

MERITAGE HOMES CORPORATION
AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS CHARTER

I. PURPOSE AND AUTHORITY

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by the Corporation to any governmental body or the public; the Corporation's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; the Corporation's internal audit function and the Corporation's auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Audit Committee shall have the sole authority to appoint or replace the independent accountants and shall approve all audit engagement fees and terms and all significant non-audit engagements with the independent accountants. The Audit Committee shall consult with management but shall not delegate these responsibilities.

The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting process, internal control system and internal audit function.
- Engage the external auditors and the outsourced internal auditors as well as the tax compliance work.
- Review and appraise the audit efforts of the Corporation's independent accountants and internal audit function.
- Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditing department, and the Board of Directors.
- Review the independent auditor's qualifications and independence.
- Review the compliance by the Corporation with legal and regulatory requirements.
- Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Corporation's annual proxy statement.
- Make regular reports to the Board.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the Audit Committee. The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

II. COMPOSITION

The Audit Committee shall be comprised of three or more directors. The members of the Audit Committee shall meet the independence and experience requirements of the NYSE.

The following independence criteria (which is consistent with SEC and NYSE rules) shall apply to each Audit Committee member:

- Employees. A director who is an employee (including non-employee executive officers) of the company or any of its affiliates may not serve on the Audit Committee until five years following the termination of his or her employment. In the event the employment relationship is with a former parent or predecessor of the Corporation, the director could serve on the audit committee after five years following the termination of the relationship between the Corporation and the former parent or predecessor.
- Business Relationship. A director who has a material relationship with the Corporation may not serve on the Audit Committee. In making a determination regarding the independence of a director pursuant to this paragraph, the Nominating/Governance Committee should consider, among other things, the materiality of the relationship to the Corporation, to the director, and if applicable, to the organization with which the director is affiliated. “Business relationships” can include commercial, industrial, banking, consulting, legal, accounting and other relationships. A director can have this relationship directly with the company, or the director can be a partner, officer or employee of an organization that has such a relationship.
- Cross Compensation Committee Link. A director who is employed as an executive of another company where any of the Corporation’s executives serves on that company’s compensation committee may not serve on the Audit Committee.
- Immediate Family. A director who is an immediate family member of an individual who falls within any of the above categories cannot serve on the Audit Committee until after five years following the termination of such employment relationship.
- Large Stockholders. A director who holds 20% or more of the Corporation’s stock (or who is a general partner, controlling shareholder or other of any such holder) cannot chair or be a voting member of the Audit Committee.

All members of the Committee shall have a working familiarity with basic finance and accounting practices, and the Chair shall be a “financial expert.” Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant.

Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

III. MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with management and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee,

or at least its Chair, should meet with the independent accountants and management quarterly to review the Company's financial statements consistent with Section IV.3 below.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

DOCUMENTS/REPORTS REVIEW

1. Review and update this Charter periodically, at least annually, as conditions dictate. The Audit Committee shall annually review the Committee's own performance.
2. Review the organization's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion or review rendered by the independent accountants, and recommend whether the audited financial statements shall be included in the Corporation's Form 10-K.
3. Review the 10-Q with financial management and the independent accountants, if necessary, prior to its filing or prior to the release of earnings. The Chair of the Committee may represent the entire Committee for purposes of this review.

INDEPENDENT ACCOUNTANTS

4. Select the independent accountants, considering independence and effectiveness, and approve the fees and other compensation to be paid to the independent accountants.
5. Review the performance of the independent accountants and approve any proposed discharge of the independent accountants when circumstances warrant.
6. Periodically consult with the independent accountants out of the presence of management about internal controls and the fullness and accuracy of the organization's financial statements.
7. Review the experience and qualifications of the senior members of the independent accountant team.
8. Obtain and review a report from the independent auditor at least annually regarding (a) the accountant's internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent accountant and the Corporation. Evaluate the qualifications, performance and independence of the independent accountant, including considering whether the accountant's quality controls are adequate and the provision of non-audit services is compatible with maintaining the accountant's independence, and taking into account the opinions of management and the internal auditor. The Audit Committee shall present its conclusions to the Board and, as necessary, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the accountants.

9. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the lead audit partner or even the independent accounting firm itself on a regular basis.
10. Not permit the hiring of employees or former employees of the independent accountant if it would adversely affect their independence.
11. Discuss with the national office of the independent accountant issues on which they were consulted by the Corporation's audit team and matters of audit quality and consistency.
12. Meet with the independent accountant prior to the audit to discuss the planning and staffing of the audit.

FINANCIAL REPORTING PROCESSES

13. Discuss with management and the independent accountants significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Corporation's financial statements.
14. Discuss with management the Corporation's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.
15. Discuss with management and the independent accountants the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.
16. Discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.

PROCESS IMPROVEMENT

17. Establish regular and separate systems of reporting to the Audit Committee by each of management and the independent accountants any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
18. Following completion of the annual audit, review separately with each of management and the independent accountants any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
19. Review any significant disagreements among management and the independent accountants in connection with the preparation of the financial statements.

20. Review with the independent accountants and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.)

ETHICAL AND LEGAL COMPLIANCE

21. Review and update periodically the Corporation's employee handbook and Code of Ethics and ensure that management has established a system to enforce these policies.
22. Review management's monitoring of the Corporation's compliance with the organization's conduct policies, and ensure that management has the proper review system in place to ensure that Corporation's financial statements, reports and other financial information disseminated to governmental organizations, and the public, satisfy legal requirements.
23. Review, with the organization's counsel, legal compliance matters including corporate securities trading policies.
24. Review, with the organization's counsel, any legal matter that could have a significant impact on the Corporation's financial statements.
25. Perform any other activities consistent with this Charter, the Corporation's Bylaws and governing law, as the Audit Committee or the Board deems necessary or appropriate.

Dated: February 15, 2006