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 MARCH 31, 2002

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 (State or Other Jurisdiction of Incorporation or Organization)	86-0611231 (I.R.S. Employer Identification No.)
6613 North Scottsdale Road, Suite 200 Scottsdale, Arizona (Address of Principal Executive Offices)	85250 (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 May 6, 2002, 11,446,000 shares of Meritage Corporation common stock were outstanding.

MERITAGE CORPORATION
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2002
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERITAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	(UNAUDITED) MARCH 31, 2002	DECEMBER 31, 2001
	(IN THOUSANDS, EXCEPT SHARE DATA)	
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 273	$ 3,383
Real estate	375,326	330,238
Deposits on real estate under option or contract	46,286	45,252
Receivables	4,682	5,508
Deferred tax asset	3,109	2,612
Goodwill	30,813	30,369
Property and equipment, net	9,967	9,667
Prepaid expenses and other assets	11,306	9,686
Total assets	$481,762	$436,715
LIABILITIES		
Accounts payable and accrued liabilities	$ 64,923	$ 69,029
Home sale deposits	16,745	13,538
Notes payable	210,199	177,561
Total liabilities	291,867	260,128
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value. Authorized 50,000,000 shares; issued and outstanding 12,963,672 and 12,613,938 shares at March 31, 2002 and December 31, 2001, respectively	130	126
Additional paid-in capital	114,150	109,412
Retained earnings	86,838	78,272
Treasury stock at cost, 1,637,926 shares at March 31, 2002 and December 31, 2001	(11,223)	(11,223)
Total stockholders' equity	189,895	176,587
Total liabilities and stockholders' equity	$481,762	$436,715

</TABLE>

See accompanying notes to consolidated financial statements

MERITAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 2002	2001
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
<S>	<C>	<C>
Home sales revenue	$ 169,731	$ 116,113
Land sales revenue	--	593
	169,731	116,706
Cost of home sales	(138,095)	(92,579)
Cost of land sales	--	(531)
	(138,095)	(93,110)
Home sales gross profit	31,636	23,534
Land sales gross profit	--	62

	31,636	23,596
Commissions and other sales costs	(11,296)	(7,013)
General and administrative expenses	(7,465)	(4,935)
Interest expense	--	(1)
Other income, net	1,168	534
Earnings before income taxes	14,043	12,181
Income taxes	(5,477)	(4,792)
Net earnings	$ 8,566	$ 7,389
Basic earnings per share	$ 0.77	$ 0.72
Diluted earnings per share	$ 0.72	$ 0.64

</TABLE>

See accompanying notes to consolidated financial statements

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

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	2002	2001
	(IN THOUSANDS)	
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 8,566	$ 7,389
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	1,351	766
(Increase) decrease in deferred tax asset	(497)	16
Tax benefit from stock option exercises	3,202	--
Changes in assets and liabilities:		
Increase in real estate	(45,088)	(22,139)
Increase in deposits on real estate under option or contract	(1,034)	(4,525)
(Increase) decrease in receivables and prepaid expenses and other assets	(1,369)	268
Decrease in accounts payable and accrued liabilities	(4,106)	(12,214)
Increase in home sale deposits	3,207	2,204
Net cash used in operating activities	(35,768)	(28,235)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,520)	(798)
Net cash used in investing activities	(1,520)	(798)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	142,987	116,572
Repayments of debt	(110,349)	(85,795)
Proceeds from exercises of stock options	1,540	218
Net cash provided by financing activities	34,178	30,995
Net increase (decrease) in cash and cash equivalents	(3,110)	1,962
Cash and cash equivalents at beginning of period	3,383	4,397
Cash and cash equivalents at end of period	$ 273	$ 6,359

</TABLE>

See accompanying notes to consolidated financial statements

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

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

BUSINESS. We are a leading designer and builder of single-family homes in the rapidly growing Sunbelt states of Texas, Arizona and California. We focus on providing a broad range of first-time, move-up and luxury homes to our targeted customer base. We and our predecessors have operated in Arizona since 1985, in Texas since 1987 and in Northern California since 1989. To expand our presence in Arizona, in 2001 we acquired Hancock Communities (Hancock), another well-established homebuilder that serves the first-time and move-up markets in the Phoenix area.

