SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-9977

MERITAGE CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Maryland	86-0611231
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
6613 North Scottsdale Road, Suite 200 Scottsdale, Arizona	85250
(Address of Principal Executive Offices)	(Zip Code)

(480) 998-8700
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes [X] No [ ].

As of August 10, 2000, 5,171,277 shares of Meritage Corporation common stock were outstanding.

MERITAGE CORPORATION
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2000
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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERITAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	June 30, 2000	December 31, 1999
	(Unaudited)	
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 9,458,651	$ 13,422,016
Real estate under development	200,586,220	171,012,405
Deposits on real estate under option or contract	17,491,489	15,699,609
Receivables	1,543,645	1,643,187
Deferred tax asset	834,375	698,634
Goodwill	18,208,069	18,741,625
Property and equipment, net	4,480,562	4,040,134
Other assets	1,412,621	1,301,286
Total Assets	$ 254,015,632	$ 226,558,896
LIABILITIES		
Accounts payable and accrued liabilities	$ 38,246,068	$ 41,950,761
Home sale deposits	12,316,004	8,261,000
Notes payable	101,753,499	85,936,601
Total Liabilities	152,315,571	136,148,362
STOCKHOLDERS' EQUITY		
Common stock, par value $.01 per share; 50,000,000 Shares authorized; issued and outstanding - 5,606,862 Shares at June 30, 2000, and 5,474,906 shares at December 31, 1999	56,069	54,749
Additional paid-in capital	100,985,745	100,406,745
Accumulated earnings (deficit)	5,195,358	(8,148,535)
Less cost of shares held in treasury (414,685 shares at June 30, 2000, and 186,000 shares at December 31, 1999)	(4,537,111)	(1,902,425)
Total Stockholders' Equity	101,700,061	90,410,534
Total Liabilities and Stockholders' Equity	$ 254,015,632	$ 226,558,896

</TABLE>

See accompanying notes to condensed consolidated financial statements

MERITAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Home sales revenue	$ 120,802,671	$ 76,646,871	$ 212,455,331	$ 127,953,068
Land sales revenue	899,406	74,900	1,656,917	154,800
	121,702,077	76,721,771	214,112,248	128,107,868
Cost of home sales	(96,393,849)	(60,810,073)	(171,350,198)	(102,132,361)
Cost of land sales	(789,267)	(34,500)	(1,470,472)	(69,000)
	(97,183,116)	(60,844,573)	(172,820,670)	(102,201,361)
Home sales gross profit	24,408,822	15,836,798	41,105,133	25,820,707
Land sales gross profit	110,139	40,400	186,445	85,800
	24,518,961	15,877,198	41,291,578	25,906,507
Commissions and other sales costs	(6,457,926)	(4,492,042)	(12,236,486)	(7,907,859)
General and administrative expense	(4,846,778)	(3,678,297)	(8,848,739)	(6,824,344)

Interest expense	(2,999)	(1,844)	(4,521)	(2,679)
Other income, net	421,385	629,489	953,656	947,921
Earnings before income taxes	13,632,643	8,334,504	21,155,488	12,119,546
Income taxes	(5,059,633)	(3,793,701)	(7,811,595)	(5,253,701)
Net earnings	$ 8,573,010	$ 4,540,803	$ 13,343,893	$ 6,865,845
Basic earnings per share	$ 1.62	$ .83	$ 2.52	$ 1.26
Diluted earnings per share	$ 1.50	$ .75	$ 2.31	$ 1.14

</TABLE>

See accompanying notes to condensed consolidated financial statements.

MERITAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	2000	1999
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 13,343,893	$ 6,865,845
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,524,233	1,009,513
(Increase) decrease in deferred tax asset	(135,741)	4,552,837
Stock option compensation expense	73,254	296,658
Increase in real estate under development	(29,573,815)	(42,433,135)
Increase in deposits on real estate under option or contract	(1,791,880)	(4,388,322)
Decrease in receivables and other assets	252,788	437,135
Increase (decrease) in accounts payable and accrued liabilities	1,690,178	(2,309,513)
Increase in home sale deposits	4,055,004	3,526,024
Net cash used in operating activities	(10,562,086)	(32,442,958)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for merger/acquisition	(5,158,006)	(6,966,890)
Purchases of property and equipment	(1,431,105)	(1,713,715)
Net cash used in investing activities	(6,589,111)	(8,680,605)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	196,000,554	128,447,739
Repayment of borrowings	(180,183,656)	(92,986,476)
Purchase of treasury shares	(2,634,686)	(112,962)
Stock options exercised	5,620	472,681
Net cash provided by financing activities	13,187,832	35,820,982
Net decrease in cash and cash equivalents	(3,963,365)	(5,302,581)
Cash and cash equivalents at beginning of period	13,422,016	12,386,806
Cash and cash equivalents at end of period	$ 9,458,651	$ 7,084,225

</TABLE>

See accompanying notes to condensed consolidated financial statements

MERITAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

We develop, construct and sell new high-quality, single-family homes in the semi-custom luxury, move-up and entry-level markets. We operate in the Dallas/Fort Worth, Austin and Houston, Texas markets as Legacy Homes, in the Phoenix and Tucson, Arizona metropolitan markets under the Monterey Homes and Meritage Homes of Arizona brand names, and in the San Francisco Bay and Sacramento, California markets as Meritage Homes of Northern California.

BASIS OF PRESENTATION. The consolidated financial statements include the accounts of Meritage Corporation and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidation and certain prior period amounts have been reclassified to be consistent with current financial statement presentation. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present our financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of results to be expected for a full fiscal year.

NOTE 2 - REAL ESTATE UNDER DEVELOPMENT AND CAPITALIZED INTEREST

The components of real estate under development follow (in thousands):

	June 30, 2000	December 31, 1999
Homes under contract, in production	$ 102,862	$ 71,987
Finished home sites and home sites under development	68,722	63,610
Model homes and homes held for resale	22,965	31,797
Land held for development	6,037	3,618
	$ 200,586	$ 171,012

We have included 108 pre-sold homes with a dollar cost of approximately $21.5 million, purchased from two other Arizona builders, in real estate under development and in quarter-end sales backlog, but have not included them as sales contracts written during the quarter.

