto; provided, however, that with respect to these existing pledges (or continuations or replacements thereof) the number of shares pledged may not exceed the greater of (i) two-thirds of the total number of Meritage shares beneficially owned by Mr. Hilton. In establishing these grandfather provisions, the Board considered the particular circumstances of Mr. Hilton, the founder of the Company, who has a significant ownership in the Company's equity securities.

### Anti-Hedging Policy

We have a Securities Trading Policy that sets forth guidelines and restrictions on transactions involving our stock, which are applicable to all employees, including our NEOs and directors. Among other things, our policy prohibits all types of hedging transactions, including, but not limited to, purchases of stock on margin, short sales, buying or selling puts or calls and similar transactions involving any derivative securities. If allowed, these types of transactions could enable employees to own Company stock without the full risks and rewards of ownership. When that occurs, employees may no longer have the same objectives as the Company's other stockholders and therefore such transactions involving Meritage stock are prohibited.

### Communications

with the Board

of Directors

Interested persons may communicate with the Board of Directors by writing to our Lead Independent Director at the address set forth on page 2. The Lead Independent Director will disseminate the information to the rest of the Board at his discretion.

## COMPENSATION DISCUSSION AND ANALYSIS

### Compensation Discussion and Analysis

The following discussion and analysis should be read in conjunction with the “Summary Compensation Table” and related tables that are presented immediately following this discussion.

The purpose of this compensation discussion and analysis (“CD&A”) is to provide information about each material element of compensation that we pay or award to, or that is earned by, our NEOs. For our 2018 fiscal year, our NEOs were:

Steven J. Hilton, Chairman and Chief Executive Officer

Hilla Sferruzza, Executive Vice President, Chief Financial Officer

C. Timothy White, Executive Vice President, General Counsel and Secretary

Phillippe Lord, Executive Vice President, Chief Operating Officer

Javier Feliciano, Executive Vice President, Chief Human Resources Officer

This CD&A addresses and explains the numerical and related information contained in the summary compensation tables and includes actions regarding executive compensation that occurred during 2018, including the award of bonuses related to 2018 performance, and the adoption of any new, or the modification of any existing, compensation programs, if applicable.

2018

#### Environment

2018 was a year of growth and transition for the real estate and homebuilding industries, as they benefited during most of

the year from strong underlying economic and housing market fundamentals evidenced by low unemployment levels, wage growth and a shortage in the supply of homes, particularly at entry-level price points. This strong demand waned in the later months of 2018 as rising interest rates and home prices caused buyers to delay their home purchasing decisions. With plentiful mortgage availability, improving economic metrics for most segments of the population, the meaningful re-entry of millennials into the home buying sector and downsizing needs of the baby boomer generation, we believe demand for new homes will be stable over the next decade and the largest population of buyers will be looking for smaller starter or move-down homes. Homebuilders with attractive, lower price-point product in desirable locations should be poised to capture this pent-up demand as millennial and move-down buyers look for nicely appointed but affordable homes.

We remain focused on positioning ourselves in well-located and highly-desired communities in many of the top residential real-estate markets in the United States where we are now focused primarily on product offerings targeting these first-time and first move-up buyers. We believe we successfully differentiate ourselves from our competition by offering a lineup of extremely livable and efficient plans featuring new designs that highlight the benefits of our industry-leading energy-efficient building features and technology which we believe are particularly appealing to the first-time buyer. Over the last couple of years we have been executing a strategy to address the demand for more affordable homes by acquiring communities and designing homes that can be delivered at a lower cost by simplifying our product and construction processes, starting more speculative homes to allow buyers to move in quicker, and by enhancing and making the entire home buying experience easier for our customers. The growth and profitability of Meritage is dependent on executive management’s vision and actions to implement and support these strategic goals and we feel we have taken, and continue to take, appropriate steps for Meritage Homes to be well-positioned for success.

#### Executive

#### Summary

Meritage Homes is committed to building long-term stockholder value. Accordingly, our NEO compensation program is designed to be largely performance driven. At our 2018 Annual Meeting of Stockholders, the Company’s

stockholders approved the compensation of our NEOs (on an advisory basis) by approximately 99% of total votes cast, indicating that our stockholders were in agreement with our Compensation Committee and its direction of setting compensation arrangements based on performance metrics that are in line with the goals of our stockholders. A summary of our compensation packages is discussed further in this proxy in the section titled “Compensation Program.”

## COMPENSATION DISCUSSION AND ANALYSIS

### 2018 Business Highlights

2018 was another year of growth and progress on many strategic fronts for Meritage Homes. Below is a summary of some of the significant accomplishments achieved in 2018:

• Achieved diluted earnings per share of \$5.58 per share, a 64% increase over 2017.

• Generated 14% year-over-year growth in earnings before income taxes.

• Grew total home closing revenue to \$3.5 billion in 2018, up 9% over 2017.

• Improved home closing gross margin to 18.2%, a 60 basis point improvement year-over-year.

• Expanded the number of orders from entry-level communities that target the first-time homebuyer to over 40% of our total orders for the year ended December 31, 2018, a 25% increase over 2017.

• Completed \$100.0 million of repurchases of our common stock, retiring 2.6 million shares.

• Improved our customer satisfaction rating to 91.9%, the highest satisfaction rating in Meritage Homes history.

Our executive compensation program is designed to be driven with a focus on pay-for-performance. In 2018, more than half of the compensation program for our NEOs was based on various performance metrics that are tied to Meritage's financial and operational goals. The following graph illustrates CEO compensation as it relates to the performance of the Company over the last three years.

\* Before deduction of CEO total compensation (as reflected in the Summary Compensation Table).

In addition to our financial and operating successes, Meritage Homes is committed to building every home to meet or exceed ENERGY STAR® standards, with many of our communities greatly surpassing those levels. The Environmental Protection Agency has recognized Meritage Homes as an ENERGY STAR Partner of the Year every year since 2010. For the sixth consecutive year, in 2018 Meritage received the ENERGY STAR® prestigious Partner of the Year for Sustained Excellence Award in recognition of our ongoing industry leadership in advancing energy-efficient building standards. In addition, all the homes we build include home automation through our new M.Connected Home Automation Suite®. This technology includes features that allow homeowners to monitor and control key components of their homes, such as Wi-Fi enabled lighting, video doorbells and smart door locks. We have also enjoyed successes in establishing Meritage Homes as a company that gives back and has been recognized for such efforts. Since 2013, Meritage has partnered with Operation Homefront to provide newly-built mortgage-free homes to military families through its Homes on the Homefront program. In addition, Meritage employees donated thousands of man-hours and significant financial support to organizations including the Boys and Girls Club, Habitat for Humanity, Ronald McDonald House, numerous local food banks and other local and national charitable organizations, through the Meritage Cares Foundation.

## COMPENSATION DISCUSSION AND ANALYSIS

### Compensation Philosophy and Objectives

Our executive compensation program is designed to drive and reward superior corporate performance both annually and over the long term while simultaneously striving to be externally competitive amongst our peer group. We continually review our executive compensation program to ensure it reflects good governance practices and is in the best interests of stockholders. From 2013 to mid-2018 the Compensation Committee engaged POE Group and in late 2018 engaged Pearl Meyer as its independent external compensation consultant to evaluate and make recommendations regarding the terms of our NEO compensation programs as they relate to creating stockholder value as well as remaining competitive in the marketplace with the changing trends in NEO compensation, while meeting the below core objectives:

#### Pay for Performance

A substantial portion of the total potential compensation for our NEOs is intended to be variable on a pay-for-performance basis. The terms of the performance-based compensation contemplated in each respective NEO's employment agreement was based upon an assessment performed by POE Group of external market data to ensure that the compensation formula is competitive relative to the compensation paid by companies with which we compete for executive talent. This compensation is derived based on (i) the performance of the Company as a whole, as measured against our peer group and (ii) the NEOs role in the attainment of the Company's performance goals.

#### Stock Ownership

We are committed to utilizing our compensation program to increase executive stock ownership over time. We believe that equity ownership directly aligns the interests of our executives with those of our stockholders and helps to focus our executives on long-term stockholder value creation. We award restricted stock, restricted stock units and performance share awards to our NEOs, as we believe such awards provide our NEOs with an incentive to continue to increase long-term stockholder value, even during periods of declining stock prices. We believe the granting of equity awards is an important retention tool and is widely used in our industry.

#### Recruiting and Retention

Due to the competitive nature of our industry, we are committed to providing total compensation opportunities that are competitive with, though not identical to, the practices of other public homebuilders within our peer group. We intend for our compensation program to be sufficiently aligned with industry practices so that we can continue to attract and retain outstanding executives who are motivated to help us achieve our mission.

#### Compensation Peer Group

As a member of the homebuilding industry, we predominantly compete for executive talent and have historically compared ourselves to other companies in our industry. There are a limited number of homebuilders that have revenue and market capitalization similar to ours. Therefore, the Compensation Committee, with the assistance of POE Group, has established a peer group of comparably sized companies selected from the homebuilding industry as well as the building products industry. The majority of the peer group companies fall within the following parameters:

0.4 times to 2.5 times our revenues, and

0.25 times to 4.0 times our market capitalization.

The peer group companies that were used in 2018 for executive compensation benchmarking and performance benchmarking are set forth below. We believe that this peer group provides an appropriate benchmark comparison for our Company.

1 Armstrong World Industries	1 Owens Corning
1 Beazer Homes USA	1 Pulte Group
1 Fortune Brands	1 Taylor Morrison Home



Edgar Filing: Meritage Homes CORP - Form DEF 14A

1 KB Home	1 Toll Brothers
1 M.D.C. Holdings	1 TRI Pointe Group
1 M/I Homes	1 USG
1 Martin Marietta Materials	

## COMPENSATION DISCUSSION AND ANALYSIS

In addition to the peer group listed above for executive compensation benchmarking, the Compensation Committee established a peer group for the total shareholder return ("TSR") portion of performance based long-term incentive awards that includes only homebuilders based on the recommendations of POE Group. The TSR peer group for 2018 is set forth below:

1 Beazer Homes USA	1 Pulte Group
1 KB Home	1 Taylor Morrison Home
1 M.D.C. Holdings	1 Toll Brothers
1 M/I Homes	1 TRI Pointe Group

While market data is an important factor utilized by the Compensation Committee when setting compensation, it is only one of multiple factors considered, and the amount paid to each executive may be more or less than the composite market predicted value based on the performance of the Company and the executive, the roles, experience level and responsibilities of the executive, internal equity and other factors that the Compensation Committee deems important.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation

Best Practices

The best practices evidenced by our NEO compensation programs and processes include:

WE DO

a Pay for performance by requiring a significant portion of the total compensation of our NEOs be determined based on performance tied to strategic objectives.

a Have executive Stock Ownership Requirements in place set at a multiplier of base salary.

a Have a clawback policy for our NEOs requiring the recoupment of incentive bonuses in the event of a restatement of financial results resulting from willful misconduct or gross negligence of the applicable NEO.

a Engage an independent compensation consultant who reports directly to the Compensation Committee to provide an update on current compensation trends and to provide recommendations on our NEOs' current compensation packages.

a Double trigger cash severance based upon a change-in-control of the Company.