BASIS OF PRESENTATION. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, and include the accounts of Meritage Corporation and our wholly owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation and certain amounts have been reclassified to be consistent with current financial statement presentation. In the opinion of management, the unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly 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 or for any future periods. These financial statements should be read in conjunction with our consolidated financial statements and footnotes thereto included in our annual report on Form10-K for the year ended December 31, 2001.

NEW ACCOUNTING PRONOUNCEMENTS. In June 2001, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," effective July 1, 2001, and No. 142, "Goodwill and Other Intangible Assets," effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill will no longer be amortized but will be subject to annual impairment tests in accordance with SFAS No. 142.

Goodwill represents the cost of acquired companies in excess of the fair value of net assets acquired at acquisition date. The goodwill recorded resulting from our acquisitions is allocated to our business operating segments as follows:

	At March 31, 2002 (in thousands)
First-time and volume-priced	$27,663
Mid- to luxury-priced	3,150
	$30,813

Goodwill is reviewed by management for impairment annually, or whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Effective January 1, 2002, we adopted the nonamortization provisions of SFAS No. 142 related to the goodwill existing at December 31, 2001. The following table sets forth reported net income and earnings per share, as adjusted to exclude goodwill amortization expense (dollars in thousands except per share amounts):

<TABLE>
<CAPTION>

<S>	YEAR ENDED DECEMBER 31, 2001 <C>	2000 <C>	1999 <C>	THREE MONTHS ENDED MARCH 31, 2001 <C>
Earnings before extraordinary items	$ 50,892	$ 35,762	$ 18,945	$ 7,389
Extraordinary items, net of tax effects	(233)	--	--	--
Net earnings, as reported	$ 50,659	$ 35,762	$ 18,945	$ 7,389
Earnings, as adjusted before extraordinary items	$ 51,771	$ 36,434	$ 19,573	$ 7,603
Extraordinary items, net of tax effects	(233)	--	--	--

Net earnings, as adjusted	$ 51,538	$ 36,434	$ 19,573	$ 7,603
AS REPORTED*:				
Basic earnings per share before extraordinary items	$ 4.80	$ 3.46	$ 1.74	$ 0.72
Extraordinary items	(0.02)	--	--	--
Basic earnings per share	$ 4.78	$ 3.46	$ 1.74	$ 0.72
Diluted earnings per share before extraordinary items	$ 4.32	$ 3.13	$ 1.57	$ 0.64
Extraordinary items	(0.02)	--	--	--
Diluted earnings per share	$ 4.30	$ 3.13	$ 1.57	$ 0.64
AS ADJUSTED*:				
Basic earnings per share before extraordinary items	$ 4.88	$ 3.52	$ 1.80	$ 0.74
Extraordinary items	(0.02)	--	--	--
Basic earnings per share	$ 4.86	$ 3.52	$ 1.80	$ 0.74
Diluted earnings per share before extraordinary items	$ 4.40	$ 3.19	$ 1.62	$ 0.66
Extraordinary items	(0.02)	--	--	--
Diluted earnings per share	$ 4.38	$ 3.19	$ 1.62	$ 0.66

</TABLE>

* Adjusted to reflect the 2 for 1 stock split effective April 26, 2002.

During the second quarter of 2002, we will finalize the first of the required impairment tests of goodwill as of January 1, 2002. We cannot determine the effect of these tests on earnings or financial position at this time.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective for fiscal years beginning after December 15, 2001. This standard supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and provides a single accounting model for long-lived assets to be disposed of. SFAS No. 144 provides guidance on differentiating between assets held and used and assets to be disposed of. Assets to be disposed of would be classified as held for sale (and depreciation would cease) when management, having the authority to approve the action, commits to a plan to sell the asset(s) meeting all required criteria. We adopted this statement on January 1, 2002, which did not have a material effect on our earnings or financial position.