We capitalize certain interest costs incurred during development and construction. Capitalized interest is allocated to real estate under development and charged to cost of sales when the property is delivered. Summaries of interest capitalized and interest expensed follow (in thousands):

<TABLE>
<CAPTION>

	Quarter Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Beginning unamortized capitalized interest	$ 4,274	$ 2,260	$ 3,971	$ 1,982
Interest capitalized	2,774	1,510	4,642	2,599
Amortized in cost of home and land sales	(2,137)	(1,117)	(3,702)	(1,928)
Ending unamortized capitalized interest	$ 4,911	$ 2,653	$ 4,911	$ 2,653
Interest incurred	$ 2,777	$ 1,512	$ 4,647	$ 2,602
Interest capitalized	(2,774)	(1,510)	(4,642)	(2,599)
Interest expensed	$ 3	$ 2	$ 5	$ 3

</TABLE>

NOTE 3 - NOTES PAYABLE

Notes payable consist of the following (in thousands):

	June 30, 2000	December 31, 1999
$100 million bank revolving construction line of credit, interest payable monthly approximating prime (9.5% at June 30, 2000) or LIBOR (30 day LIBOR 6.6% at June 30, 2000), plus 1.75% payable December 31, 2001, secured by first deeds of trust on real estate..............................	$ 62,320	$ 36,180
$65 million bank revolving construction line of credit, interest payable monthly approximating prime or LIBOR plus 2.0%, payable at the earlier of close of escrow, maturity date of individual homes within the line or August 31, 2000, secured by first deeds of trust on real estate.............	21,321	26,104

$15 million unsecured bank revolving line of credit, interest payable monthly at prime, matured January 17, 2000	--	6,000
Acquisition and development credit facilities and seller carry back financing totaling $5.7 million, interest payable monthly, ranging from prime to prime plus .25% or at a fixed 10% per annum rate; payable at the earlier of funding of construction financing or the maturity date of the individual projects, secured by first deeds of trust on land	3,093	2,627
Senior unsecured notes, maturing September 15, 2005, annual interest of 9.10% payable quarterly, principal payable in three equal installments on September 15, 2003, 2004 and 2005	15,000	15,000
Other	19	26
Total	$ 101,753	$ 85,937

NOTE 4 - EARNINGS PER SHARE

A summary of the reconciliation from basic earnings per share to diluted earnings per share for the three and six months ended June 30, 2000 and 1999 follows (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	Quarter Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Net earnings	$ 8,573	$ 4,541	$13,344	$ 6,866
Basic EPS - Weighted average shares outstanding	5,287	5,456	5,287	5,441
Basic earnings per share	$ 1.62	$ .83	$ 2.52	$ 1.26
Basic EPS - Weighted average shares outstanding	5,287	5,456	5,287	5,441
Effect of dilutive securities:				
Contingent shares and warrants	--	70	37	77
Stock options	439	494	451	519
Dilutive EPS - Weighted average shares outstanding	5,726	6,020	5,775	6,037
Diluted earnings per share	$ 1.50	$ .75	$ 2.31	$ 1.14
Antidilutive stock options not included in diluted EPS	277	291	278	287

</TABLE>

NOTE 5 - INCOME TAXES

Components of income tax expense are (in thousands):

	Quarter Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Current taxes:				
Federal	$ 4,520	$ 157	$ 6,939	$ 240
State	657	296	1,009	459
	5,177	453	7,948	699
Deferred taxes:				
Federal	(105)	3,254	(122)	4,467
State	(12)	87	(14)	88

	(117)	3,341	(136)	4,555
Total	$ 5,060	$ 3,794	$ 7,812	$ 5,254

NOTE 6 - SEGMENT INFORMATION

We classify our operations into three primary geographic segments: Texas, Arizona and California. These segments generate revenues through the sale of homes to external customers. We are not dependent on any one major customer.

Operational information relating to the different business segments follows. Certain information has not been included by segment due to the immateriality of the amount to the segment or in total. We evaluate segment performance based on several factors, of which the primary financial measure is earnings before interest and taxes (EBIT). The accounting policies of the business segments are the same as those described in Notes 1 and 2. There are no significant transactions between segments.

<TABLE>
<CAPTION>

	Quarter Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
	(in thousands)			
<S>	<C>	<C>	<C>	<C>
HOME SALES REVENUE:				
Texas	$ 52,281	$ 42,461	$ 101,711	$ 72,795
Arizona	32,257	30,056	54,199	49,684
California	36,264	4,130	56,545	5,474
Total	$ 120,802	$ 76,647	$ 212,455	$ 127,953
EBIT:				
Texas	$ 8,769	$ 5,819	$ 15,779	$ 9,554
Arizona	2,762	3,815	3,757	5,705
California	5,631	1,195	7,942	773
Corporate and other	(1,389)	(1,378)	(2,616)	(1,984)
Total	$ 15,773	$ 9,451	$ 24,862	$ 14,048
AMORTIZATION OF CAPITALIZED INTEREST:				
Texas	$ 656	$ 367	$ 1,291	$ 667
Arizona	933	688	1,511	1,191
California	548	62	900	70
Total	$ 2,137	$ 1,117	$ 3,702	$ 1,928

	At June 30, 2000	At December 31, 1999
ASSETS:		
Texas	$ 99,228	$ 97,832
Arizona	106,319	77,195
California	42,583	43,773
Corporate	5,886	7,759
Total	$ 254,016	$ 226,559

</TABLE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements. The words "believe," "expect," "anticipate," and "project" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Such forward-looking statements are within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may include, but are not limited to, projections of revenues, income or loss, capital expenditures, plans for future operations, financing needs or plans, the impact of inflation, the impact of changes in interest rates, plans relating to our products or services, potential real property acquisitions, and new or planned development projects, as well as assumptions relating to the foregoing.

Statements in Exhibit 99 to this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 1999, including the Notes to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations," describe factors, among others, that could contribute to or cause such differences. Additional factors that could cause actual results to differ materially from those expressed in such forward-looking statements are described in "Business" and "Market for the Registrant's Common Stock and Related Stockholder Matters" in our December 31, 1999 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

The following discussion and analysis provides information regarding the results of our operations for the three and six months ended June 30, 2000 and June 30, 1999. All material balances and transactions between us and our subsidiaries have been eliminated. In managements' opinion, the data reflects all adjustments, consisting of only normal recurring adjustments, necessary to fairly present our financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of results expected for a full fiscal year.