WE DO NOT

r Provide perquisites for our NEOs other than those limited to auto allowance, reimbursement of certain insurance premiums and other limited benefits.

r Reprice or replace stock options and other equity awards.

r Allow hedging.

r Allow pledging, subject to certain limited grandfather provisions.

r Provide tax gross-ups for change-in-control and severance payments.

Our executive compensation policies and practices are designed to align our NEOs' long-term interests with those of our stockholders via a pay-for-performance model. The charts below depict the 2018 percentage of compensation for our CEO and other NEOs that is fixed versus performance-based (from the summary compensation table on page 38):

\*Represents average for current NEOs other than the CEO.

\*\* Includes fair value of performance share awards granted (at target level) and actual non-equity incentive plan compensation paid.

## COMPENSATION DISCUSSION AND ANALYSIS

### Independent Compensation Consultant

In accordance with its charter, the Compensation Committee has the sole authority to obtain advice and assistance from consultants, legal counsel, accounting and other advisers as appropriate. The Compensation Committee has the sole authority to retain and terminate any compensation consultant, counsel or adviser and to determine and approve the terms, costs and fees for such engagements. From 2013 to mid-2018, the Compensation Committee engaged POE Group as its independent executive compensation consultant taking into consideration (i) the independence of and similar factors pertaining to POE Group as required by the New York Stock Exchange (NYSE), the Securities and Exchange Commission (SEC) and other applicable rules and regulations. Upon consideration of these factors, the Compensation Committee concluded that engaging POE Group did not present any conflicts of interest.

POE Group provided information and advice regarding compensation philosophy and strategy; recommended peer group selection criteria as well as recommended potential peer companies; and consulted with the Compensation Committee on both long-term and short-term incentive compensation.

In the latter half of 2018, the Compensation Committee engaged Pearl Meyer to become the new independent executive compensation consultant for the Compensation Committee. Pearl Meyer is a leader in the executive compensation consulting industry.

### Compensation Program

The key components of our executive compensation program are base salary, annual incentive cash compensation and long-term equity incentive compensation. In addition, our NEOs have the opportunity to participate in our company-wide 401(k) plan, a non-qualified deferred compensation plan, and to receive limited certain personal benefits, as described below. The employment agreements of our CEO and other NEOs are further described in this proxy under the section “—Employment Agreements in Effect for 2018.”

Our executive compensation program is designed based on the following strategic principles:

- Alignment with key outcomes of our business strategies;
- Appropriate balance of short- and long-term incentive award opportunity;
- Provision of market-competitive total compensation opportunity within our industry and peer group;
- Appropriate alignment with our stockholders by delivering a significant percentage of total compensation opportunity through equity;
- Setting total compensation package where a significant percentage of total compensation is at risk;
- Transparency in the communication of plan design and performance goals to enhance understanding; and
- Adherence to sound governance practices, including the prudent management of compensation risk.

Based on the results of the analysis, the components of our NEO compensation program are as outlined below.

### Base Salary

The purpose of the base salary is to provide a fixed amount of cash compensation that is not variable and is generally competitive with market practices. Consistent with industry practice and our pay-for-performance objective, the base salary for each of our NEOs is designed to account for only a portion of their overall total target compensation. As compared to our compensation peer group, we target our NEO base salaries to be commensurate with other public homebuilders. We believe the NEO base salaries are appropriate based on the officers' roles, responsibilities, experience and contributions to the Company, as well as market data.

### Annual Cash Incentive Compensation ("Non-Equity Incentive Plan")

We believe our Non-Equity Incentive Plan focuses our NEOs on the most important short-term measures of our business, establishes a clear connection between performance and earned compensation, and provides greater transparency to our stockholders as to the operation of our Non-Equity Incentive Plan. Each goal represents a fixed percentage of total potential compensation with each goal assessed separately from the others. The annual incentive

compensation is designed to comply with the requirements of Section 162(m) of the Code to allow for the tax deductibility of incentive compensation paid to our NEOs where still allowable as grandfathered under the tax reform in effect as of November 2, 2017.

The specific details of each NEO's 2018 incentive compensation are further described under the section "—Employment Agreements in Effect for 2018".

## COMPENSATION DISCUSSION AND ANALYSIS

### Discretionary Bonuses

Discretionary bonuses may be awarded based on specific achievements of an individual beyond those of the performance measurements included in the annual incentive compensation calculations, subject to approval by the Compensation Committee. For 2018, there were no discretionary bonuses awarded to our NEOs.

### Long-Term Equity Incentive Awards

Long-term equity incentives are intended to provide compensation opportunities based on the creation of stockholder value and an increase in our stock price. The employment agreements in effect for 2018 allow for grants of performance-based awards and restricted stock units which generally have a three-year cliff vesting schedule.

In connection with our equity awards, we have also adopted stock ownership requirements as further discussed below in the section “—Security Ownership Requirements.”

The Compensation Committee believes that equity awards provide a strong long-term incentive for our NEOs (and other officers and employees) that, along with their stock ownership, helps to align the interests of management with our stockholders. The Compensation Committee believes that these equity-based awards provide the opportunity for our executives to benefit from strong equity performance and, particularly in the case of the restricted stock unit awards, the NEOs focus on balancing stability and preservation of stock value against being incentivized to potentially take on an imprudent level of additional risk to drive stock appreciation with more contingent equity awards such as stock options. The Company and the Compensation Committee also believe that an appropriate mix of cash compensation and non-cash compensation in the form of equity awards is necessary and appropriate because, among other reasons, equity-based awards do not require the use of our working capital. The Compensation Committee is mindful of the fact that equity awards represent an expense under generally accepted accounting principles and a cost to the Company and its stockholders in the form of dilution. Accordingly, the Company seeks to achieve an appropriate balance between cash and non-cash compensation such that the NEOs are appropriately incentivized, our working capital and financial results are minimally affected, and our stockholders do not experience undue dilution.

### Other Compensation

The Compensation Committee does not believe in the extensive use of perquisites as a component of executive compensation. The Compensation Committee believes that the perquisites provided to our NEOs (above those received by all employees or officers in general) are limited but help maintain the competitiveness of our compensation package as compared to our peer companies. The types of perquisites we provide to our NEOs generally consist of car allowances, and enhanced life and disability or long-term care insurance.

### Limitations on Deductibility of Compensation

Prior to the Tax Cuts and Jobs Act (“Tax Reform”) that was signed into law December 22, 2017, Section 162(m) of the Internal Revenue Code placed a \$1 million limit on the amount of compensation the Company could deduct in any one year for compensation paid to our NEOs (other than our CFO) unless the compensation qualified as “performance-based compensation.” Tax Reform repeals the “performance-based compensation” exception for tax years beginning after December 31, 2017 and, as a result, compensation paid to our NEOs (including our CFO) in excess of \$1 million in 2018 and beyond will not be deductible unless it qualifies for transition relief applicable to binding written agreements in effect on November 2, 2017 and not materially modified thereafter.

Historically, the Compensation Committee sought to provide our NEOs with incentive and equity compensation that preserved the tax deductibility of compensation paid by the Company, to the extent reasonably practicable and consistent with the Company’s other compensation objectives. However, due to the uncertainty surrounding the transition relief under Tax Reform, we cannot guarantee that compensation originally intended to satisfy the “performance-based compensation” exception will, in fact, satisfy such requirements in the future. The Compensation Committee believes that stockholder interests are best served by not restricting the Committee’s flexibility in structuring its compensation programs. As such, the Compensation Committee has always, and continues to, reserve the right to amend arrangements that were initially intended to qualify as “performance-based compensation” if the Committee determines such amendments are in the best interests of the Company and its stockholders, even though

such changes may cause the arrangements to fail to qualify for Tax Reform's transition relief, resulting in a non-deductible compensation expense for the Company.

Security

Ownership

Requirements

We maintain security ownership requirements for our directors and certain executive officers. The Board of Directors believes that these guidelines align the interests of our directors and executive officers with those of stockholders. Our directors and

## COMPENSATION DISCUSSION AND ANALYSIS

executive officers are required to comply with ownership guidelines. The requirements for our directors and NEOs are outlined below:

• Directors, three times annual director fees (exclusive of committee or lead director fees),

• CEO, ten times base salary, and

• COO, CFO, CHRO and General Counsel, two times base salary.

In the case of the appointment of a new executive officer or director, the new officer or director shall not be required to purchase stock in the open market in order to become compliant. For directors and executive officers, until such compliance is achieved they may not sell or otherwise transfer any stock or stock equivalents related to equity awarded by the Company; provided, however, until such compliance is achieved, they may sell stock as necessary to pay any required income tax withholdings in connection with the vesting of any equity grants. Once their income tax withholdings are fulfilled, they may not sell more than 50% of the remaining equity grants or awards that vest in a fiscal year and must hold the balance of their shares until their ownership requirements are met. In order to enable our directors and officers to prudently manage their personal financial affairs, our policy provides that once compliance is obtained, subsequent changes in stock price will not affect their compliance with the guidelines provided the officer or director continues to hold at least the number of shares that were necessary to comply with the stock ownership requirements but for a decrease in stock price.

For purposes of the stock ownership requirements, stock is deemed “owned” for both directors and officers in the case of (a) shares owned outright, (b) beneficially-owned shares, and (c) phantom shares allocated to an officer in the Company’s Non-Qualified Deferred Compensation Plan. As of December 31, 2018, all officers and directors were in compliance with their respective security ownership requirements or transitional requirements.

### Equity-Based

#### Awards

Meritage has traditionally granted equity-based awards to directors, senior executive officers and other employees to provide a means for incentive compensation and to align the interests of management with the interest of Meritage’s stockholders. Since 2009, all equity awards to employees and directors have been comprised of restricted stock and for NEOs have been comprised of a combination of restricted stock or restricted stock units and performance share awards as a means of providing sufficient long-term incentive compensation to align with industry trends.