NOTE 2 - REAL ESTATE AND CAPITALIZED INTEREST

The components of real estate are as follows (in thousands):

	MARCH 31, 2002	DECEMBER 31, 2001
Homes under contract, in production	$164,071	$135,005
Finished home sites	83,351	81,151
Home sites under development	75,560	57,291
Homes held for resale	31,045	33,278
Model homes	16,768	18,289
Land held for development	4,531	5,224

	$375,326	$330,238

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

	MARCH 31, 2002	MARCH 31, 2001
Beginning unamortized capitalized interest	$ 8,746	$ 5,426
Interest capitalized	4,553	3,074
Amortization to cost of home and land sales	(3,374)	(1,959)
Ending unamortized capitalized interest	$ 9,925	$ 6,541
Interest incurred	$ 4,553	$ 3,075
Interest capitalized	(4,553)	(3,074)
Interest expensed	$ --	$ 1

NOTE 3 - NOTES PAYABLE

Notes payable consist of the following (in thousands):

<TABLE>
<CAPTION>

<S>	MARCH 31, 2002 <C>	DECEMBER 31, 2001 <C>
$100 million bank revolving construction line of credit, interest payable monthly approximating prime (4.75% at March 31, 2002) or LIBOR (rates varying from 1.88% to 2.03% at March 31, 2002) plus 2.0%, payable at the earlier of close of escrow, maturity date of individual homes and home sites within the collateral pool or over a 24-month period beginning June 1, 2003, secured by first deeds of trust on real estate	$ 31,816	$ 617
$75 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 and home sites within the collateral pool or May 31, 2002, secured by first deeds of trust on real estate	18,920	15,590
Acquisition and development seller carry back financing, interest payable monthly at fixed rates of 9% to 10% per annum; payable at the maturity date of the individual projects, secured by first deeds of trust on land	4,313	6,204
Senior unsecured notes, maturing June 1, 2011, interest only payments at 9.75% per annum, payable semi-annually	155,000	155,000
Other	150	150
Total	$210,199	$177,561

</TABLE>

The bank credit facilities and senior unsecured notes contain covenants which require maintenance of certain levels of tangible net worth, compliance with certain minimum financial ratios and place limitations on the payment of dividends and redemptions of equity and limit the incurrence of additional indebtedness, asset dispositions, mergers, certain investments and creations of liens, among other items. As of March 31, 2002 and for the year ended December 31, 2001, we were in compliance with these covenants.

NOTE 4 - ACQUISITION

On May 30, 2001, we acquired substantially all of the homebuilding and related assets of HC Builders, Inc. and Hancock Communities, L.L.C. The purchase price was $65.8 million in cash, plus the assumption of accounts payable, accrued liabilities and home sales deposits totaling $9.4 million and a note payable totaling $1.9 million. In addition, we granted to Greg Hancock, the founder of the company, an earn-out payable in cash over three years which was equal to 20% of Hancock's pre-tax net income after a 10.5% charge on capital.

This acquisition was accounted for using the purchase method of accounting. Accordingly, we recorded goodwill of approximately $11.4 million, which represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed. This goodwill was allocated to our first-time and volume-priced business segment. Goodwill is also increased to the extent of the earn-out which amounted to approximately $444,000 in the first quarter of 2002. Prior to January 1, 2002, the goodwill was being amortized over a period of 20 years.