HOME SALES REVENUE

Home sales revenue is the product of the number of homes closed during the period and the average sales price per home. Comparative second quarter and first six months 2000 and 1999 home sales revenue follow (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended June 30, 2000	Quarter Ended June 30, 1999	Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999	Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
TOTAL								
Dollars	$120,802	$ 76,647	$ 44,155	58%	$212,455	$127,953	$ 84,502	66%
Homes closed	525	374	151	40%	965	631	334	53%
Average sales price	$ 230.1	$ 204.9	$ 25.2	12%	$ 220.2	$ 202.8	$ 17.4	9%
TEXAS								
Dollars	$ 52,281	$ 42,461	$ 9,820	23%	$101,711	$ 72,795	$ 28,916	40%
Homes closed	303	275	28	10%	605	475	130	27%
Average sales price	$ 172.5	$ 154.4	$ 18.1	12%	$ 168.1	$ 153.3	$ 14.8	10%
ARIZONA								
Dollars	$ 32,257	$ 30,056	$ 2,201	7%	$ 54,199	$ 49,684	$ 4,515	9%
Homes closed	117	88	29	33%	196	141	55	39%
Average sales price	$ 275.7	$ 341.5	$ (65.8)	(19)%	$ 276.5	$ 352.4	$ (75.9)	(22%)
CALIFORNIA								
Dollars	$ 36,264	$ 4,130	$ 32,134	778%	$ 56,545	$ 5,474	$ 51,071	933%
Homes closed	105	11	94	855%	164	15	149	993%
Average sales price	$ 345.4	$ 375.5	$ (30.1)	(8)%	$ 344.8	$ 364.9	$ (20.1)	(6)%

</TABLE>

The increase in total home sales revenue and number of homes closed in 2000 compared to 1999 results mainly from our strong market performances in Texas and California.

HOME SALES GROSS PROFIT

Gross profit is home sales revenue, net of housing cost of sales, which include developed home site costs, home construction costs, amortization of common community costs (such as the cost of model complexes and architectural, legal and zoning costs), interest, sales tax, warranty, construction overhead and closing costs. Comparative 2000 and 1999 housing gross profit follows (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended June 30, 2000	Quarter Ended June 30, 1999	Dollar/ Percentage Increase (Decrease)	Percentage Increase (Decrease)	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999	Dollar/ Percentage Increase (Decrease)	Percentage Increase (Decrease)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Dollars	$ 24,409	$ 15,837	$ 8,572	54%	$ 41,105	$ 25,821	$ 15,284	59%
Percentage of home sales revenues	20.2%	20.7%	(.5)%	--	19.3%	20.2%	(.9)%	--

</TABLE>

The dollar increase in gross profit for the three and six months ended June 30, 2000 over the prior year periods is attributable to the increase in number of homes closed. The gross profit margin decreased somewhat in both periods due to the increased deliveries of our new lower-priced, lower margin Arizona products.

COMMISSIONS AND OTHER SALES COSTS

Commissions and other sales costs, such as advertising and sales offices expenses, were approximately $6.5 million, or 5.3% of home sales revenue in the three months ended June 30, 2000 compared with $4.5 million, or 5.9% of home sales revenue in the second quarter of 1999. For the first six months of 2000, commissions and other sales costs were approximately $12.2 million, or 5.8% of home sales revenue, compared with $7.9 million, or 6.2% of home sales revenue for the first half of 1999. The slight decrease in these expenses as a percentage of home sales revenue was caused by holding down increases in advertising and other marketing costs.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were approximately $4.8 million (4.0% of revenue) in the second quarter of 2000, as compared with approximately $3.7 million (4.8% of revenue) in 1999. For the six months ended June 30, 2000, G&A expenses were approximately $8.8 million (4.1% of revenue), compared with $6.8 million (5.3% of revenue) for the same period of 1999. The higher expense as a percentage of revenue for the six months ended June 30, 1999 includes approximately $600,000 related to an employment agreement buyout of a former managing director. Operating costs in 1999 were also higher as a percentage of revenue due to overhead increases incurred related to our California expansion, and the start-up of our new Meritage Division in Phoenix, Arizona.

INCOME TAXES

The increases in income tax expense for the quarter and six months ended June 30, 2000 from prior year's periods were caused by higher taxable income offset by a slightly lower effective tax rate.

SALES CONTRACTS

Sales contracts for any period represent the number of homes ordered by customers (net of cancellations) multiplied by the average sales price per unit ordered. Comparative 2000 and 1999 sales contracts follow (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended June 30,		Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)	Six Months Ended June 30,		Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)
	2000	1999			2000	1999		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
TOTAL								
Dollars	$147,770	$ 98,276	$ 49,494	50%	$296,670	$202,014	$ 94,656	47%
Units ordered	590	495	95	19%	1,219	1,050	169	16%
Average sales price	$ 250.5	$ 198.5	$ 52.0	26%	$ 243.4	$ 192.4	$ 51.0	27%
TEXAS								
Dollars	$ 57,561	$ 55,260	$ 2,301	4%	$118,481	$119,616	$ (1,135)	(1)%
Units ordered	317	346	(29)	(8)%	672	777	(105)	(14)%
Average sales price	$ 181.6	$ 160.0	$ 21.6	14%	$ 176.3	$ 154.0	$ 22.3	14%
ARIZONA								
Dollars	$ 44,922	$ 30,246	$ 14,676	49%	$ 88,859	$ 61,238	$ 27,621	45%
Units ordered	143	113	30	27%	280	212	68	32%

Average sales price	$ 314.1	$ 267.7	$ 46.4	17%	$ 315.4	$ 288.9	$ 26.5	9%
CALIFORNIA								
Dollars	$ 45,287	$ 12,770	$ 32,518	255%	$ 89,330	$ 21,160	$ 68,170	322%
Units Ordered	130	36	94	261%	267	61	206	338%
Average sales price	$ 348.4	$ 354.7	$ (6.3)	(2)%	$ 334.2	$ 346.9	$ (12.7)	(4)%

</TABLE>

We do not include sales contingent upon the sale of a customer's existing home as a sales contract until the contingency is removed. Historically, we have experienced a cancellation rate of approximately 25% or less of gross sales. Total sales contracts increased in 2000 compared to 1999 due mainly to the expansion into California and the start-up of our mid-priced Meritage Phoenix division, along with continued economic strength in our operating markets.

NET SALES BACKLOG

Backlog represents net sales contracts that have not closed. Comparative June 30, 2000 and 1999 net sales backlog follows (dollars in thousands):

	At June 30, 2000	At June 30, 1999	Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)
TOTAL				
Dollars	$305,100	$219,355	$ 85,745	39%
Homes in backlog	1,247	1,107	140	13%
Average sales price	$ 244.7	$ 198.2	$ 46.5	23%
TEXAS				
Dollars	$110,753	$123,999	$(13,246)	(11)%
Homes in backlog	633	805	(172)	(21)%
Average sales price	$ 175.0	$ 154.0	$ 21.0	14%
ARIZONA				
Dollars	$128,978	$ 77,933	$ 51,045	65%
Homes in backlog	408	251	157	63%
Average sales price	$ 316.1	$ 310.5	$ 5.6	2%
CALIFORNIA				
Dollars	$ 65,369	$ 17,423	$ 47,946	275%
Homes in backlog	206	51	155	304%
Average sales price	$ 317.3	$ 341.6	$ (24.3)	(7)%

Total dollar backlog at June 30, 2000 increased 39% over the 1999 amount due to a corresponding increase in homes in backlog. Units in backlog at June 30, 2000 increased 13% over the same period in the prior year due to the increase in net orders caused by expansion into California, the start-up of our new Meritage Phoenix division, the purchase of 108 pre-sold homes from two Arizona builders (see Note 2) and strong housing markets in which we operate.

LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of working capital are land purchases, home site development and home construction. We use a combination of borrowings and funds generated by operations to meet our working capital requirements.

At June 30, 2000 we had short-term secured revolving construction loan and acquisition and development facilities totaling $169.5 million, of which approximately $86.7 million was outstanding. An additional $41.0 million of unborrowed funds supported by approved collateral were available under our credit facilities at that date. We also have $15 million outstanding in unsecured, senior subordinated notes due September 15, 2005, which were issued in October 1998.

In May 1999, we announced a stock repurchase program in which our Board of Directors approved the buyback of up to $6 million of outstanding Meritage stock. This amount was increased to $10 million at the first quarter, 2000 board meeting. As of June 30, 2000, 414,685 shares had been repurchased for an aggregate price of approximately $4.5 million.

Management believes that the current borrowing capacity, cash on hand at June 30, 2000 and anticipated cash flows from operations are sufficient to meet our liquidity needs for the foreseeable future. There is no assurance, however, that future amounts available from our sources of liquidity will be sufficient to meet future capital needs. The amount and types of indebtedness that we incur may be limited by the terms of the indenture governing our senior subordinated notes and our credit agreements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not trade in derivative financial instruments and at June 30, 2000 had no significant derivative financial instruments. We do have other financial instruments in the form of notes payable and senior debt, which are at fixed interest rates. Our lines of credit and credit facilities are at variable interest rates and are subject to market risk in the form of interest rate fluctuations.

PART II OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) On May 10, 2000, we held our Annual Meeting of Shareholders, at which Steven J. Hilton, William W. Cleverly and Raymond Oppel were re-elected as Class I Directors to serve for a two-year term which expires at our Annual Meeting of Shareholders in 2002. Voting results for these nominees are summarized as follows:

	VOTES FOR	VOTES WITHHELD
Steven J. Hilton	5,053,432	17,903
William W. Cleverly	5,053,549	17,786
Raymond Oppel	5,054,065	17,270

Additionally, the Shareholders approved an amendment to the Meritage Corporation Stock Option Plan which increases the number of shares of common stock authorized for issuance thereunder from 475,000 to 775,000 shares, and raises the number of shares that may be issued to any one person under the plan from 50,000 to 100,000. Voting results are as follows:

	APPROVAL OF AMENDMENT TO STOCK OPTION PLAN
Shares For	2,655,150
Shares Against	834,296
Shares Abstained	14,392
Shares Not Voted By Brokers	1,567,497

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION	PAGE OR METHOD OF FILING
10.1	Modification to Loan Agreement with Wells Fargo Bank, Arizona, N.A. and California Bank & Trust, Dated as of May 16, 2000	Filed herewith
10.2	Extension of Guaranty Federal Bank Loan, Dated as of July 31, 2000	Filed herewith
27	Financial Data Schedule	Filed herewith
99	Private Securities Reform Act of 1995 Safe Harbor Compliance Statement for Forward-Looking Statements	Filed herewith

(b) REPORTS ON FORM 8-K

No reports on form 8-K were filed during the quarter ended June 30, 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly cause this report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, this 11th day of August 2000.

MERITAGE CORPORATION,
a Maryland Corporation

By /s/ Larry W. Seay
Larry W. Seay
CHIEF FINANCIAL OFFICER AND VICE PRESIDENT-FINANCE (PRINCIPAL FINANCIAL OFFICER AND DULY AUTHORIZED OFFICER)

FIRST MODIFICATION AGREEMENT

DATE: May 16, 2000

PARTIES: Borrower: MHC: MONTEREY HOMES CONSTRUCTION, INC., an Arizona corporation

MHA: MONTEREY HOMES ARIZONA, INC., an Arizona corporation

Chandler: CHANDLER 110, LLC, an Arizona limited liability company

MHNC: MERITAGE HOMES OF NORTHERN CALIFORNIA, INC., a California corporation

Lenders: WELLS FARGO BANK ARIZONA, NATIONAL ASSOCIATION, a national banking association, formerly known as Norwest Bank Arizona, National Association

CALIFORNIA BANK & TRUST, a California banking corporation

Administrative Agent: WELLS FARGO BANK ARIZONA, NATIONAL ASSOCIATION, a national banking association, formerly known as Norwest Bank Arizona, National Association

Documentation and Syndication Agent: CALIFORNIA BANK & TRUST, a California banking corporation

RECITALS:

A. Lenders have extended to Borrower credit ("Loan") in the principal amount of $70,000,000.00 pursuant to the Loan Agreement, dated December 29, 1999 ("Loan Agreement"), and evidenced by two (2) Promissory Notes, dated December 29, 1999 (collectively, the "Notes"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Loan Agreement. The unpaid principal of the Loan as of the date hereof is $62,528,287.24.

B. The Loan is secured by, among other things, the following (the"Deeds of Trust"):

(i) An Amended and Restated Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Maricopa) dated December 29, 1999, by MHC and MHA, as trustor, for the benefit of Administrative Agent, as beneficiary, recorded on December 30, 1999, at Recorder's No. 99-1165935, records of Maricopa County, Arizona, as thereafter amended and/or supplemented from time to time;

(ii) A Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Val Vista Meadows Option Property) dated December 29, 1999, by MHC and MHA, as trustor, for the benefit of Administrative Agent, as beneficiary, recorded on December 30, 1999, at Recorder's No. 99-1165936, records of Maricopa County, Arizona, as thereafter amended and/or supplemented from time to time;

(iii) A Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Paseo Crossing) dated February 8, 2000, by Chandler, as trustor, for the benefit of Administrative Agent, as beneficiary, recorded on February 25, 2000, at Recorder's No. 00-0140216, records of Maricopa County, Arizona, as thereafter amended and/or supplemented from time to time;

(iv) An Amended and Restated Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Pima) dated December 29, 1999, by MHC and MHA, as trustor, for the benefit of Administrative Agent, as beneficiary, recorded on December 30, 1999, in Docket 11204, page 6460, records of Pima County, Arizona, as thereafter amended and/or supplemented from time to time;

(v) A Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Black Diamond Knolls) dated September 13, 1999, by MHNC, as trustor, for the benefit of Administrative Agent, as beneficiary, recorded on October 5, 1999, as Series No. 99-264104, records of Contra Costa County, California, as thereafter amended and/or supplemented from time to time;