We have comprehensive policies relating to the granting of stock options and other equity-based awards. Following is a summary of key aspects of our policies:

• All equity-based awards must be approved at formal meetings (including telephonic) of the Compensation Committee.

• The grant date of such awards will be the date of the meeting (or a specified date shortly after the meeting).

The customary annual equity-based grant shall be approved at a regularly scheduled meeting of the Compensation Committee during the first part of the year, but generally after the annual earnings release. We believe that coordinating the main annual award grant after our annual earnings release will generally result in this grant being made at a time when the public is in possession of all material information about us.

The Company shall not intentionally grant equity-based awards before the anticipated announcement of materially favorable news or delay the grant of equity-based awards until after the announcement of materially unfavorable news.

• The Compensation Committee will approve equity-based grants only for persons specifically identified at the meeting by management.

### Employment

#### Agreements

#### in Effect for

2018



The Compensation Committee annually reviews each NEO's total compensation relative to the market data while considering the responsibilities of their position, their individual performance and their tenure. We entered into revised employment agreements with each of our NEO's in February 2017. The employment agreements for Messrs. Hilton and White were scheduled to expire on December 31, 2017 with automatic one-year extension renewal provisions. These renewal provisions extend the terms of the arrangements for one year unless on or before August 31 of any renewal term, the executive or the Company notifies the other that it wishes to terminate the agreement. In addition, in March 2018 we entered into an additional long-term equity incentive award opportunity for Mr. Hilton. For Ms. Sferruzza and Messrs. Lord and Feliciano, their agreements were initially scheduled to expire on December 31, 2018 and are automatically extended for one year on December 31 of each year unless written notice of non-renewal is provided within sixty days prior to the expiration by the executive or the Company. Following is a description of the key provisions between the Company and each of the NEOs of their respective employment agreements in effect for 2018.

COMPENSATION DISCUSSION AND ANALYSIS

Base Salary

Named Executive Officer

	Hilla	C.	Phillippe	Javier
Steven J. Hilton	Sterruzza	Timothy	Lord	Feliciano
		White		

Base Salary \$1,000,000 \$575,000 \$550,000 \$650,000 \$340,000

Annual Cash Incentive Bonus ("Non-Equity Incentive Plan")

Our NEOs are each entitled to an annual cash incentive bonus based upon the achievement of certain performance goals established by the Compensation Committee. The amount of the target bonus and payout ranges for each NEO is set forth below. The amount of the bonus to be paid is contingent upon the achievement of the performance criteria established by the Compensation Committee. Where the actual performance falls below the threshold level, no incentive bonus will be paid with respect to that performance goal.

The Non-Equity Incentive Plan has three performance measures, weighted 60%, 30% and 10%, respectively:

1. EBITDA as adjusted for specific and pre-determined items (adjusted EBITDA);
2. Number of home closings; and
3. Customer satisfaction rating as determined by our third-party rating agency.

We believe these metrics focus our NEOs on the most important short-term measures of our business, establish a clear connection between performance and earned compensation, and provide greater transparency to our stockholders as to the operation of our Non-Equity Incentive Plan. Each goal represents a fixed percentage of total potential compensation with each goal assessed separately from the others.

For each of the three performance measures noted above, our Compensation Committee has specified:

- ▲ a threshold level of achievement below which no incentives will be paid;
- ▲ a target range level of achievement (e.g. between the threshold and maximum) associated with a market-competitive incentive award; and
- ▲ a maximum level of achievement above which incentives will not increase (payout ceiling).

The relationship between the level of performance and associated payout with each level for each of the performance metrics is reflected below. Where actual results fall between the performance levels set forth above, payments will be calculated based on linear interpolation.

	Performance as % of	Payout
Adjusted EBITDA	as % of Target	as % of Target Payout (1)
Maximum	115.0	% 200 %
Target	100.0	% 100 %
Threshold	85.0	% 50 %
Below Threshold	<85.0%	0 %

	Performance as % of	Payout
Number of Home Closings	as % of Target	as % of Target Payout (1)
Maximum	110.0	% 200 %
Target	100.0	% 100 %

Threshold	90.0	%	50	%
Below Threshold	<90.0%		0	%
			Payout	
			Performance as % of	
Customer Satisfaction Rating	as % of		Target	
	Target		Payout	
			(1)	
Maximum	112.50	%	200	%
Target	100.00	%	100	%
Threshold	93.75	%	50	%
Below Threshold	<93.75%		0	%

Target payouts for Mr. Hilton, Ms. Sferruzza and Messrs. White, Lord and Feliciano are \$2,500,000, \$718,750, (1)\$600,000, \$1,300,000 and \$212,500, respectively, and are based on the achievement of target performance level, as indicated in the table above.

For purposes of determining the executives' formula bonuses, "Adjusted EBITDA" means earnings before interest expense and interest amortized to cost of sales, income taxes, depreciation and amortization ("EBITDA") adjusted to exclude non-routine charges that the Compensation Committee determines in its sole discretion at the time the incentive bonus plan is established is appropriate to exclude.

#### Annual Discretionary Bonus

Based on specific achievements of each individual beyond those of the performance measurements included in the annual incentive compensation calculations, our NEOs may be awarded discretionary cash bonuses subject to approval by the Compensation Committee. No discretionary bonuses were awarded to our NEOs in 2018.

## COMPENSATION DISCUSSION AND ANALYSIS

## Long-Term Incentive Awards

In 2018, our NEOs were entitled to long-term incentive awards where 50% will be provided through a performance-based award based on three criteria with interpolated potential payout levels and 50% through a performance-based award based on a single performance metric without interpolated potential payout levels. Our CEO was entitled to an additional long-term equity incentive award where 50% was time-based and 50% was based on a single performance metric.

Performance Share Awards. In 2018, our NEOs were entitled to performance-based awards as part of their overall compensation. As mentioned above, half of the performance-based portion of the long-term incentive awards had three metrics, which in 2018 were weighted 40%, 30% and 30%, respectively:

1. Achievement of a targeted earnings per share (“EPS”) goal;
2. Three-year total shareholder return (“TSR”) relative to our TSR peer group (as defined under the caption “—Compensation Philosophies and Objectives — Compensation Peer Group ”); and
3. Achievement of a targeted return on asset (“ROA”) goal.

The Compensation Committee selected these three measures for the NEO long-term incentive awards as they believe they best align with our current stockholder interests of strong returns, increased profitability per share, and increased efficiency in generating profits from assets. Additionally, the three metrics are assessed from both relative and absolute measurement approaches providing internal and external performance perspective.

For each of the three performance-based plan measures, our Compensation Committee has specified:

- ▲ a threshold level of achievement below which no incentives will be paid;
- ▲ a target range level of achievement (e.g. between the threshold and maximum) associated with a market-competitive incentive award; and
- ▲ a maximum level of achievement above which incentives will not increase (payout ceiling).

Each metric is assessed separately from the others, and each may be adjusted for specific and pre-determined items established by the Compensation Committee. Both the EPS and ROA goals are measured annually and on a standalone basis, although the vesting of the shares will occur at the end of a three-year performance period. The TSR goal is a cumulative three-year metric. The relationship between the level of performance and the shares awarded with each level is reflected in the table below. Where actual results fall between the performance levels set forth below, payments will be calculated based on linear interpolation.

	Performance as % of Target	Shares Awarded as % of Target Payout (1)
Maximum	115.1	% 150 %
Target	100.0	% 100 %
Threshold	85.1	% 50 %
Below Threshold	<85.1%	0 %

	Performance as % of Target	Shares Awarded as % of Target Payout (1)
Maximum	115.0	% 150 %
Target	100.0	% 100 %

Threshold	85.0	%	50	%
Below Threshold	<85.0%		0	%

Relative TSR	Peer Group Percentile	Shares Awarded as % of Target Payout (1)		
		Maximum	80.0	%
Target	50.0	%	100	%
Threshold	30.0	%	50	%
Below Threshold	<30.0%		0	%

The target award payout value is equal to approximately \$1,000,000, \$575,000, \$425,000, \$975,000 and \$212,500 (1) for Mr. Hilton, Ms. Sferruzza and Messrs. White, Lord and Feliciano, respectively. This 100% payout achievement is based on target performance level as indicated in the table above.

Single Metric Performance-Based Awards. In addition to the performance-based awards described above, the other half of the performance-based awards granted in 2018 were based on a single performance metric that cliff vest on approximately the third anniversary of the date of grant. The single metric performance-based awards are based on a three-year cumulative average customer satisfaction rating, as determined by our third-party rating agency. The number of shares to be granted to each executive officer will be equal to the dollar value specified for each executive officer divided by the closing price of the Company's stock on the grant date. The value of single metric performance-based awards to be granted annually to each officer is approximately \$1,000,000, \$575,000, \$425,000, \$975,000 and \$212,500 for Mr. Hilton, Ms. Sferruzza and Messrs. White, Lord and Feliciano, respectively. The performance metric must be achieved in full in order for any shares to be awarded. In the event that the actual result falls below the established goal, no shares will be awarded. These single metric performance shares have no stretch target payouts.

Additional CEO Award. In March 2018 the Compensation Committee approved an additional long-term equity incentive award for Steven J. Hilton effective January 1, 2018 where 50% of the long-term equity incentive award will be provided through a performance-based award based on a single performance metric of gross profit margin. The remaining 50% is a time-based award of restricted stock units that cliff vest after three years. Both awards are described further below.

## COMPENSATION DISCUSSION AND ANALYSIS

Performance-Based Award. The additional performance-based award for Mr. Hilton is measured annually and on a standalone basis, although the vesting of the shares will occur at the end of a three-year performance period. The relationship between the level of performance and the shares awarded with each level is reflected in the table below. Where actual results fall between the performance levels set forth below, payments will be calculated based on linear interpolation. The number of shares to be granted to Mr. Hilton will be equal to the value of the award divided by the closing price of the Company's stock on the grant date. The value of the single metric performance-based award is approximately \$750,000.

Gross Profit Margin	Performance as % of Target	Shares Awarded as % of Target Payout (1)	
		%	%
Maximum	108.0	% 150	%
Target	100.0	% 100	%
Threshold	98.9	% 50	%
Below Threshold	<98.9%	0	%

(1) The target award payout value is equal to approximately \$750,000 for Mr. Hilton. This 100% payout achievement is based on target performance level as indicated in the table above.

Time-Based Award. The additional time-based award for Mr. Hilton is an annual grant of restricted stock units that cliff vest on approximately the third anniversary of the date of grant. The number of restricted stock units to be granted to Mr. Hilton will be equal to the value of the award divided by the closing price of the Company's stock on the grant date. The grant value of the time-based award is approximately \$750,000.