The following unaudited financial data for the quarters ended March 31, 2002 and 2001 has been prepared as if the acquisition of the assets and liabilities of Hancock on May 30, 2001 had occurred on January 1, 2001. The first quarter 2001 unaudited pro forma financial data is presented for informational purposes only and is based on historical information. This information may not be indicative of our actual amounts had the transaction occurred on the date listed above, nor does it purport to represent future periods (in thousands except per share amounts):

	QUARTERS ENDED MARCH 31, 2002 actual	2001 pro forma
Revenue	$169,731	$135,187
Net earnings	8,566	7,569
Diluted EPS*	$ 0.72	$ 0.65

*Adjusted to reflect the 2-for-1 stock split effective April 26, 2002.

NOTE 5 - EARNINGS PER SHARE

A summary of the reconciliation from basic earnings per share to diluted earnings per share for the three months ended March 31, 2002 and 2001 follows. The number of shares outstanding have been adjusted to reflect the 2-for-1 stock split effective April 26, 2002:

	2002	2001
	(in thousands, except per share amounts)	
BASIC:		
Net earnings	$ 8,566	$ 7,389
Weighted average number of shares outstanding	11,137	10,246
Basic earnings per share	$ 0.77	$ 0.72
DILUTED:		
Net earnings	$ 8,566	$ 7,389
Weighted average number of shares outstanding	11,137	10,246
Effect of dilutive securities:		
Options to acquire common stock	813	1,330
Diluted weighted common shares outstanding	11,950	11,576
Diluted earnings per share	$ 0.72	$ 0.64

On April 2, 2002 we announced that our Board of Directors declared a stock dividend in the form of a 2-for-1 common stock split which was effected on April 26, 2002 for stockholders of record on April 13, 2002. The accompanying financial statements retroactively reflect the effect of the stock split.

NOTE 6 - INCOME TAXES

Components of income tax expense attributable to income from continuing operations at March 31 are (in thousands):

	2002	2001
Current taxes:		
Federal	$ 5,062	$ 4,017
State	846	759
	$ 5,908	4,776
Deferred taxes:		
Federal	(400)	31
State	(31)	(15)
	(431)	16
Total	$ 5,477	$ 4,792

NOTE 7 - SEGMENT INFORMATION

We classify our operations into two primary management segments: first-time and volume-priced homes and mid- to luxury-priced homes. These segments generate revenues through the sale of homes to external customers. We are not dependent on any one major customer or supplier.

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 Note 1. There are no significant transactions between segments.

	THREE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED MARCH 31, 2001
	(IN THOUSANDS)	
HOME SALES REVENUE:		
First-time and volume-priced	$ 108,243	$ 65,430
Mid- to luxury-priced	61,488	50,683
Total	$ 169,731	$ 116,113
EBIT:		
First-time and volume-priced	$ 13,044	$ 10,005
Mid- to luxury-priced	5,176	4,861
Corporate and other	(803)	(726)
Total	$ 17,417	$ 14,140

	AT MARCH 31, 2002	AT DECEMBER 31, 2001
	(IN THOUSANDS)	
ASSETS:		
First-time and volume-priced	$281,899	$261,825
Mid- to luxury-priced	187,348	164,156
Corporate and other	12,515	10,734
Total	$481,762	$436,715

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 1993, as amended, and Section 21E of the Securities Exchange Act of 1934. Such statements may include, but are not limited to, projections of revenue, income or loss, capital expenditures and backlog; plans for future operations; financing needs or plans and liquidity; the impact of changes in interest rates; and plans relating to our products or services, acquisitions, and new or planned development projects, as well as assumptions relating to the foregoing.

Actual results may differ materially from those expressed in forward looking statements. Risks identified in Exhibit 99.1 to this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2001, including under the captions "Business" and "Market for the Registrant's Common Stock and Related Stockholder Matters" are in "Management's Discussion and Analysis of Financial Condition and Results of Operations Factors That May Affect Our Future Results and Financial Condition," and "Special Note of Caution Regarding Forward-Looking Statements" describe factors, among others, that could contribute to or cause such differences. These factors may also affect our business generally. As a result of these factors, the prices of our securities may fluctuate dramatically.