(vi) A Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Black Diamond Knolls Option Property) dated September 13, 1999, by MHNC, as trustor, for the benefit of Administrative Agent, as beneficiary, recorded on October 5, 1999, as Series No. 99-264105, records of Contra Costa County, California, as thereafter amended and/or supplemented from time to time;

(vii) A Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Black Diamond Estates) dated April 12, 1999, by MHNC, as trustor, for the benefit of Administrative Agent, as beneficiary, recorded on May 7, 1999, as Series No. 99-123453, records of Contra Costa County, California, as thereafter amended and/or supplemented from time to time;

(viii) A Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Wildhorse No. 1) dated November 18, 1998, by MHNC, as trustor, for the benefit of Administrative Agent, as beneficiary, recorded on November 24, 1998, as Instrument No. 98-0034610, records of Yolo County, California, as thereafter amended and/or supplemented from time to time;

(ix) A Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Whitney Oaks) dated October 2, 1998, by MHNC, as trustor, for the benefit of Administrative Agent, as beneficiary, recorded on November 24, 1998, as Instrument No. 98-0097765, records of Placer County, California, as thereafter amended and/or supplemented from time to time;

(x) A Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Empire Ranch) dated November 15, 1999, by MHNC, as trustor, for the benefit of Administrative Agent, as beneficiary, recorded on December 2, 1999, in Book 9912-02, page 0995, records of Sacramento County, California, as thereafter amended and/or supplemented from time to time; and

(xi) A Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Sterling Park - Phase I) dated April 30, 1999, by MHNC, as trustor, for the benefit of Administrative Agent, as beneficiary, recorded on May 3, 1999, as Instrument No. 99058301, records of San Joaquin County, California, as thereafter amended and/or supplemented from time to time.

The agreements, documents, and instruments securing the Loan and the Notes are referred to individually and collectively as the "Security Documents."

C. The Notes, the Loan Agreement, the Security Documents, the side letter regarding the Agency Fee (the "Agency Fee Letter"), any environmental indemnity agreement, and all other agreements, documents, and instruments evidencing, securing, or otherwise relating to the Loan are sometimes referred to individually and collectively as the "Loan Documents."

D. A Continuing Guarantee dated December 29, 1999 guaranteeing all indebtedness of Borrower to Lenders (the "Guarantee Agreement") was executed and delivered to Lenders by MERITAGE CORPORATION, a Maryland corporation, MTH - TEXAS GP, INC., an Arizona corporation, MTH - TEXAS LP, INC., an Arizona corporation, LEGACY/MONTEREY HOMES L.P., an Arizona limited partnership, and TEXAS HOME MORTGAGE CORPORATION, a Texas corporation (hereinafter collectively called "Guarantors").

E. Borrower has requested that Lenders, Administrative Agent, and Documentation and Syndication Agent modify the Loan and the Loan Documents as provided herein. Lenders, Administrative Agent, and Documentation and Syndication Agent are willing to so modify the Loan and the Loan Documents, subject to the terms and conditions herein.

AGREEMENT:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, Lenders, Administrative Agent, and Documentation and Syndication Agent agree as follows:

SECTION 1. ACCURACY OF RECITALS.

Borrower acknowledges the accuracy of the Recitals.

SECTION 2. MODIFICATION OF LOAN DOCUMENTS; OTHER AGREEMENTS.

2.1 The aggregate face amount of the Notes is hereby increased from $70,000,000.00 to $100,000,000.00 and the Notes are hereby amended, restated and replaced, all in accordance with the terms and provisions of those two (2) Replacement Promissory Notes executed and delivered simultaneously with the execution of this Agreement ("Replacement Notes"). Hereinafter, each reference to the Notes herein and in the Loan Documents shall be a reference to the Replacement Notes.

2.2 Section 1.1 of the Loan Agreement is hereby amended in its entirety to read as follows:

1.1 Borrower has applied to the Banks for a revolving line of credit loan facility in the aggregate amount of ONE HUNDRED MILLION AND NO/100 DOLLARS ($100,000,000.00) (the "Loan") against which Borrower may, from time to time during the term hereof, make draws, repay all or part of the same and then draw additional sums, subject to the terms, conditions and provisions set forth herein, for the purpose of financing the acquisition and development of entitled land, lots under development, improved single family residential lots and the construction of single family residential units within subdivisions located in the metropolitan areas of Phoenix, Tucson, Sacramento and San Francisco, and other Northern California metropolitan areas, and approved by Administrative Agent pursuant to the terms hereof.

2.3 The following definition set forth in Section 2 of the Loan Agreement is hereby amended in its entirety to read as follows:

"COMMITMENT AMOUNT" means the lesser of (i) the aggregate amount of the Banks' Commitment as set forth on Schedule 3.1, and (ii) the amount of $100,000,000.00, as the same may be reduced from time to time pursuant to Section 3.15.

2.4 Section 8.1 of the Loan Agreement is hereby amended in its entirety to read as follows:

8.1 Facility Fee. A fee for the Commitment (the "Facility Fee") at the rate of one-quarter of one percent (.25%) per annum of the maximum Commitment Amount (i.e., $70,000,000.00 prior to May 16, 2000, and $100,000,000.00 thereafter) shall be due and payable quarterly in advance on each January 1, April 1, July 1 and October 1, provided that the initial Facility Fee shall be payable on the date of this Agreement and shall be prorated for the period commencing on the date of this Agreement and ending on December 31, 1999 at the per annum rate set forth above.

2.5 Section 19.3(a) of the Loan Agreement is hereby amended in its entirety to read as follows:

(a) Minimum Liquidity. The Meritage Group's Liquidity at any time to be less than $10,000,000.00.

2.6 Schedule 3.1 to the Loan Agreement is hereby replaced in its entirety with Schedule 3.1 attached hereto and by this reference incorporated herein and therein.

2.7 Each of the Loan Documents is modified to provide that it shall be a default or an event of default thereunder if Borrower shall fail to comply with any of the covenants of Borrower herein or if any representation or warranty by Borrower herein or by any guarantor in any related Consent and Agreement of Guarantor(s) is materially incomplete, incorrect, or misleading as of the date hereof.

2.8 Each reference to the amount of the Loan, the aggregate amount of the Notes and the maximum Commitment Amount as $70,000,000.00 in any of the Loan Documents (including, without limitation, the Agency Fee Letter) is hereby amended to be a reference to the amount of $100,000,000.00. Each reference in the Loan Documents to any of the Loan Documents is hereby amended to be a reference to such document as modified herein.

SECTION 3. RATIFICATION OF LOAN DOCUMENTS AND COLLATERAL.

The Loan Documents are ratified and affirmed by Borrower and shall remain in full force and effect as modified herein. Any property or rights to or interests in property granted as security in the Loan Documents shall remain as security for the Loan and the obligations of Borrower in the Loan Documents.