#### Other Benefits

In 2018, our NEOs were also entitled to certain specified other benefits. With respect to Mr. Hilton, he was entitled to receive payments annually to purchase life insurance coverage in the policy amount of up to \$5,000,000; disability and/or long-term care insurance with monthly benefits of up to \$20,000; reimbursement for business use of his airplane at an amount equal to comparable charter rates; and the use of a company car. With respect to Ms. Sferruzza and Messrs. White, Lord and Feliciano, they were entitled to receive payments annually for life insurance in the coverage amount of up to \$3,000,000 and disability and/or long-term care insurance with monthly benefits of up to \$20,000. Messrs. White and Lord were also entitled to an auto allowance.

#### Termination Provisions

In 2018, our NEOs were eligible for payments in certain situations upon termination of employment, which may include change of control, voluntary resignation by the officer with or without good reason, termination by the Company, with and without cause, death or disability, and retirement. A summary of the key termination provisions of each executive officer's employment agreement in effect for 2018 is outlined beginning on page 42.

## COMPENSATION DISCUSSION AND ANALYSIS

Discussion of  
NEO  
Compensation

Following is a discussion of the compensation paid, awarded or earned in 2018 to the Company's CEO and NEOs. Our NEOs were compensated in 2018 pursuant to the terms of their respective employment agreements in effect during 2018, which provided for a base salary, an annual cash incentive bonus based on Company performance, if applicable and earned, equity grants and other customary executive benefits.

Under these agreements, a substantial portion of our NEOs potential compensation was performance-based to align their goals and efforts with the interests of our stockholders.

Salary. In accordance with the terms of their respective employment agreements, each NEO was paid a base salary as outlined below:

Named Executive Officer					
Steven J. Hilton	Hilla Sferruzza	C. Timothy White	Phillippe Lord	Javier Feliciano	

Base Salary \$1,000,000 \$575,000 \$550,000 \$650,000 \$340,000

Cash Incentive Bonus. For 2018, our NEOs earned cash performance-based bonuses pursuant to the terms set forth in their respective employment agreements as outlined beginning on page 29 of this proxy statement and according to the metrics set forth below. These cash bonuses were paid in February 2019.

## ACTUAL RESULTS FOR 2018 ANNUAL INCENTIVE COMPENSATION:

Actual Results	Named Executive Officer				
	Steven J. Hilton	Hilla Sferruzza	C. Timothy White	Phillippe Lord	Javier Feliciano
Adjusted EBITDA (60%)					
Actual Results (in millions) (2)	\$380,859	\$380,859	\$380,859	\$380,859	\$380,859
Target Performance Level (in millions) (2)	≥\$359,834	\$359,834	\$359,834	\$359,834	\$359,834
Target Bonus \$	\$1,500,000	\$431,250	\$360,000	\$780,000	\$127,500
NEO Payout % (1)	139.0 %	139.0 %	139.0 %	139.0 %	139.0 %
NEO Payout \$	\$2,084,298	\$599,236	\$500,232	\$1,083,835	\$177,165
Number of Home Closings (30%)					
Actual Results (2)	8,531	8,531	8,531	8,531	8,531
Target Performance Level (2)	≥8,480	8,480	8,480	8,480	8,480
Target Bonus \$	\$750,000	\$215,625	\$180,000	\$390,000	\$63,750
NEO Payout % (1)	106.0 %	106.0 %	106.0 %	106.0 %	106.0 %
NEO Payout \$	\$795,106	\$228,593	\$190,825	\$413,455	\$67,584
Customer Satisfaction Rating (10%)					
Actual Results (2)	91.9	91.9	91.9	91.9	91.9
Target Performance Level (2)	≥80.0	80.0	80.0	80.0	80.0
Target Bonus \$	\$250,000	\$71,875	\$60,000	\$130,000	\$21,250
NEO Payout % (1)	200.0 %	200.0 %	200.0 %	200.0 %	200.0 %
NEO Payout \$	\$500,000	\$143,750	\$120,000	\$260,000	\$42,500
Total NEO Payout \$	\$3,379,404	\$971,579	\$811,057	\$1,757,290	\$287,249

(1) See the table provided on page 30 of this proxy statement for additional information related to the payout percentages as they relate to the targets.

(2) The below table provides the actual results and target performance levels for the three performance measures of annual incentive compensation in 2018 as compared to 2017 and 2016:

Edgar Filing: Meritage Homes CORP - Form DEF 14A

Performance Measure	2018	2017	2016
Adjusted EBITDA (in millions)			
Actual Results	\$380,859	\$333,178	\$298,069
Target Performance Level	≥\$359,834	\$312,262	\$290,898
Number of Home Closings			
Actual Results	8,531	7,709	7,355
Target Performance Level	≥8,480	7,723	6,995
Customer Satisfaction Rating			
Actual Results	91.9	90.0	88.9
Target Performance Level	≥80.0	80.0	80.0



## COMPENSATION DISCUSSION AND ANALYSIS

In 2018, the Company's actual customer satisfaction rating exceeded the maximum target set. For that metric, each NEO qualified for payment at the maximum payment amount. The Company's adjusted EBITDA and number of home closings exceeded the targets set for those metrics and accordingly, each NEO qualified for between the maximum and target payment amounts based on the linear interpolation of actual results as compared to the target set for those metrics.

Equity Awards. In 2018, Mr. Hilton, Ms. Sferruzza and Messrs. White, Lord and Feliciano were granted awards of 22,124, 12,722, 9,403, 21,571 and 4,702 performance shares (target level), respectively, related to the EPS, ROA and TSR performance metrics. Additionally, they were granted an equal amount of performance shares related to a single metric based on customer satisfaction pursuant to the terms set forth in their respective employment agreements as outlined beginning on page 29. The performance shares related to EPS, ROA and TSR vest on approximately the third anniversary of the date of grant, subject to the achievement of the individual performance measures. The performance shares related to the customer satisfaction metric are subject to a cumulative three-year achievement and vest on approximately the third anniversary of the date of grant, the vesting is contingent upon 100% attainment of the established metric, with no interpolated payout levels if that metric is not met or exceeded. Additionally in 2018, Mr. Hilton was granted 16,593 time-based restricted stock units and 16,593 performance shares (target level) related to the gross profit margin performance metric. The tables below illustrates the potential performance share awards through the performance share plan for 2018 at threshold, target and maximum performance levels for each NEO based on the established performance metrics. For discussion of the restricted stock, restricted stock units and performance share awards that vested in 2018, see the 2018 Stock Awards Vested table on page 41.

## PERFORMANCE BASED AWARDS - EPS, ROA and TSR METRICS:

Name	Approximate	Below		Target	Maximum
	Award Fair Value (at Target level) (\$)	Threshold (Shares) (#)	Threshold (Shares) (#)		
Steven J. Hilton	\$ 1,000,000	—	11,062	22,124	33,186
Hilla Sferruzza	\$ 575,000	—	6,361	12,722	19,083
C. Timothy White	\$ 425,000	—	4,702	9,403	14,105
Phillippe Lord	\$ 975,000	—	10,786	21,571	32,357
Javier Feliciano	\$ 212,500	—	2,351	4,702	7,053

(1) Number of shares based on a grant price of \$45.20, the closing stock price on the date of grant for our NEOs.

## PERFORMANCE BASED AWARDS - CUSTOMER SATISFACTION METRIC:

Name	Approximate	Shares (#)(1)
	Award Fair Value (\$)	
Steven J. Hilton	\$ 1,000,000	22,124
Hilla Sferruzza	\$ 575,000	12,722
C. Timothy White	\$ 425,000	9,403
Phillippe Lord	\$ 975,000	21,571
Javier Feliciano	\$ 212,500	4,702

(1) Number of shares based on a grant price of \$45.20, the closing stock price on the date of grant for our NEOs.

## PERFORMANCE BASED AWARDS - GROSS PROFIT MARGIN METRIC:

Name	Approximate	Below		Target	Maximum
	Award Fair Value (at Target level) (\$)	Threshold (Shares) (#)	Threshold (Shares) (#)		

Edgar Filing: Meritage Homes CORP - Form DEF 14A

Steven J. Hilton \$ 750,000 — 8,297 16,593 24,890

(1) Number of shares based on a grant price of \$45.20, the closing stock price on the date of grant for our NEOs. Other Benefits. The Company also provided other benefits consistent with their employment agreements. These benefits are detailed in the "All Other Compensation Table" included in this proxy statement.

MERITAGE HOMES | 2019 Proxy Statement 34

---

## COMPENSATION DISCUSSION AND ANALYSIS

2019

Developments

NEO Compensation

In March 2019 the Compensation Committee established the non-equity incentive plan and long-term incentive award metrics for 2019 as follows:

## ANNUAL CASH INCENTIVE BONUS

The Non-Equity Incentive Plan will retain the same three performance measures (EBITDA, number of home closings and customer satisfaction rating), however, the weighting will change to 45%, 45% and 10%, respectively.

For 2019, the performance metrics and payout levels for the performance metrics are as set forth below. Where actual results fall between the performance levels set forth above, payments will be calculated based on linear interpolation.

Adjusted EBITDA	Payout	
	Performance as % of Target	Payout
Maximum	115.0 %	200 %
Target	100.0 %	100 %
Threshold	90.0 %	50 %
Below Threshold	<90.0%	0 %

Number of Home Closings	Payout	
	Performance as % of Target	Payout
Maximum	115.0 %	200 %
Target	100.0 %	100 %
Threshold	85.0 %	50 %
Below Threshold	<85.0%	0 %

Customer Satisfaction Rating	Payout	
	Performance as % of Target	Payout
Maximum	102.25 %	200 %
Target	100.00 %	100 %
Threshold	97.75 %	50 %
Below Threshold	<97.75%	0 %

Target payouts for Mr. Hilton, Ms. Sferruzza and Messrs. White, Lord and Feliciano are consistent with 2018 at (1) \$2,500,000, \$718,750, \$600,000, \$1,300,000 and \$212,500, respectively, and are based on the achievement of target performance level, as indicated in the table above.

## LONG-TERM EQUITY INCENTIVE AWARDS

The long-term equity incentive awards for 2019 will consist of 50% provided through a performance-based award based on two performance metrics and 50% through a time-based award conditioned upon the continued employment of the NEO.

