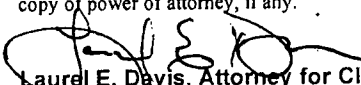
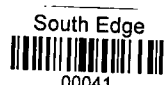


B10 (Official Form 10) (4/10)

United States Bankruptcy Court - District of Nevada		PROOF OF CLAIM
Name of Debtor: South Edge, LLC		Case Number: 10-32968-BAM
<i>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</i>		
Name of Creditor (The person or other entity to whom the debtor owes money or property): Meritage Homes of Nevada, Inc.		<input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim. Court Claim Number: _____ <i>(If known)</i> Filed on: _____
Name and address where notices should be sent: Meritage Homes of Nevada, Inc. c/o Laurel E. Davis, Esq. Fennemore Craig, P.C. 300 South Fourth Street, Suite 1400 Las Vegas, NV 89101		
Telephone number: (702) 692-8004		
Name and address where payment should be sent (if different from above): Meritage Homes of Nevada, Inc. Attention: Jennifer S. Lee, Esq. Meritage Homes Corporation 17851 North 85th Street, Suite 300 Scottsdale, AZ 85255		<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check this box if you are the debtor or trustee in this case.
Telephone number: (480) 515-8014		
1. Amount of Claim as of Date Case Filed: \$ <u>unliquidated</u> If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4. If all or part of your claim is entitled to priority, complete item 5. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.		5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount. Specify the priority of the claim. <input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B) <input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5). <input type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(_____). Amount entitled to priority: \$ _____ * Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.
2. Basis for Claim: See attached Addendum (See instruction #2 on reverse side.)		
3. Last four digits of any number by which creditor identifies debtor: _____ 3a. Debtor may have scheduled account as: _____ (See instruction #3a on reverse side.)		
4. Secured Claim (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information. Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe: Value of Property: \$ _____ Annual Interest Rate _____ Amount of arrearage and other charges as of time case filed included in secured claim, if any: \$ _____ Basis for perfection: _____ Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____		
6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.		
7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of "redacted" on reverse side.) DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING. If the documents are not available, please explain:		
Date: July 5, 2011	Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.  Laurel E. Davis, Attorney for Claimant	FOR COURT USE ONLY  South Edge 00041

**ADDENDUM TO PROOF OF CLAIM FILED BY
MERITAGE HOMES OF NEVADA, INC.**

**In re South Edge, LLC,
Case No. 10-32968**

I. Background.

Meritage Homes of Nevada, Inc., f/ka MTH-Homes, Nevada, Inc. ("Meritage"), is a member of the debtor, which was formed to acquire and develop property in a development known as Inspirada, located in Henderson, Nevada. Several agreements¹ governed operation of the debtor and its relationship with the members, including an Operating Agreement and an Acquisition Agreement. The debtor financed in part the purchase of property to be developed through a group of lenders. JPMorgan Chase Bank, N.A. ("JPMorgan") acted as the administrative agent for the lenders. Meritage signed three limited guaranties in connection with the financing.

Under its Acquisition Agreement with the debtor, Meritage was entitled and obligated to take down the first part of its property in April 2007. Meritage completed the takedown, and bought and developed the land. In April 2008, Meritage was entitled and obligated to make its second and final takedown of property in the Inspirada project. The debtor was obligated to deliver clear title to Meritage so that Meritage could build on or otherwise dispose of the property. Although by this time the Nevada real estate market was softening, it was far from the ultimate collapse that has occurred since then. Meritage was fully prepared and took all steps to close on this final takedown, including providing notice thereof to the debtor, opening an escrow, depositing approximately \$16,000,000 into that escrow (which amount was sufficient to pay the full purchase price and all other amounts Meritage would have been required to pay in connection with the closing) and providing the escrow agent with appropriate closing instructions authorizing it to proceed with closing at such time as debtor was able to deliver clear title to the property to Meritage. The debtor failed and refused to close that sale transaction and fulfill its obligations under the operative agreements. On April 16, 2008, Meritage provided a default notice to the debtor, but the default was never cured. This breach by the debtor gave rise to the following claims by Meritage.

II. Claims

1. If Meritage had been able to complete its final takedown in April 2008, it would have been able to develop or sell the land long before the real estate market meltdown that has occurred since that time. The debtor's failure to deliver title to Meritage has caused damages in an amount to be proved at trial.

¹ These documents, including, but not limited to, the Operating Agreement, the Member Acquisition Agreements, are too voluminous to attach to this Proof of Claim. These documents have previously been made available to the Chapter 11 Trustee and are part of the trial record in the involuntary bankruptcy case and the appellate record relating thereto, all of which are incorporated herein by reference.

2. In 2009, JPMorgan (“JPMorgan”), as Administrative Agent for the lender group, initiated litigation in federal court that ultimately was venued in the United States District Court for the District of Nevada. One lawsuit was captioned *JPMorgan Chase Bank, N.A. v. KB Home, et al.*, Case No. 2:08-CV-01711-PMP (Base File) and alleged claims related to alleged breaches of a completion guaranty between JPM and Meritage. The second lawsuit, captioned *JPMorgan Chase Bank, N.A. v. KB Home, et al.*, Case No. 2:08-CV-01711-PMP (Base File) asserted claims purportedly arising under the Uniform Commercial Code. The debtor’s performance of its obligations in connection with Meritage’s April 2008 final takedown would have mitigated or eliminated JPMorgan’s claims against Meritage. Additionally, Meritage has spent significant sums defending the litigation and it continues to incur additional amounts in connection therewith. Meritage is entitled to recover those attorneys’ fees from the debtor, and Meritage is entitled to indemnification against any judgment JPMorgan might obtain.