SECTION 4. BORROWER REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants to Lenders, Administrative Agent, and Documentation and Syndication Agent:

4.1 No default or event of default under any of the Loan Documents as modified herein, nor any event, that, with the giving of notice or the passage of time or both, would be a default or an event of default under the Loan Documents as modified herein has occurred and is continuing.

4.2 There has been no material adverse change in the financial condition of Borrower, any Guarantor or any other person whose financial statement has been delivered to Administrative Agent in connection with the Loan from the most recent financial statement received by Administrative Agent.

4.3 Each and all representations and warranties of Borrower in the Loan Documents are accurate on the date hereof.

4.4 Borrower has no claims, counterclaims, defenses, or set-offs with respect to the Loan or the Loan Documents as modified herein.

4.5 The Loan Documents as modified herein are the legal, valid, and binding obligation of Borrower, enforceable against Borrower in accordance with their terms.

4.6 Each Borrower is validly existing under the laws of the State of its formation or organization and has the requisite power and authority to execute and deliver this Agreement and to perform the Loan Documents as modified herein. The execution and delivery of this Agreement and the performance of the Loan Documents as modified herein have been duly authorized by all requisite action by or on behalf of each Borrower. This Agreement has been duly executed and delivered on behalf of each Borrower.

SECTION 5. BORROWER COVENANTS.

Borrower covenants with Lenders, Administrative Agent, and Documentation and Syndication Agent:

5.1 Borrower shall execute, deliver, and provide to Lenders, Administrative Agent, and Documentation and Syndication Agent such additional agreements, documents, and instruments as reasonably required by Administrative Agent to effectuate the intent of this Agreement.

5.2 Borrower fully, finally, and absolutely and forever releases and discharges Lenders, Administrative Agent, and Documentation and Syndication Agent and their present and former directors, shareholders, officers, employees, agents, representatives, successors and assigns, and their separate and respective heirs, personal representatives, successors and assigns, from any and

all actions, causes of action, claims, debts, damages, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity of Borrower, whether now known or unknown to Borrower, and whether contingent or matured, in respect of the Loan, the Loan Documents, or the actions or omissions of Lenders, Administrative Agent, and/or Documentation and Syndication Agent in respect of the Loan or the Loan Documents and which arise from events occurring prior to the date of this Agreement.

SECTION 6. CONDITIONS PRECEDENT.

The agreements of Lenders, Administrative Agent, and Documentation and Syndication Agent and the modifications contained herein shall not be binding upon Lenders, Administrative Agent, and Documentation and Syndication Agent until Lenders, Administrative Agent, and Documentation and Syndication Agent have executed and delivered this Agreement and Administrative Agent has received, at Borrower's expense, all of the following, all of which shall be in form and content satisfactory to Administrative Agent and shall be subject to approval by Administrative Agent:

6.1 An original of this Agreement fully executed by the Borrower and all Guarantors;

6.2 Original Modifications of Deeds of Trust (the "Modifications of Deeds of Trust") fully executed by the Borrower modifying the existing Deeds of Trust to secure the Loan as modified hereby;

6.3 Original Replacement Promissory Notes fully executed by Borrower;

6.4 An original modification of the side letter executed by Borrower in connection with the Agency Fee, fully executed by Borrower and the payment of a prorated Agency Fee as required therein to the effectiveness of this Agreement.

6.5 A prorated Facility Fee with respect to the increase in Commitment Amount in the amount of $9,375.30.

6.6 A legal opinion of Borrower's counsel covering such issues as shall be required by Administrative Agent.

6.7 If any Borrower or any Guarantor is a corporation, limited liability company, partnership or trust, such resolutions or authorizations and such other documents as Administrative Agent may require relating to the existence and good standing of that corporation, partnership or trust, and the authority of any person executing this Agreement or other documents on behalf of that corporation, limited liability company, partnership or trust;

6.8 A commitment from the title insurance companies that issued the lender's ALTA extended coverage title insurance policies in connection with the Loan (the "Title Policies") to issue endorsements, in form satisfactory to Administrative Agent, to the Title Policies, increasing the aggregate amount of

the Title Policies to $100,000,000.00 and insuring that the Deeds of Trust, as modified hereby and by the Modifications of Deeds of Trust, continue to be a first lien upon the real property described therein, as security for the Loan, as modified herein, subject only to those exceptions contained in the Title

Policies and to such additional exceptions as Administrative Agent may specifically approve in writing; and

6.9 Payment of all the internal and external costs and expenses incurred by Lenders, Administrative Agent, and Documentation and Syndication Agent in connection with this Agreement (including, without limitation, inside and outside attorneys, processing, title, filing, and recording costs, expenses, and fees).

SECTION 7. INTEGRATION, ENTIRE AGREEMENT, CHANGE, DISCHARGE, TERMINATION, OR WAIVER.

The Loan Documents as modified herein contain the complete understanding and agreement of Borrower, Lenders, Administrative Agent, and Documentation and Syndication Agent in respect of the Loan and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations. No provision of the Loan Documents as modified herein may be changed, discharged, supplemented, terminated, or waived except in a writing signed by the parties thereto.

SECTION 8. BINDING EFFECT.

The Loan Documents as modified herein shall be binding upon and shall inure to the benefit of Borrower, Lenders, Administrative Agent, and Documentation and Syndication Agent and their successors and assigns and the executors, legal administrators, personal representatives, heirs, devisees, and beneficiaries of Borrower, provided, however, Borrower may not assign any of its right or delegate any of its obligation under the Loan Documents and any purported assignment or delegation shall be void.

SECTION 9. CHOICE OF LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona, without giving effect to conflicts of law principles.

SECTION 10. COUNTERPART EXECUTION.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

DATED as of the date first above stated.