Performance Share Awards. The performance-based portion of the long-term incentive award will have two metrics which are weighted 70% and 30%, respectively:

1. Achievement of an annual ROA goal relative to our peer group; and
2. Three-year TSR relative to our peer group.

The ROA metric will be measured annually and on a stand-alone basis, although vesting of the shares will occur at the end of a three-year performance period. The TSR goal remains a cumulative three-year metric.

For 2019, the performance metrics and payout levels for the performance metrics are set forth below. Where actual results fall between the performance levels set forth below, payments will be calculated based on linear interpolation.

ROA	Peer Group Percentile	Shares Awarded as % of Target Payout (1)	
Maximum	75.0	% 150	%
Target	50.0	% 100	%
Threshold	25.0	% 50	%
Below Threshold	<25.0%	0	%

Relative TSR	Peer Group Percentile	Shares Awarded as % of Target Payout (1)	
Maximum	75.0	% 150	%
Target	50.0	% 100	%
Threshold	25.0	% 50	%
Below Threshold	<25.0%	0	%

The target award payout value is equal to approximately \$1,750,000, \$575,000, \$425,000, \$975,000 and \$212,500 (1) for Mr. Hilton, Ms. Sferruzza and Messrs. White, Lord and Feliciano, respectively. This 100% payout achievement is based on target performance level as indicated in the table above.

Restricted Stock Unit Awards. The time-based awards will cliff vest on the third anniversary of the date of grant. The value of the time-based awards to be granted annually to each officer is approximately \$1,750,000, \$575,000, \$425,000, \$975,000 and \$212,500 for Mr. Hilton, Ms. Sferruzza and Messrs. White, Lord and Feliciano, respectively.

COMPENSATION DISCUSSION AND ANALYSIS

Peer Group Composition

Effective January 1, 2019, as a result of a review of the Peer Group composition and the advice of our independent compensation consultant, the Compensation Committee changed the Company's Peer Group composition. This change better aligns the Company to the most prevalent approach used by industry peer companies to include only homebuilding companies for the purposes of executive compensation benchmarking and performance benchmarking. The Compensation Committee will now only be using one Peer Group for all compensation and peer group analysis. The 2019 Peer Group companies are as follows:

1 Beazer Homes USA	1 M/I Homes
1 Century Communities, Inc.	1 NVR, Inc.
1 D.R. Horton, Inc.	1 Pulte Group
1 Hovnanian Enterprises, Inc.	1 Taylor Morrison Home
1 KB Home	1 Toll Brothers
1 Lennar Corporation	1 TRI Point Group
1 LGI Homes, Inc.	1 William Lyon Homes
1 M.D.C. Holdings	

Board of Directors

Based on a review of general and peer group compensation practices and the advice of our independent compensation consultant, the cash compensation of non-employee directors will not change. On February 12, 2019, our non-employee directors each received a grant of 4,500 restricted shares that will cliff vest on February 12, 2022, a reduction from the 5,000 shares granted in 2018. The restricted shares had an approximate grant date value of of \$200,000.

EXECUTIVE COMPENSATION COMMITTEE REPORT

The following Executive Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference to any Company filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except to the extent the Company specifically incorporates this report.

Executive Compensation Committee Report

The Executive Compensation Committee of the Board of Directors of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Executive Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into our 2018 Annual Report on Form 10-K.

THE EXECUTIVE COMPENSATION COMMITTEE

Michael R. Odell—Chair

Raymond Oppel

Dana C. Bradford

## COMPENSATION OF OFFICERS AND DIRECTORS

Compensation of Officers and Directors  
Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$ (2))	Stock Awards (\$ (3))	Non-Equity Incentive Plan Compensation (\$ (4))	All Other Compensation (\$ (5))	Total (\$)
Steven J. Hilton, Chairman and CEO (1)	2018	1,000,000	—	3,480,836	3,379,404	39,943	7,900,183
	2017	1,000,000	—	1,934,928	4,240,489	48,310	7,223,727
	2016	1,000,000	—	2,034,964	4,285,957	36,814	7,357,735
Hilla Sferruzza, EVP and CFO	2018	575,000	—	1,139,038	971,579	48,600	2,734,217
	2017	525,000	—	761,872	890,503	40,596	2,217,971
	2016	389,562	74,375	648,674	546,459	43,808	1,702,878
C. Timothy White, EVP, General Counsel and Secretary	2018	550,000	—	841,879	811,057	55,936	2,258,872
	2017	525,000	—	822,308	1,017,717	57,172	2,422,197
	2016	525,000	—	864,848	1,028,630	55,753	2,474,231
Phillippe Lord, EVP and COO	2018	650,000	—	1,931,317	1,757,290	70,259	4,408,866
	2017	550,000	—	1,209,284	1,638,665	55,171	3,453,120
	2016	550,000	—	1,119,239	1,464,349	54,894	3,188,482
Javier Feliciano, EVP and CHRO	2018	336,295	—	420,983	287,249	47,730	1,092,257
	2017	320,000	—	356,027	245,439	31,812	953,278
	2016	320,000	160,000	—	—	24,364	504,364

(1) All compensation is for Mr. Hilton's services in his capacity as the Chairman and Chief Executive Officer of the Company. Mr. Hilton did not receive any separate compensation for his services as a director.

Amounts represent discretionary bonuses awarded to the respective executive officers. For Ms. Sferruzza, in 2016 this amount represented 25% of the cash incentive bonus as calculated under her previous bonus program related to her position as Chief Accounting Officer. In 2016, Mr. Feliciano was entitled to an annual discretionary cash bonus with a target bonus equal to 50% of his base salary and accordingly was awarded a discretionary bonus of \$160,000.

The non-vested share (performance share awards and restricted stock units) grants have a fair value equal to the closing price of our stock on the date of the grant, in accordance with the requirements of Accounting Standards Codification Subtopic ("ASC") 718. For the TSR portion of performance-based shares, fair value is equal to the valuation from the third-party Monte Carlo analysis prepared in conjunction with the grants. Balance includes all performance share and restricted stock unit awards granted in the year to our NEOs and not the prorated share of all unvested grants in prior years that vested in the current year. See Note 10 "Stock Based and Deferred Compensation" of our Consolidated Financial Statements included in our 2018 Annual Report on Form 10-K for discussion of assumptions used for computing the fair value of awards granted. The amounts included in this column represent the grant-date fair value assuming all performance measures are achieved at the goal level of performance (i.e., EPS, ROA, TSR, gross margin and cumulative customer satisfaction scores). The grant date fair value at the maximum performance level for the performance share awards in 2018 is \$3,596,267, \$1,421,038, \$1,050,331, \$2,409,492 and \$525,208 for Mr. Hilton, Ms. Sferruzza and Messrs. White, Lord and Feliciano, respectively. Additional detail is also provided in the "Grant of Plan-Based Awards" table.

Non-equity plan compensation earned in 2016, 2017 and 2018 was paid subsequent to each respective year-end. For Mr. Lord, excluded from the 2016 amount is \$205,126 for deferred incentive compensation from an incentive bonus earned in his role as Region President in 2014 that was paid in equal amounts in 2015 and 2016.

(5) See the following table for more detail.





## COMPENSATION OF OFFICERS AND DIRECTORS

## All Other Compensation Table

Year Ended December 31, 2018

Name	Health and Insurance Premiums (\$)(1)	401(k) Match (\$)	Car Allowance (\$)	Other (\$)(2)	Total All Other Compensation (\$)
Steven J. Hilton	32,553	6,600	—	790	39,943
Hilla Sferruzza	39,730	7,461	—	1,409	48,600
C. Timothy White	33,893	6,600	14,400	1,043	55,936
Phillippe Lord	46,075	7,567	14,400	2,217	70,259
Javier Feliciano	39,418	6,600	—	1,712	47,730

(1) Includes: (i) employer portion of benefits provided to all employees and (ii) life and disability insurance premiums as contemplated in each NEO's employment agreement if such elections were made.

(2) Other primarily represents the income gross-up to reflect tax consequences of spousal travel.

## 2018 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	Grant Date Fair Value of Stock and Option Awards (\$)(3)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Steven J Hilton	3/22/2018							16,593	750,004
	3/22/2018				—	22,124	—		1,000,005
	3/22/2018				19,359	38,717	58,076		1,730,827
Hilla Sferruzza		1,250,000	2,500,000	5,000,000					
	3/22/2018				—	12,722	—		575,035
	3/22/2018				6,361	12,722	19,083		564,003
C. Timothy White		359,375	718,750	1,437,500					
	3/22/2018				—	9,403	—		425,016
	3/22/2018				4,702	9,403	14,105		416,863
Phillippe Lord		300,000	600,000	1,200,000					
	3/22/2018				—	21,571	—		975,009
	3/22/2018				10,786	21,571	32,357		956,308
Javier Feliciano		650,000	1,300,000	2,600,000					
	3/22/2018				—	4,702	—		212,530
	3/22/2018				2,351	4,702	7,053		208,453
		106,250	212,500	425,000					

(1) Actual non-equity incentive plan payouts for 2018 are discussed in the section under the caption —"Discussion of NEO Compensation".

(2) Equity awards granted in 2018 have a three-year cliff vest, subject in the case of performance share awards to achievement of established performance metrics.

(3) The grant-date fair value amounts relating to the performance share awards represent the grant-date fair value assuming all three performance measures are achieved at the target level of performance. Grant date fair value for

the TSR portion of awards is based on a Monte-Carlo model to assess fair value as of the date of grant. Grant date fair value for the EPS, ROA and gross profit margin awards is calculated as of the closing stock price on the date of grant.

## COMPENSATION OF OFFICERS AND DIRECTORS

## Outstanding Equity Awards at 2018 Fiscal Year-End

Name	Stock Awards		Equity Incentive Plan Awards	
	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares of Units of Stock that Have Not Vested (7)	Number of Unearned Shares, Units or Rights that Have Not Vested (#) (6)	Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested (7)
Steven J Hilton,	114,534(1) (5)	\$4,205,688	95,115	\$ 3,492,623
Hilla Sferruzza	35,389 (2) (5)	\$1,299,484	40,182	\$ 1,475,483
C. Timothy White	38,780 (3) (5)	\$1,424,002	35,723	\$ 1,311,749
Phillippe Lord	55,400 (4) (5)	\$2,034,288	66,211	\$ 2,431,268
Javier Feliciano	4,581 (5)	\$168,214	16,582	\$ 608,891

(1) Remaining unvested shares vest: 29,078 in March 2019 and 16,593 in March 2021. See also Note (5) below.

(2) Remaining unvested shares vest: 2,160 in February 2019, 9,269 in March 2019, and 1,200 in February 2020. See also Note (5) below.