RESULTS OF OPERATIONS

The following discussion and analysis of financial condition provides information regarding our results of operations for the three months ended March 31, 2002 and 2001. All material balances and transactions between us and our subsidiaries have been eliminated. In management's 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, SALES CONTRACTS AND NET SALES BACKLOG

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

	QUARTER ENDED MARCH 31, ($'s in thousands)		PERCENTAGE INCREASE
HOME SALES REVENUE	2002	2001	(DECREASE)
TOTAL			
Dollars	$169,731	$116,113	46%
Homes closed	758	516	47%
Average sales price	$ 223.9	$ 225.0	*
TEXAS			
Dollars	$ 62,042	$ 55,576	12%
Homes closed	363	320	13%
Average sales price	$ 170.9	$ 173.7	(2%)
ARIZONA			
Dollars	$ 64,726	$ 33,177	95%
Homes closed	285	126	126%
Average sales price	$ 227.1	$ 263.3	(14%)
CALIFORNIA			
Dollars	$ 42,963	$ 27,360	57%
Homes closed	110	70	57%
Average sales price	$ 390.6	$ 390.9	*

	QUARTER ENDED MARCH 31, ($'s in thousands)		PERCENTAGE INCREASE
SALES CONTRACTS	2002	2001	(DECREASE)
TOTAL			
Dollars	$293,082	$176,893	66%
Homes ordered	1,160	740	57%
Average sales price	$ 252.7	$ 239.0	6%
TEXAS			
Dollars	$ 85,984	$ 73,508	17%
Homes ordered	472	437	8%
Average sales price	$ 182.2	$ 168.2	8%
ARIZONA			
Dollars	$116,603	$ 67,315	73%
Homes ordered	456	213	114%
Average sales price	$ 255.7	$ 316.0	(19%)
CALIFORNIA			
Dollars	$ 90,495	$ 36,070	151%
Homes ordered	232	90	158%
Average sales price	$ 390.1	$ 400.8	(3%)

NET SALES BACKLOG	QUARTER ENDED MARCH 31, ($'s in thousands) 2002	2001	PERCENTAGE INCREASE (DECREASE)
TOTAL			
Dollars	$498,302	$370,681	34%
Homes in backlog	2,004	1,470	36%
Average sales price	$ 248.7	$ 252.2	(1%)
TEXAS			
Dollars	$139,593	$137,496	2%
Homes in backlog	802	812	(1%)
Average sales price	$ 174.1	$ 169.3	3%
ARIZONA			
Dollars	$257,863	$149,349	73%
Homes in backlog	947	431	120%
Average sales price	$ 272.3	$ 346.5	(21%)
CALIFORNIA			
Dollars	$100,846	$ 83,836	20%
Homes in backlog	255	227	12%
Average sales price	$ 395.5	$ 369.3	7%

* - less than 1%

HOME SALES REVENUE. The increases in total home sales revenue and number of homes closed in the first three months of 2002 compared to the first three months of 2001 results mainly from the continued expansion of our operations in Northern California through the opening of new communities and the addition of Hancock Communities to our Arizona operations in May of 2001. Hancock closed 166 homes with a value of $32.5 million in the first quarter of 2002. The decreases in average home sales prices in Arizona for the first quarter of 2002 reflect a change in our product mix, as we are now selling more volume-priced homes than in 2001.

SALES CONTRACTS. Sales contracts for any period represent the aggregate sales price of all homes ordered by customers net of cancellations. 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 approximating 25% of gross sales. Total sales contracts increased in the first three months of 2002 compared to the first three months of 2001 due mainly to the addition of Hancock Communities to our operations in Arizona, which contributed 224 new sales contracts with a value of approximately $52.2 million, and an increase in demand for homes in Northern California. The increase in sales contracts in our Northern California region for the first quarter of 2002 is also attributable to an increase in the number of communities open for sales to 12 from 9 in the prior year's first quarter.