MONTEREY HOMES CONSTRUCTION, INC., an Arizona Corporation

By: /s/ Larry W. Seay

Name: Larry W. Seay

Title: Vice President

MONTEREY HOMES ARIZONA, INC., an Arizona corporation

By: /s/ Larry W. Seay

Name: Larry W. Seay

Title: Vice President

CHANDLER 110, LLC, an Arizona limited liability company

BY: MONTEREY HOMES CONSTRUCTION, INC., an Arizona corporation, Member

By: /s/ Larry W. Seay

Name: Larry W. Seay

Title: Vice President

MERITAGE HOMES OF NORTHERN CALIFORNIA,
INC., a California corporation

By: /s/ Larry W. Seay

Name: Larry W. Seay

Title: Vice President

BORROWER

WELLS FARGO BANK ARIZONA, NATIONAL
ASSOCIATION, a national banking
association, formerly known as Norwest
Bank Arizona, National Association

By: /s/ Kevin Kosan

Name: Kevin Kosan

Title: Vice President

ADMINISTRATIVE AGENT AND LENDER

CALIFORNIA BANK & TRUST, a California
banking corporation

By: /s/ Mark Young

Name: Mark Young

Title: Executive Vice President

DOCUMENTATION AND
SYNDICATION AGENT AND LENDER

CONSENT AND AGREEMENT OF GUARANTOR(S)

With respect to the First Modification Agreement, dated May 16, 2000 ("Agreement"), between MONTEREY HOMES CONSTRUCTION, INC., an Arizona corporation, MONTEREY HOMES ARIZONA, INC., an Arizona corporation, CHANDLER 110, LLC, an Arizona limited liability company, and MERITAGE HOMES OF NORTHERN CALIFORNIA, INC., a California corporation (severally and collectively, "Borrower"), WELLS FARGO BANK ARIZONA, NATIONAL ASSOCIATION, a national banking association, formerly known as Norwest Bank Arizona, National Association and CALIFORNIA BANK & TRUST, a California banking corporation (severally and collectively, "Lenders"), WELLS FARGO BANK ARIZONA, NATIONAL ASSOCIATION, a national banking association, formerly known as Norwest Bank Arizona, National Association ("Administrative Agent"), and CALIFORNIA BANK & TRUST, a California banking corporation ("Documentation and Syndication Agent") the undersigned (individually and, if more than one, collectively "Guarantor") agrees for the benefit of Lenders, Administrative Agent, and Documentation and Syndication Agent as follows:

1. Guarantor acknowledges (i) receiving a copy of and reading the Agreement, (ii) the accuracy of the Recitals in the Agreement, and (iii) the effectiveness of (A) the Guarantee Agreement as modified herein, and (B) any other agreements, documents, or instruments securing or otherwise relating to the Guarantee Agreement (including, without limitation, any environmental indemnity agreement previously executed and delivered by the undersigned), as modified herein. The Guarantee Agreement and such other agreements, documents, and instruments, as modified herein, are referred to individually and collectively as the "Guarantor Documents."

2. Guarantor hereby agrees that Paragraph 2 of the Guarantee Agreement is hereby amended in its entirety to read as follows:

> 2. The liability of Guarantor hereunder shall not exceed at any one time the sum of ONE HUNDRED MILLION AND NO/100 DOLLARS ($100,000,000.00) for principal, plus all interest thereon and all attorneys' fees and other costs and expenses incurred by Lender in collecting, compromising or enforcing the indebtedness or in protecting or preserving any security for the indebtedness. Lender may permit the indebtedness of Borrower to exceed such maximum liability without impairing the obligation of Guarantor hereunder. Any payment by Guarantor shall not reduce Guarantor's maximum obligation hereunder, unless written notice to that effect is actually

received by Lender at or prior to the time of such payment. Any payment by or recovery from Borrower, any other guarantor or any security shall be credited first to that portion of the indebtedness which exceeds the maximum obligation of Guarantor hereunder.

3. Guarantor consents to the modification of the Loan Documents and all other matters in the Agreement, including without limitation, the increase in the principal amount of the Loan to $100,000,000.00.

4. Guarantor fully, finally, and forever releases and discharges Lenders, Administrative Agent, and Documentation and Syndication Agent and their successors, assigns, directors, officers, employees, agents, and representatives from any and all actions, causes of action, claims, debts, demands, liabilities, obligations, and suits of whatever kind or nature, in law or equity, that Guarantor has or in the future may have, whether known or unknown, in respect of the Loan, the Loan Documents, the Guarantor Documents, or the actions or omissions of Lenders, Administrative Agent, and/or Documentation and Syndication Agent in respect of the Loan, the Loan Documents, or the Guarantor Documents and which arise from events occurring prior to the date hereof.

5. Guarantor agrees that all references, if any, to the Notes, the Loan Agreement, the Deeds of Trust, the Security Documents, and the Loan Documents in the Guarantor Documents shall be deemed to refer to such agreements, documents, and instruments as modified by the Agreement.

6. Guarantor reaffirms the Guarantor Documents and agrees that the Guarantor Documents continue in full force and effect and remain unchanged, except as specifically modified by this Consent and Agreement of Guarantor(s).

7. Guarantor agrees that the Loan Documents, as modified by the Agreement, and the Guarantor Documents, as modified by this Consent and Agreement of Guarantor(s), are the legal, valid, and binding obligations of Borrower and the undersigned, respectively, enforceable in accordance with their terms against Borrower and the undersigned, respectively.

8. Guarantor agrees that Guarantor has no claims, counterclaims, defenses, or offsets with respect to the enforcement against Guarantor of the Guarantor Documents.

9. Guarantor represents and warrants that there has been no material adverse change in the financial condition of any Guarantor from the most recent financial statement received by Administrative Agent.

10. Guarantor agrees that this Consent and Agreement of Guarantor(s) may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature and acknowledgment pages may be detached from the counterparts and attached to a single copy of this Consent and Agreement of Guarantor(s) to physically form one document.

DATED as of the date of the Agreement.

MERITAGE CORPORATION, a Maryland corporation

By: /s/ Larry W. Seay

Name: Larry W. Seay

Title: Vice President

MTH - TEXAS GP, INC., an Arizona corporation

By: /s/ Larry W. Seay

Name: Larry W. Seay

Title: Vice President

MTH - TEXAS LP, INC., an Arizona corporation

By: /s/ Larry W. Seay

Name: Larry W. Seay

Title: Vice President

LEGACY/MONTEREY HOMES L.P., an Arizona limited partnership

BY: MTH - TEXAS GP, INC., an Arizona corporation, General Partner

By: /s/ Larry W. Seay

Name: Larry W. Seay

Title: Vice President

TEXAS HOME MORTGAGE CORPORATION, a Texas corporation

By: /s/ Larry W. Seay

Name: Larry W. Seay

Title: Vice President

GUARANTOR

SCHEDULE 3.1

COMMITMENTS OF THE BANKS
as to the Loan
as of May 16, 2000

	Bank	%	Commitment
1.	Wells Fargo Bank Arizona, National Association	50.0%	$ 50,000,000
2.	California Bank & Trust	50.0%	$ 50,000,000
	Maximum Commitment	100%	$100,000,000

Addresses

1. WELLS FARGO BANK ARIZONA, NATIONAL ASSOCIATION
   100 West Washington, 11th Floor
   Phoenix, Arizona 85003
   Attention: Regional Real Estate Group, MAC S4101-110

2. CALIFORNIA BANK & TRUST
   11622 El Camino Real, Suite 200
   San Diego, California 92130
   Attention: Peggy Standefer, Esq.