(3) Remaining unvested shares vest: 12,358 in March 2019. See also Note (5) below.

(4) Remaining unvested shares vest: 1,200 in February 2019 and 15,993 in March 2019. See also Note (5) below.

(5) Includes performance-based shares that satisfied performance criteria as of December 31, 2018 and will vest according to the table below:

Name	Total Earned			
	Vested in March 2019 (#)	Vesting in February 2020 (#)	Vesting in March 2021 (#)	Vesting but not Vested Performance Shares as of December 31, 2018 (#)
Steven J Hilton	38,250	17,583	13,030	68,863
Hilla Sferruzza	12,193	6,922	3,645	22,760
C. Timothy White	16,256	7,472	2,694	26,422
Phillippe Lord	21,038	10,988	6,181	38,207
Javier Feliciano	—	3,234	1,347	4,581

(6) Represents performance-based shares that vest as follows:

Name	Total Unearned and Unvested as of December 31, 2018 (#)		
	Vesting in February 2020 (#)	Vesting in March 2021 (#)	Total Unearned and Unvested as of December 31, 2018 (#)
Steven J Hilton	44,967	50,148	95,115

Edgar Filing: Meritage Homes CORP - Form DEF 14A

Hilla Sferruzza	17,706	22,476	40,182
C. Timothy White	19,111	16,612	35,723
Phillippe Lord	28,102	38,109	66,211
Javier Feliciano	8,275	8,307	16,582

(7) Computed as the number of shares or units of stock that have not yet vested multiplied by the closing price of the Company's stock on December 31, 2018 of \$36.72.

## COMPENSATION OF OFFICERS AND DIRECTORS

## 2018 Option Exercises and Stock Vested

Name	Stock Awards Number of Shares Acquired on Realized Vesting (#)	Vesting
Steven J Hilton	38,649	\$1,756,597
Hilla Sferruzza (1)	3,120	\$141,756
C. Timothy White	16,426	\$746,562
Phillippe Lord (2)	13,597	\$591,051
Javier Feliciano	3,333	\$123,888

(1) Shares vested represent those granted to Ms. Sferruzza prior to her appointment as Chief Financial Officer.

(2) Shares vested include 2,400 shares granted to Mr. Lord prior to his appointment as Chief Operating Officer.

In connection with the 2015 grant, restricted stock units of 24,839 and 10,556 shares vested for Messrs. Hilton and White, respectively, in February 2018. Also in connection with the 2015 grant, restricted stock units of 7,196 shares vested for Mr. Lord in March 2018 and restricted stock units of 3,333 shares vested for Mr. Feliciano in November 2018. In addition, performance shares vested in February 2018 (March 2018 for Mr. Lord) as a result of the achievement of a targeted three-year cumulative earnings per share performance goal and a targeted three-year cumulative return on asset performance goal for awards granted in 2015, summarized as follows:

Actual Results (dollars in thousands)	Named Executive Officer					
	Steven J. Hilton	C. Timothy White	Phillippe Lord			
EPS (30%)						
Actual	\$10.86	\$10.86	\$10.86			
Target	≥\$11.44	\$11.44	\$11.44			
Shares Vested (1)	7,452	3,167	2,159			
ROA (30%)						
Actual	5.41	% 5.41	% 5.41	%		
Target	≥6.51	% 6.51	% 6.51	%		
Shares Vested (2)	—	—	—			
Relative TSR (40%)						
Actual	42.80	% 42.80	% 42.80	%		
Target	≥50.00	% 50.00	% 50.00	%		
Shares Vested (1)	6,358	2,703	1,842			
Total Shares Vested (3)	13,810	5,870	4,001			

(1) Where actual results fell between the performance levels, shares vested were calculated based on linear interpolation.

(2) The performance target for return on assets was not met, therefore no shares were awarded for this metric.

(3) Ms. Sferruzza and Mr. Feliciano had no performance-related shares vest in 2018.



COMPENSATION OF OFFICERS AND DIRECTORS

Nonqualified  
Deferred  
Compensation  
Plans

We offer a non-qualified deferred compensation plan (“deferred compensation plan”) to our NEOs as well as other highly compensated employees in order to allow them additional pre-tax income deferrals above and beyond the limited caps that qualified plans, such as 401(k) plans, impose on highly compensated employees. The deferred compensation plan allows eligible participants to defer up to 75% of their base salary and up to 100% of their qualifying bonus and performance-based compensation. The deferred compensation plan also allows for discretionary employer contributions, although to date all contributions to the plan have been funded by the employees and we do not currently offer a contribution match. Employee deferrals are deemed 100% vested upon contribution. Distributions from the Plan will be made upon retirement, either in a lump sum or annual installments for up to fifteen years commencing upon normal retirement (upon reaching age 55 and completing ten years of service). Distributions may also be made upon death, separation of service or upon the occurrence of an unforeseeable emergency.

Participants in the deferred compensation plan are entitled to select from a wide variety of investments available under the plan and will be allocated gains or losses based upon the performance of the investments selected by the participant. All gains or losses are allocated fully to plan participants and the Company does not guarantee a rate of return on deferred balances. In 2015, we amended the deferred compensation plan to allow officers that are subject to our security ownership guidelines to allocate their annual incentive compensation bonuses to a Meritage Homes Corporation phantom stock investment vehicle. The below table reflects activity for our NEOs in the deferred compensation plan during 2018.

Name	Executive Contribution in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$)
	(1)	(2)	(3)	(4)	(5)
C. Timothy White, EVP, General Counsel and Secretary	—	—	(52,755 )	—	990,816

(1) Meritage does not provide matching contributions.

(2) These amounts do not include any above-market or preferential earnings. Accordingly, these amounts are not reported in the Summary Compensation Table.

(3) All amounts in this column that represent executive contributions from prior years were reported as compensation to the named executive officer in the Summary Compensation Table in prior years.

Potential  
Payments  
upon  
Termination  
or Change of  
Control  
Summary

During 2017, we entered into amended employment agreements and change of control agreements with our CEO and NEOs. Under their respective terms, our CEO and NEOs are entitled to severance payments and other benefits in the event of certain types of terminations. These benefits can include cash payments, continuation of insurance benefits and the acceleration of outstanding stock options, restricted shares and restricted stock units.

Following is a summary of the severance and change of control provisions that were in effect on December 31, 2018.

Employment

Agreements—Severance

Benefits

The employment agreements for Messrs. Hilton and White provide the executive with severance benefits in certain situations upon his termination of employment. Following is a summary the potential severance payments and benefits depending on the reason for termination.



## COMPENSATION OF OFFICERS AND DIRECTORS

	Voluntary Resignation by Officer Without Good Reason or Termination by the Company With Cause	Voluntary Resignation by Officer With Good Reason (1) (4)	Termination by the Company Without Cause (1)	Death or Disability	Retirement (1) (2)	Change In Control
Base salary and paid time off through date of termination	X	X	X	X	X	X
Annual cash incentive awards, performance share awards and restricted stock unit awards earned in a previous year but not yet paid or issued	X	X	X	X	X	X
Pro-rata annual cash incentive bonus for period in which termination occurs		X	X		X	
Target bonus for the performance period in which the termination occurs				X		
Projected bonus for the performance period in which the Change of Control occurs						X
Certain previously granted time-based awards and restricted stock units that are outstanding shall immediately vest and become unrestricted		X	X	X	X	X
Performance shares awarded shall continue to vest and be delivered subject to achievement of specified performance goals		X	X		X	X
Previously granted performance share awards that have not vested will immediately vest and become unrestricted following the end of the applicable performance period based on actual performance achieved		X	X		X	X
Target number of previously granted performance share awards that have not vested will immediately vest and become unrestricted				X		
Any outstanding stock options shall vest and remain exercisable for the remainder of the original term		X	X	X	X	X
Payment for health coverage equal to 150% of monthly COBRA premium		X	X	X		X

Severance payment equal to the sum of (A) two times the executive officer's base salary on the date of termination and (B) two times the higher of (x) the average of the bonus compensation paid to the executive officer for the two years prior to his termination of employment or (y) the annual bonus paid to the executive officer for the year preceding the date of termination (3) (4) (5) (6)

X X X

- (1) Mr. Hilton shall render reasonable consulting services during the 24-month period following termination. Mr. White shall render reasonable consulting services during the 12-month period following termination. In order to qualify for the above retirement termination benefits, in addition to any time restrictions as contemplated in each individual employment agreement, the executive must have completed 15 cumulative years as a named executive officer or member of the board. Messrs. Hilton and White have each satisfied the 15-year threshold.
- (2) In the case for Mr. White for termination without cause, the severance payment has a multiple of one in the calculation.
- (3) Mr. Hilton's severance payment may not be less than \$5 million and may not exceed \$10 million. Mr. White's severance payment may not exceed \$2 million. Bonus compensation is determined as the greater of (a) the actual bonus paid to executive or (b) the fair value on the date of grant of the shares of restricted stock, stock options and other equity-based awards that become vested in such year of termination. For Change of Control only, the severance payment is calculated as the sum of the actual bonus paid to the executive and the fair value on the date of grant of the shares of equity-based awards that become vested in the year of termination.
- (4) In the case for Mr. Hilton for change-in-control, the severance payment has a multiple of three in the calculation.
- (5) The severance payment for Mr. Hilton in the event of a Change of Control may not exceed \$15 million, the severance payment for Mr. White may not exceed \$6 million.
- (6)

## COMPENSATION OF OFFICERS AND DIRECTORS

Ms. Sferruzza and Messrs. Lord and Feliciano's employment agreements provide them with severance benefits in certain situations upon his or her termination of employment. Following is a summary of the potential severance payments and benefits depending on the reason for termination:

	Voluntary Resignation by Officer Without Good Reason or Termination by the Company With Cause	Voluntary Resignation by Officer With Good Reason	Termination by the Company Without Cause	Death or Disability	Retirement (1)	Change In Control (5)
Base salary and paid time off through date of termination	X	X	X	X	X	X
Pro-rata annual cash incentive bonus for period in which termination occurs based on actual performance achieved		X	X		X	
Pro-rata target annual cash incentive bonus for the performance period in which the termination occurs				X		X
Target annual cash incentive bonus for the performance period in which the termination occurs				X		X
Service based (time based) awards and restricted stock units that are outstanding shall immediately vest and become unrestricted				X	X	X
100% of performance share awards (or restricted stock units) shall immediately vest and become unrestricted (6)						X
Previously granted performance-based shares (or performance-based restricted stock units) that have not vested will immediately vest and become unrestricted following the end of the applicable performance period based on actual performance achieved				X	X	
Any outstanding and vested stock options will remain exercisable as provided by in the original equity awards (2) (3)	X	X	X	X		
Any outstanding and unvested stock options will immediately vest and will remain exercisable for the				X	X	

remainder of the original equity award, but not later than the tenth anniversary of the original grant date