NET SALES BACKLOG. Backlog represents net sales contracts that have not closed. Total dollar backlog at March 31, 2002 increased 34% over the same period in 2001 amount due to an increase in the number of homes in backlog. The number of homes in backlog at March 31, 2002 increased 36% over the same date in the prior year. These increases resulted from the addition of Hancock Communities contributing 479 homes with a value of approximately $104.6 million to backlog, and expansion of our operations in Northern California through the opening of new communities.

OTHER OPERATING INFORMATION

	QUARTER ENDED MARCH 31, 2002	2001
HOME SALES GROSS PROFIT		
Dollars	$ 31,636	$ 23,534
Percent of home sales revenue	18.6%	20.3%
COMMISSIONS AND OTHER SALES COSTS		
Dollars	$ 11,296	$ 7,013
Percent of home sales revenue	6.7%	6.0%
GENERAL AND ADMINISTRATIVE COSTS		
Dollars	$ 7,465	$ 4,935
Percent of total revenue	4.4%	4.2%
INCOME TAXES		
Dollars	$ 5,477	$ 4,792
Percent of income before taxes	39.0%	39.3%

HOME SALES GROSS PROFIT. Home sales gross profit represents home sales revenue, net of cost of home sales, which include developed lot costs, home construction costs, an allocation of common community costs (such as model complex costs and architectural, legal and zoning costs), interest, sales tax, warranty, construction overhead and closing costs. The dollar increase in gross profit for the quarter ended March 31, 2002 is attributable to a 47% increase in number of homes closed and continued growth in all of our markets. The gross profit percentage decrease in 2002 resulted from closings booked in the quarter which generally consisted of homes that were ordered in the second half of 2001, the margins for which were impacted by the slower economic conditions that existed at that time, which led our buyers to purchase more first-time and volume priced homes than mid to luxury priced homes.

COMMISSIONS AND OTHER SALES COSTS. Commissions and other sales costs, such as advertising and sales office expenses, were approximately $11.3 million, or 6.7% of home sales revenue, in 2002, as compared to approximately $7.0 million, or 6.0% of home sales revenue in 2001. The increase in these expenses as a percentage of home sales revenue reflects slightly higher marketing costs due to the greater number of new communities open for sale during the first quarter of 2002 compared to the first quarter of 2001. We had 77 actively selling communities at March 31, 2002 as compared to 57 at March 31, 2001.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses were approximately $7.5 million, or 4.4% of total revenue in 2002, as compared to approximately $4.9 million, or 4.2% of total revenue in 2001. Operating costs in 2002 were slightly higher as a percentage of revenue in comparison to the prior year due to increasing costs in the current year, including an increase in insurance expense in 2002 of $608,000.

INCOME TAXES. The increase in income taxes to $5.5 million for the quarter ended March 31, 2002 from $4.8 million in the prior year resulted from an increase in pre-tax income.

LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of working capital are land purchases, lot development and home construction. We use a combination of borrowings and funds generated by operations to meet short-term working capital requirements and we issue equity or debt in order to meet long-term capital requirements.

Cash flow for each of our communities depends on the status of the development cycle, and can differ substantially from reported earnings. Early stages of development or expansion require significant cash outlays for land acquisitions, plat and other approvals, and construction of model homes, roads, certain utilities, general landscaping and other amenities. Because these costs are capitalized, income reported for financial statement purposes during those early stages may significantly exceed cash flow. Later, cash flow can significantly exceed earnings reported for financial statement purposes, as cost of sales includes charges for substantial amounts of previously expended costs.

At March 31, 2002, we had short-term secured revolving construction loans and acquisition and development facilities totaling $175.0 million, of which approximately $50.7 million was outstanding. An additional $84.8 million of unborrowed funds supported by approved collateral were available under these credit facilities at that date, subject to compliance with the financial and other covenants in our loan agreements. This additional borrowing was fully available under such loan covenants at March 31, 2002. We also have $155 million

in principal outstanding in unsecured, 9.75% senior notes due June 1, 2011, which were issued in May 2001.