   with a copy to:

   CB&T REAL ESTATE FINANCE
   3101 North Central Avenue, Suite 520
   Phoenix, Arizona 85012
   Attention: Mark Young

As of July 31, 2000

Guaranty Federal Bank, F.S.B.
8333 Douglas Avenue
Dallas, Texas 75225

Re: Modification of an existing $65,000,000.00 guidance line from Guaranty Federal Bank, F.S.B. ("Lender") to Legacy/Monterey Homes L.P., an Arizona corporation ("Borrower"); such loan and other indebtedness being guaranteed by Meritage Corporation, a Maryland corporation, MTH-Texas GP, Inc., an Arizona corporation and MTH-Texas LP, Inc., an Arizona corporation (collectively referred to as "Guarantor")

Gentlemen:

Reference is made to that certain Master Loan Agreement dated as of January 31, 1993 (and all amendments thereto, if any) (the "Loan Agreement") between Lender and Borrower governing a $65,000,000.00 loan (as decreased) (the "Loan") for the acquisition and/or refinancing of residential lots located in certain counties in the State of Texas as described therein, and the construction of single-family residences thereon. Unless otherwise expressly defined herein, each term used herein with its initial letter capitalized shall have the meaning given to such term in the Loan Agreement. As used in this letter agreement, the term "Loan Instruments" shall mean and include the "Loan Instruments" as defined in the Loan Agreement, this letter agreement and all other documents executed in conjunction herewith (and all amendments thereto, if any).

Borrower and Lender desire to amend and modify certain terms and provisions of the Loan and the Loan Instruments as follows:

1. The stated maturity date of the Note is hereby extended to and including August 31, 2000, when the entire unpaid principal balance of the Note, together with all accrued and unpaid interest shall be due and payable; provided, however, such date may be extended as set forth in Paragraph 9 of the Loan Agreement (as amended hereby).

2. Paragraph 11 of Exhibit A to the Loan Agreement is hereby modified by deleting such paragraph in its entirety and replacing it with the following:

> Paragraph 9. MATURITY AND EXTENSION. The maturity date of the Note shall be the later of the maturity date as provided in the Note (August 31, 2000) (the "Stated Maturity Date"), or nine (9) months after the recording in the Real Property Records of the last Mortgage

> (the "Extended Maturity Date") approved by Lender and recorded prior to the expiration of the Stated Maturity Date. After the Stated Maturity Date, no additional Mortgage shall be recorded.

3. All Loan Instruments hereby are amended and modified in a manner consistent with the modifications, terms and/or provisions contained herein. Except as modified hereby, all the terms, provisions and conditions of the Loan Instruments shall remain in full force and effect.

4. The terms and provisions of this letter agreement may not be modified, amended, altered or otherwise affected except by instrument in writing executed by Lender and Borrower.

5. Each Guarantor by its execution hereof agree to the amendments and modifications to the Loan Instruments set forth herein and in the prior amendments and modifications to the Loan Instruments and agree that all of such modifications do not and will not waive, release or in any manner modify either Guarantor's obligations and liabilities under and pursuant to the Guaranty.

(The balance of this page is intentionally left blank.)

If this letter agreement correctly sets forth our understanding of the subject matter contained herein, please indicate this by executing this letter agreement in the space furnished below and then return a fully-executed copy to the undersigned.

Very truly yours,

BORROWER:

LEGACY/MONTEREY HOMES L.P.,
an Arizona limited partnership

BY: MTH-TEXAS GP, INC.,
an Arizona corporation,
General Partner

By: /s/ Rick Morgan
Name: Rick Morgan
Title: Vice President

GUARANTOR:

MERITAGE CORPORATION,
a Maryland corporation

By: /s/ John Landon
Name: John Landon
Title: Co-CEO

MTH-TEXAS GP, INC.,
an Arizona corporation,

By: /s/ Rick Morgan
Name: Rick Morgan
Title: Vice President

MTH-TEXAS LP, INC., an Arizona corporation

By: /s/ Rick Morgan
Name: Rick Morgan
Title: Vice President

ACCEPTED AND AGREED TO:

LENDER:

GUARANTY FEDERAL BANK, F.S.B.,
a federal savings bank

By: ______________________
Name: ______________________
Title: ______________________

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PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995
SAFE HARBOR COMPLIANCE STATEMENT FOR FORWARD-LOOKING STATEMENTS

In passing the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), Congress encouraged public companies to make "forward-looking statements"(1) by creating a safe-harbor to protect companies from securities law liability in connection with forward-looking statements. Meritage intends to qualify both its written and oral forward-looking statements for protection under the PSLRA.

To qualify oral forward-looking statements for protection under the PSLRA, a readily available written document must identify important factors that could cause actual results to differ materially from those in the forward-looking statements. Meritage provides the following information in connection with its continuing effort to qualify forward-looking statements for the safe harbor protection of the PSLRA.

Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, the following: (i) changes in national and local economic and other conditions, such as employment levels, availability of mortgage financing, interest rates, consumer confidence, and housing demand; (ii) risks inherent in homebuilding activities, including delays in construction schedules, cost overruns, changes in government regulation, increases in real estate taxes and other local fees; (iii) changes in costs or availability of land, materials, and labor; (iv) fluctuations in real estate values; (v) the timing of home closings and land sales; (vi) Meritage's ability to continue to acquire additional land or options to acquire additional land on acceptable terms; (vii) a relative lack of geographic diversification of Meritage's operations, especially when real estate analysts are predicting that new home sales in certain markets may slow during 2000; (viii) Meritage's inability to obtain sufficient capital on terms acceptable to Meritage to fund its planned capital and other expenditures; (ix) changes in local, state and federal rules and regulations governing real estate development and homebuilding activities and environmental matters, including "no growth" or "slow growth" initiatives, building permit allocation ordinances and building moratoriums; (x) expansion by Meritage into new geographic or product markets in which Meritage has little or no operating experience; (xi) the inability of Meritage to identify acquisition candidates that will result in successful combinations; (xii) the failure of Meritage to make acquisitions on terms acceptable to Meritage, or to successfully integrate acquired operations, into Meritage; and (xiii) the loss of key employees of the Company, including Steven J. Hilton and John R. Landon.

Forward-looking statements express expectations of future events. All forward-looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties which could cause actual events or results to differ materially from those projected. Due to these inherent uncertainties, the investment community is urged not to place undue reliance on forward-looking statements. In addition, Meritage undertakes no obligations to update or revise forward-looking statements to reflect changed assumptions, the occurrence of anticipated events or changes to projections over time.

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(1) "Forward-looking statements" can be identified by use of words such as "expect," "believe," "estimate," "project," "forecast," "anticipate," "plan," and similar expressions.