Payment for health coverage equal to 100% of monthly COBRA premium for 24 months

X

X

X

Severance payment equal to two times the executive officer's base salary on the date of termination plus two times the executive officers target bonus in the year of termination (4)

X

X

X

- In order to qualify for the above retirement termination benefits, in addition to any time restrictions as contemplated in each individual employment agreement, executive must complete 15 cumulative years as a named executive officer or member of the board. Neither Ms. Sferruzza or Messrs. Lord or Feliciano satisfied the 15 year threshold as of December 31, 2018.
- (2) Upon termination for cause, any outstanding and vested stock options shall be cancelled as of the termination date. In the event of death or disability, stock options will remain exercisable until the 12 month anniversary of the termination date, provided, however, that the post-termination exercise period for any individual stock option will not extend beyond the earlier of its original maximum term or the tenth anniversary of the original date of grant.
  - (4) Severance payment for each executive officer in a change-in-control is capped at \$3,000,000 max payout; severance payment for each executive officer in a non change-in-control is capped at \$2,000,000 max payout.
  - (5) Voluntary resignation with good reason must take place within the time period as defined in the employment agreement with respect to a change-in- control.
  - (6) In the event the performance shares are to vest based on achievement of future performance, vesting calculation is to assume target levels had been achieved for the performance criteria.

## COMPENSATION OF OFFICERS AND DIRECTORS

Other  
Matters  
Regarding  
the  
Employment  
Agreements  
and Change  
of Control

Agreements

The terms “Good Reason”, “Cause” and “Change of Control” are defined in the employment and change of control agreements.

All severance payments under the employment agreements and change of control agreements are conditioned upon the delivery and non-revocation of a customary release by the executive in favor of the Company.

Each executive’s employment agreement and, if applicable, change of control agreement is structured so that the executive is entitled to the greater benefit under the two agreements but is not entitled to duplicative benefits.

Each of the employment agreements and change of control agreements include customary provisions concerning the timing, limitation and alteration of payments to comply with Section 409A of the Internal Revenue Code.

Consistent with the SEC’s rules and regulations concerning executive compensation disclosure, the potential value of each executive’s benefits assumes that the termination occurred on December 31, 2018, and with a closing stock price of \$36.72 on the last business day of 2018. The value of the acceleration of stock vestings was computed based on the closing price of our stock on the last day of 2018 for each equity award affected. Total termination benefits represent payments for severance, non-compete and non-disclosure covenants. This summary reflects the terms of the NEOs’ employment and change of control agreements that were in effect on December 31, 2018.

Executive Officer (1)	Voluntary Termination by Executive Without Good Reason (1)	Voluntary Termination by Executive With Good Reason (1)(2)	Termination By Company Without Cause (1)(2)	Termination by Company With Cause	Death or Disability (1)	Retirement (1)	Change of Control (1)
Steven J. Hilton	\$ 1,015,932	\$ 21,117,831	\$ 21,117,831	\$ 1,015,932	\$ 10,238,427	\$ 11,077,715	\$ 26,164,695
Hilla Sferruzza	\$ —	\$ 3,008,978	\$ 3,008,978	\$ —	\$ 3,493,717	\$ 3,746,546	\$ 6,118,616
C. Timothy White	\$ 431,754	\$ 5,590,011	\$ 5,163,185	\$ 431,754	\$ 3,378,954	\$ 3,546,807	\$ 8,264,927
Phillippe Lord	\$ —	\$ 3,794,689	\$ 3,794,689	\$ —	\$ 5,765,556	\$ 6,222,846	\$ 8,802,955
Javier Feliciano	\$ —	\$ 1,432,899	\$ 1,432,899	\$ —	\$ 989,605	\$ 1,064,354	\$ 2,135,255

The actual expense that would be recognized by the Company in the event of a severance event may differ (1) materially from the numbers presented in the table above as a result of the required computation in accordance with generally accepted accounting principles for stock compensation expense.

The amounts presented include cash bonuses earned for fiscal 2018, but not paid as of December 31, 2018. In (2) addition to the table above, the amount of bonuses earned and not paid are presented separately as 2018 compensation in the Summary Compensation table on page 38.

## Pay Ratio Disclosure

In August 2015, pursuant to a mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission adopted a rule requiring annual disclosure of the ratio of the annual total compensation of the individual identified as the median paid employee (other than the CEO) to the annual total

compensation of the CEO. Our pay ratio disclosure is presented below:

Median Employee annual total compensation (other than the CEO)	\$101,001
Steven J. Hilton (CEO) annual total compensation	\$7,900,183
Ratio of CEO to Median Employee Compensation	78:1

In determining the median employee's annual total compensation, a listing was prepared of all employees (excluding the CEO) and their annual cash compensation as of December 31, 2018 inclusive of base salary and bonus. Wages and salaries and bonuses were annualized for those permanent employees that were not employed for the full year of 2018. For the fiscal year ended December 31, 2018, we calculated the median employee's total compensation using the same methodology that we used to calculate the total compensation for our CEO in the Summary Compensation table on page 38 of this Proxy Statement.

## COMPENSATION OF OFFICERS AND DIRECTORS

## Director

## Compensation

When establishing and reviewing our director's compensation, we consider the level of work and involvement the directors have with our business. We also consider compensation paid to directors in the marketplace generally and at our peer group companies and consider advice from our independent compensation consultant.

We believe that non-employee director compensation paid primarily in the form of equity awards with a three-year cliff vesting period highly aligns the board members with the interests of the stockholders of the Company. For 2018, 77% of the compensation paid to non-employee directors in the aggregate was in the form of equity awards. Cash compensation as a percentage of total compensation has been flat for more than five years.

In 2018, our non-employee directors received the following cash compensation:

Board Retainer	\$50,000
Committee Chair Retainer (All Committees Except the Land Committee)	\$20,000
Committee Member Retainer (All Committees Except the Land Committee)	\$10,000
Lead Director Retainer	\$40,000

In addition, during 2018, each of our directors received a grant of 5,000 shares of restricted stock, which cliff vest on February 20, 2021.

The 2018 non-employee director compensation is set forth below. Mr. Hilton's compensation is represented in the Summary Compensation Table. He received no additional compensation for his duties as our Chairman of the Board.

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Total (\$)
Robert G. Sarver <sup>(3)</sup>	50,000	231,250	281,250
Raymond Oppel	65,000	231,250	296,250
Peter L. Ax	120,000	231,250	351,250
Richard T. Burke, Sr.	60,000	231,250	291,250
Gerald Haddock	70,000	231,250	301,250
Dana C. Bradford	70,000	231,250	301,250
Michael R. Odell	65,000	231,250	296,250
Deborah Ann Henretta	60,000	231,250	291,250

(1) Committee and chair fees are paid to directors on a quarterly basis.

See Note 10 "Stock Based and Deferred Compensation" of our Consolidated Financial Statements included in our 2018 Annual Report on Form 10-K for discussion of the assumptions used for computing the fair value of awards granted. As required, the calculation is equal to the fair value of the award multiplied by the total number of awards granted in 2018, not the proportionate share of all existing unvested awards that vested in the current year.

(2) Mr. Sarver will retire from his position on the Board at the expiration of his term at the 2019 Annual Meeting. Each non-employee director held 15,000 shares of unvested restricted stock at December 31, 2018.

We reimburse directors for out-of-pocket expenses incurred in attending Board and committee meetings and we also reimburse certain directors for charter aircraft service or other travel and lodging-related expenses. During 2018, we made reimbursements of approximately \$4,000, \$5,000, \$2,000, \$2,000 and \$2,000 to Mr. Oppel, Ms. Henretta, Messrs. Haddock, Bradford and Odell, respectively.





SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes our equity compensation under all of our equity compensation plans as of December 31, 2018:

Plan Category	(a) Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (2)	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (3)
Equity compensation plans approved by stockholders	1,301,745	N/A	1,929,540
Equity compensation plans not approved by stockholders	—	N/A	—
Total	1,301,745	N/A	1,929,540

(1) Balance includes 923,290 time-based restricted stock awards and units, and 378,455 performance share awards (at target level).

(2) The outstanding equity awards are time based restricted stock awards and units and performance share awards which don't have an exercise price.

(3) The number of securities remaining available for issuance is comprised of shares under our 2006 and 2018 Plans (the "Plans"). In addition to stock options, stock appreciation rights and performance share awards, the Plans allow for the grant of restricted stock shares and restricted stock units. Under the 2006 Plan, awards other than stock options and stock appreciation rights are counted against the shares available for grant as 1.38 shares for every one share issued in connection with such awards. Under the 2018 Plan, all awards are counted against the shares available for grant as one share for every one share issued in connection with such awards.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) Beneficial Ownership Reporting Compliance

Executive officers, directors and “beneficial owners” of more than ten percent of our common stock must file initial reports of ownership and changes in ownership with the SEC under Section 16(a) of the Exchange Act. SEC regulations require these reporting persons to furnish us with copies of all Forms 3, 4 and 5, and amendments thereto, that they file with the SEC. Mr. Haddock failed to timely file one Form 4 in 2018, reporting one transaction for the sale of shares. Other than the above mentioned filing, based solely on our review of the copies of such forms furnished to us, or representations that no forms were required, we believe that during 2018 all of our officers, directors and greater than ten percent beneficial owners complied with all filing requirements of Section 16(a) of the Exchange Act.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain Relationships and Related Transactions

Meritage maintains a written policy concerning conflict of interest transactions that generally applies, among other things, to transactions between the Company and related persons, including employees, officers and directors and applies to direct and indirect relationships and transactions. Because of the nature of our business, which involves the ownership, development, construction and sale of real estate and single family homes, our policy was carefully constructed to capture transactions and relationships between the Company or its competitors, and related persons and relationships between employees, directors, suppliers, vendors, subcontractors (“trades”) and others. At the same time, we were mindful to not inadvertently create the potential for conflicts relating to transactions that are primarily of a personal nature and do not involve the Company, or conflict with its business (for example, the construction of a vacation home or the purchase of a home from the Company pursuant to our home purchase policy that is available to most employees).