We believe that the current borrowing capacity and anticipated cash flows from operations are sufficient to meet liquidity needs for the foreseeable future. There is no assurance, however, that future amounts available from our cash flows 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 notes and by the terms of our other credit agreements.

As a component of our model home construction activities, we enter into lease transactions with third parties. The total cost, including land costs, of model homes leased by us and constructed under these lease agreements is approximately $19.0 million, all of which is excluded from our balance sheet as of March 31, 2002.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not enter into derivative financial instruments for trading purposes, although we do have other financial instruments in the form of notes payable and senior debt. 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. The interest rate on our senior debt is at a fixed rate of 9.75%. Except in the event of default or upon the recurrence of certain events, we do not have an obligation to prepay our fixed-rate debt prior to maturity and, as a result, interest rate risk and changes in fair value should not have a significant impact in the fixed-rate debt until we would be required to refinance such debt.

PART II - OTHER INFORMATION

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

Our Annual Meeting of Stockholders was held on May 8, 2002. At the Annual Meeting, the stockholders elected Steven J. Hilton, Raymond (Ray) Oppel and William G. Campbell and to serve as Directors for a two-year term. John R. Landon, Robert G. Sarver, C. Timothy White and Peter L. Ax continued as Directors after the meeting. Additionally, our stockholders approved an amendment to the Meritage Corporation 1997 Stock Option Plan that increased the total number of shares authorized for issuance by 300,000, and the number of shares that may be issued to any one person under the plan from 100,000 to 150,000.

Stockholders holding 5,326,985 shares (pre-split), or 94.07% of the outstanding shares, were present in person or by proxy at the Annual Meeting. A tabulation with respect to each nominee for director and the stock option plan amendment proposal follows:

<TABLE>
<CAPTION>

<S>	Votes For <C>	Votes Against or Withheld <C>	Abstain <C>	Broker Non-Vote <C>
Election of Steven J. Hilton	4,964,551	362,434	N/A	N/A
Election of Raymond (Ray) Oppel	5,201,552	125,433	N/A	N/A
Election of William G. Campbell	5,200,752	126,233	N/A	N/A
Approval of amendments to the Meritage Corporation Stock Option Plan	2,640,824	1,118,843	9,328	1,557,990

</TABLE>

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION	PAGE OR METHOD OF FILING
99.1	Private Securities Reform Act of 1995 Safe Harbor Compliance Statement for Forward-Looking Statements	Filed herewith

(b) REPORTS ON FORM 8-K

We did not file any reports on Form 8-K during the first quarter of 2002.

SIGNATURES

Pursuant to the requirements 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 15th day of May, 2002.

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)

Exhibit 99.1

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" 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.

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 1993, as amended, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this Form 10-Q include statements concerning the demand for and the pricing of our homes, the expectation of continued positive operating results in the remainder of 2002 and beyond, the expected benefits of the Hancock acquisition, including future home closings and Hancock's future contribution to our revenues and earnings, and our ability to continue positive operating results in light of current economic conditions. Such statements are subject to significant risks and uncertainties.

Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements, and that could negatively affect the Company's business and the prices of our securities, include, but are not limited to, the following: (i) changes in national and local economic financial results 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, availability of subcontractors, 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 or after 2002; (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; (xiii) the loss of key employees of the Company, including Steven J. Hilton and John R. Landon; (xiv) Meritage's exposure to natural disasters; (xv) Meritage's significant level of indebtedness and the diversion of cash flow to make debt payments; (xvi) restrictions on our business activities imposed by the agreements governing our indebtedness; and (xvii) our inability to repay our indebtedness.

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 or unanticipated events or changes to projections over time. As a result of these and other factors, the prices of our securities may fluctuate dramatically.