3. Also in 2009, another member of the debtor, Focus South Group, LLC, in conjunction with JPMorgan, initiated an arbitration proceeding against Meritage and the other members of the debtor. The award following an arbitration hearing that took place in 2010 is the subject of motions to vacate or modify that are pending before the Ninth Circuit Court of Appeals (and part of which is stayed by the instant bankruptcy proceedings). The debtor’s failure to deliver title to and allow Meritage to complete its second and final takedown in April 2008 was a cause of Meritage becoming involved in the arbitration proceeding. Meritage is entitled to recover the attorneys’ fees it incurred in the arbitration case, as well as any portion of the arbitration award Meritage might ultimately be required to pay.

4. In 2010, JPMorgan moved to amend its complaint in the completion guaranty case, which amendment the district court allowed. JPMorgan asserts in the amendment that members of the debtor, including Meritage, improperly extended dates for taking down property without JPMorgan’s approval. JPMorgan asserts that these actions triggered “bad boy” provisions of a limited guaranty. Although Meritage did not vote for or otherwise participate in any of the extensions at issue, there would have been no basis whatsoever for JPMorgan to assert this claim if Meritage had been able to complete its final takedown in April 2008. Meritage has incurred and is continuing to incur attorneys’ fees and costs in defense of the JPMorgan complaint, and Meritage will be entitled to indemnification from the debtor against any judgment that JPMorgan might obtain.

5. In December 2010, JPMorgan and two other lenders filed a petition for involuntary chapter 11 relief against the debtor. Subsequently, JPMorgan has asserted demands against Meritage under a repayment guaranty that it claims was triggered by the involuntary bankruptcy petition. If the debtor had performed in April 2008, Meritage would have completed its second and final takedown of property, and any obligation of Meritage to the lenders would have been fully satisfied. Meritage has incurred significant amounts of attorneys’ fees and other expenses in connection with this bankruptcy proceeding, and it will continue to spend additional amounts in the future. Additionally, if JPMorgan sues Meritage on the repayment guaranty, Meritage will be forced to incur further attorneys’ fees and costs defending that proceeding. The debtor’s failure to perform is the cause of Meritage’s involvement in both of these actions, and Meritage is

entitled to indemnification for all amounts, including defense costs and any judgment that JPMorgan might obtain.

III. Reservation of Rights and Non-Waiver

Meritage expressly reserves the right to amend and supplement this proof of claim in any respect at any time, including with respect to costs and expenses as they are determined. Nothing in this proof of claim shall constitute a waiver of any of Meritage's rights; all such rights being expressly reserved.

Meritage has been compelled to file this proof of claim under a bar date established in the debtor's bankruptcy case, as extended by the Court's Order entered June 29, 2011 as Docket No. 761. The filing of this proof of claim is not intended to waive any right to demand a jury trial on any of the claims set forth above, to file any motion to withdraw the reference with respect to any such claim, or to act as a waiver to contest the jurisdiction of the United States Bankruptcy Court for the District of Nevada over Meritage or this proof of claim.

**LIST OF DOCUMENTS, ADDENDUM TO PROOF OF CLAIM FILED BY
MERITAGE HOMES OF NEVADA, INC.**

**In re South Edge, LLC,
Case No. 10-32968**

1. Amended and Restated Operating Agreement of South Edge, LLC dated May 3, 2004 and all amendments thereto.

2. The Credit Agreement among South Edge, LLC, the Lenders party, and JPMorgan Chase Bank, as Administrative Agent dated November 1, 2004, and all related documents.

3. The Amended and Restated Credit Agreement among South Edge, LLC, the Lenders party, and JPMorgan Chase Bank, as Administrative Agent dated March 9, 2007, and all related documents.

4. The Purchase and Sale Agreement and Joint Escrow Instructions between South Edge, LLC and MTH-Homes Nevada, Inc. dated October 29, 2004 and all amendments thereto.

These documents are too voluminous to attach to this Proof of Claim. They have previously been made available to the Chapter 11 Trustee and are part of the trial record in the involuntary bankruptcy case and the appellate record relating thereto, all of which are incorporated herein by reference.

PHX/2433104.4/

District of Nevada Claims Register

10-32968-bam SOUTH EDGE, LLC

Judge: BRUCE A. MARKELL

Chapter: 11

Office: Las Vegas

Last Date to file claims: 06/29/2011

Trustee: CYNTHIA NELSON

Last Date to file (Govt):

<p><i>Creditor:</i> (7144911) MERITAGE HOMES OF NEVADA, INC. c/o Laurel E. Davis, Esq. Fennemore Craig, P.C. 300 South Fourth Street, Suite 1400 Las Vegas, NV 89101</p>	<p>Claim No: 41 <i>Original Filed</i> Date: 07/05/2011 <i>Original Entered</i> Date: 07/05/2011</p>	<p><i>Status:</i> <i>Filed by:</i> CR <i>Entered by:</i> DAVIS, LAUREL <i>Modified:</i></p>
--	--	---

Total claimed:

History:

Details 41-1 07/05/2011 Claim #41 filed by MERITAGE HOMES OF NEVADA, INC., total amount claimed: \$0 (DAVIS, LAUREL)

Description:

Remarks:

Claims Register Summary

Case Name: SOUTH EDGE, LLC

Case Number: 10-32968-bam

Chapter: 11

Date Filed: 12/09/2010

Total Number Of Claims: 1

	Total Amount Claimed	Total Amount Allowed
Unsecured		
Secured		
Priority		
Unknown		
Administrative		
Total	\$0.00	\$0.00