For transactions not exempted from the policy, Meritage’s policy requires that designated members of senior management must review and approve any transaction between a covered person (e.g., employees, officers and directors) and the Company, or between a covered person and a trade contractor. The policy provides that the Company’s legal and internal audit departments are to be involved in the review and approval process. For transactions involving directors or senior executive officers (including the officers named in this proxy statement), the proposed transaction must be approved in advance by the Audit Committee of the Board of Directors. Real estate transactions between the Company and related persons are subject to strict scrutiny.

Each of the transactions listed below was approved by the Audit Committee of the Board of Directors pursuant to the policy.

We currently charter aircraft services from companies in which Mr. Hilton does not have an ownership interest, although these companies use Mr. Hilton's private plane. Payments made to these companies were as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Air Charter Services	\$606	\$580	\$711

## INDEPENDENT AUDITORS

## Independent Auditors

Deloitte & Touche LLP has served as our principal independent registered public accounting firm since 2004. We expect representatives of Deloitte & Touche LLP to be present at our Annual Meeting of Stockholders to respond to appropriate questions, and they will be given an opportunity to make a statement if they desire to do so.

The following table presents fees for professional accounting services rendered by our principal accountant for the audit of our annual financial statements for 2018 and 2017, and fees billed for other services rendered.

	2018	2017
Audit fees (1)	\$1,229,000	\$1,080,000
Audit-related fees	—	—
Audit and audit-related fees	\$1,229,000	\$1,080,000
Tax fees (2)	29,600	—
All other fees	—	—
Total fees	\$1,258,600	\$1,080,000

Audit fees consisted principally of fees for audit and review services, and approximately \$79,000 and \$30,000 in 2018 and 2017, respectively, for services related to various SEC comfort letters provided in connection with (1) securities offerings and expert consents provided in connection with SEC filings and other transactions. Audit fees in 2018 also include \$30,000 and \$20,000 related to the implementation of ASU 2014-09 and ASU 2016-02, respectively.

(2) Tax fees consisted of work performed related to Tax Reform and general tax consulting.

Each year, the Audit Committee approves the annual audit engagement in advance. The Audit Committee also has established procedures to pre-approve all non-audit services provided by the principal independent registered public accounting firm. All 2018 and 2017 non-audit services listed above were pre-approved.

The following report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any Company filing under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates this report.

## REPORT OF THE AUDIT COMMITTEE

### Report of the Audit Committee

We have reviewed Meritage's audited consolidated financial statements and met with both management and Deloitte & Touche LLP, the Company's independent registered public accounting firm, to discuss those consolidated financial statements. Management has represented to us that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. We have also reviewed, and discussed with management and Deloitte & Touche LLP, management's report and Deloitte & Touche LLP's report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. We have received from, and discussed with, Deloitte & Touche LLP the written disclosure and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding independence. These items related to that firm's independence from Meritage. We also discussed with Deloitte & Touche LLP those matters required to be discussed by Statement on Auditing Standards No. 114, as amended, "The Auditor's Communication with those charged with Governance" and Rule 2-07 of Regulation S-X "Communications with Audit Committees." Based on these reviews and discussions, we recommended to the Board of Directors that Meritage's audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

### THE AUDIT COMMITTEE

Peter L. Ax—Chair  
Richard T. Burke Sr.  
Dana C. Bradford

## STOCKHOLDER PROPOSALS, DIRECTOR NOMINATIONS AND OTHER ITEMS OF BUSINESS

### Stockholder Proposals, Director Nominations and Other Items of Business

If any stockholder would like to make a proposal at our 2020 annual meeting pursuant to Rule 14a-8 of the Exchange Act, we must receive it no later than December 3, 2019 in order that it may be considered for inclusion in the proxy statement and form of proxy relating to that meeting.

As discussed under the heading “Corporate Governance and Board Matters-The Board and Board Committees-Director Nomination Process-Proxy Access,” our bylaws permit an eligible stockholder, or a group of up to 20 stockholders, that has continuously owned at least three percent of the Company’s outstanding shares of common stock for three years to include in the Company’s proxy materials director nominations of up to 20% (rounded to the nearest whole number) of the number of directors constituting the class up for election at any annual meeting. Notice of proxy access director nominees must be submitted timely and include the information required under our bylaws. To be timely, a proxy access nomination must be delivered to or mailed and received by the Secretary at the principal executive offices of the Company, not earlier than the 150th day nor later than the 120th day prior to the first anniversary date of mailing of this proxy statement, which is expected to occur on or about April 1, 2019; provided, however, that in the event that the date of the 2020 Annual Meeting is advanced or delayed by more than 30 days from the first anniversary of the date of this year’s annual meeting, which is to be held on May 17, 2019, notice by the stockholder must be delivered not earlier than the 150th day prior to the date of such annual meeting and not later than the later of the 120th day prior to the date of such annual meeting or the tenth day following the date on which public announcement of the date of such meeting is first made.

Proposals to be presented at the 2020 Annual Meeting that are not intended for inclusion in our proxy statement, including director nominations not made pursuant to the proxy access provisions in the Company's bylaws, must be submitted in accordance with our bylaws. To be timely, a stockholder’s notice of such a proposal must be delivered to or mailed and received by the Secretary at the principal executive offices of the Company, not earlier than the 150th day nor later than the 120th day prior to the first anniversary date of mailing of this proxy statement, which is expected to occur on or about April 1, 2019, (or, with respect to a proposal required to be included in Meritage’s proxy statement pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, or its successor provision, the earlier date such proposal was received); provided, however, that in the event that the date of the 2020 Annual Meeting is advanced or delayed by more than 30 days from the first anniversary of the date of this year’s annual meeting, which is to be held on May 17, 2019, notice by the stockholder must be delivered not earlier than the 150th day prior to the date of such annual meeting and not later than the later of the 120th day prior to the date of such annual meeting or the tenth day following the date on which public announcement of the date of such meeting is first made.

A nomination or other proposal will be disregarded if it does not comply with the above procedures.

Stockholder proposals and director nominations and other items of business should be submitted to:

Meritage Homes Corporation  
8800 East Raintree Drive Suite 300  
Scottsdale, Arizona 85260  
Attn: Secretary

## FORWARD-LOOKING STATEMENTS

### Forward-Looking Statements

This proxy statement contains “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and involve substantial risks and uncertainties, which may cause results to differ materially from those set forth in the statements. The forward-looking statements may include, but are not limited to, statements made in the CD&A section of this proxy statement regarding the benefits of our strategy, trends in the homebuilding industry; future compensation actions or events; the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code; our strategy and opportunities and the anticipated effects of our compensation structure and programs. Meritage undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. Forward-looking statements should be evaluated together with the many uncertainties that affect Meritage’s business, particularly those mentioned under the heading “Risk Factors” in Meritage’s Annual Report on Form 10-K, and in the periodic reports that Meritage files with the SEC on Form 10-Q.

ANNUAL REPORT ON FORM 10-K AND OTHER MATTERS

Annual Report on Form 10-K and Other Matters

The Board of Directors is not aware of any other matters to be presented at the meeting. If any other business should properly come before the meeting, the proxy holders will vote according to their best judgment.

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 may be viewed and downloaded from [investors.meritagehomes.com](http://investors.meritagehomes.com), may be requested via email through such website or may be requested telephonically at 480-515-8100. The Annual Report is not considered to be proxy solicitation material.

Upon request, the Company will provide by first class mail, to each stockholder of record on the record date, without charge, a copy of this proxy statement and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, including the required financial statements and financial statement schedules. Written requests for this information should be directed to: Corporate Secretary, Meritage Homes Corporation, 8800 East Raintree Drive, Suite 300, Scottsdale, AZ 85260.



**MERITAGE HOMES CORPORATION**

Annual Meeting of Stockholders May 17, 2019

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS**

The stockholder(s) signing below hereby appoint(s) Steven J. Hilton and C. Timothy White, and each of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common stock of MERITAGE HOMES CORPORATION that the stockholder(s) is/are entitled to vote at the Annual Meeting of shareholders to be held at 8:30 AM, local time on May 17, 2019, at Meritage's corporate office at 8800 East Raintree Drive, Suite 300, Scottsdale, Arizona 85260, and any adjournment or postponement thereof.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN. IF NO SUCH DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" EACH OF THE DIRECTOR NOMINEES NAMED IN THIS PROXY STATEMENT, "FOR" EACH OF THE PROPOSALS 2 AND 3 AND AT THE DISCRETION OF THE PROXY HOLDERS ON ANY OTHER MATTER(S) THAT PROPERLY COME BEFORE THE MEETING, OR ANY POSTPONEMENT OR ADJOURNMENT THEREOF.**

**CONTINUED AND TO BE SIGNED ON REVERSE**

---

**5 PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED. 5**

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held May 17, 2019. The Proxy Statement and our 2018 Annual Report to Stockholders are available at: [www.allianceproxy.com/meritagehomes/2019](http://www.allianceproxy.com/meritagehomes/2019)

---

1. Election of three Class II directors, each to hold office until our 2021 annual meeting.

	FOR	AGAINST	ABSTAIN
01 Peter L. Ax	..	..	..
02 Gerald Haddock	..	..	..
03 Michael R. Odell	..	..	..

2. Ratification of the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2019 fiscal year.

FOR .. AGAINST .. ABSTAIN ..

3. Advisory vote to approve compensation of our Named Executive Officers ("Say on Pay").

FOR .. AGAINST .. ABSTAIN ..

NOTE:

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

I plan to attend .. the meeting

Please sign your name exactly as it appears hereon. When signing as attorney, executor, administrator, trustee, guardian, or other fiduciary, please give full title as such. Joint owners should each sign personally. All

holders must sign. If  
a corporation or  
partnership, please  
sign in full corporate  
or partnership name,  
by authorized officer.

Date:

Signature

Signature (if held  
jointly)

CONTROL  
NUMBER

5 PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED. 5

CONTROL  
NUMBER

PROXY VOTING  
INSTRUCTIONS

Please have your  
11 digit control  
number ready  
when voting by  
Internet or  
Telephone

INTERNET

Vote Your Proxy on the Internet:

Go to [www.AALvote.com/MTH](http://www.AALvote.com/MTH)

Have your proxy card available  
when you access the above  
website. Follow the prompts to  
vote your shares.

TELEPHONE

Vote Your Proxy by Phone:

Call 1 (866) 804-9616

Use any touch-tone telephone to  
vote your proxy. Have your proxy  
card available when you call.  
Follow the voting instructions to  
vote your shares.

MAIL

Vote Your Proxy by Mail:

Mark, sign, and date your proxy  
card, then detach it, and return it  
in the postage-paid envelope  
provided.