SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): June 20, 2002

MERITAGE CORPORATION

(Exact Name of Registrant as Specified in Charter)

Maryland	I-9977	86-0611231
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

6613 NORTH SCOTTSDALE ROAD, SUITE 200, SCOTTSDALE, ARIZONA 85250

(Address of Principal Executive Offices) (Zip Code)

(877) 400-7888

(Registrant's telephone number, including area code)

Not applicable

(Former Name or Former Address, if Changed Since Last Report)

ITEM 5. OTHER EVENTS.

References to "we," "our" and "us" in this Current Report on Form 8-K refer to Meritage Corporation and its consolidated subsidiaries.

On June 20, 2002, we priced a public offering for 1,750,000 shares of our common stock at $42.00 per share, subject to an option to offer an additional 262,500 shares of common stock to cover over-allotments (such offered shares and the shares subject to the over-allotment option are referred to as the "Shares"). In connection with the offering, we filed a Prospectus Supplement to our shelf registration statement on Form S-3 (Registration No. 333-87398) pursuant to Rule 424(b) under the Securities Act of 1933, as amended, with the Securities and Exchange Commission. A copy of our press release announcing the pricing of the offering is attached hereto as Exhibit 99.1. The Underwriting Agreement covering the issue and sale of the Shares and certain other material documents are also attached hereto as exhibits.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Not applicable.

(b) Not applicable.

(c) Exhibits:

Exhibit No.	Description
1	Underwriting Agreement
3	Restated Articles of Incorporation
5	Opinion of Venable, Baetjer, Howard & Civiletti, LLP regarding legality
10.1	Eighth Modification Agreement and Modification Letter to Guaranty Federal Bank Loan, dated May 31, 2002
10.2	Deferred Bonus Agreement between the Company and Larry W. Seay
10.3	Deferred Bonus Agreement between the Company and Richard T. Morgan
23	Consent of counsel (contained in the opinion filed as Exhibit 5)
99.1	Press release

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERITAGE CORPORATION

Date: June 21, 2002

By: \s\ Larry W. Seay

Larry W. Seay
Chief Financial Officer and
Vice-President-Finance

EXHIBIT INDEX

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EXHIBIT 1

MERITAGE CORPORATION

1,750,000 Shares
Common Stock
($.01 Par Value)

UNDERWRITING AGREEMENT

June 20, 2002

MERITAGE CORPORATION

Common Stock

($.01 Par Value)

UNDERWRITING AGREEMENT

June 20, 2002

Deutsche Bank Securities Inc.
UBS Warburg LLC
A.G. Edwards & Sons, Inc.
JMP Securities LLC

c/o Deutsche Bank Securities Inc.
31 West 52nd Street
New York, New York 10019

and

c/o UBS Warburg LLC
299 Park Avenue
New York, New York 10171-0026

Ladies and Gentlemen:

Meritage Corporation, a Maryland corporation (the "COMPANY"), proposes to issue and sell to the underwriters named in Schedule A annexed hereto (the "UNDERWRITERS") an aggregate of 1,750,000 shares (the "FIRM SHARES") of Common Stock, $.01 par value (the "COMMON STOCK") of the Company. In addition, solely for the purpose of covering over-allotments, the Company proposes to grant to the Underwriters the option to purchase from the Company up to an additional 262,500 shares of Common Stock (the "ADDITIONAL SHARES"). The Firm Shares and the Additional Shares are hereinafter collectively sometimes referred to as the "SHARES." The Shares are described in the prospectus which is referred to below.

The Company has filed, in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the "ACT"), with the Securities and Exchange Commission (the "COMMISSION") a registration statement on Form S-3 (File No. 333-87398) including a prospectus, relating to the Shares, which incorporates by reference documents which the Company has filed or will file in accordance with the provi-

sions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively, the "EXCHANGE ACT"). The Company has prepared a prospectus supplement (the "PROSPECTUS SUPPLEMENT") to the prospectus included in the registration statement referred to above setting forth the terms of the offering, sale and plan of distribution of the Shares and additional information concerning the Company and its business. The Company has furnished to you, for use by the Underwriters and by dealers, copies of one or more preliminary prospectuses, containing the prospectus included in the registration statement, as supplemented by a preliminary Prospectus Supplement relating to the Shares, and the documents incorporated by reference therein (each such

preliminary prospectus being referred to herein as a "PRELIMINARY PROSPECTUS"). Except where the context otherwise requires, the registration statement referred to above, as amended when it became effective, including all documents filed as a part thereof or incorporated by reference therein, and including any information contained in a prospectus subsequently filed with the Commission pursuant to Rule 424(b) under the Act and deemed to be part of the registration statement at the time of its effectiveness and also including any registration statement filed pursuant to Rule 462(b) under the Act, is referred to herein as the "REGISTRATION STATEMENT", and the prospectus included in the Registration Statement, including all documents incorporated therein by reference, as supplemented by the final Prospectus Supplement relating to the Shares, in the form filed by the Company with the Commission pursuant to Rule 424(b) under the Act on or before the second business day after the date hereof (or such earlier time as may be required under the Act), is herein called the "PROSPECTUS". Any reference herein to the Registration Statement, the Prospectus, any Preliminary Prospectus or any amendment or supplement thereto shall be deemed to refer to and include the documents incorporated by reference therein, and any reference herein to the terms "AMEND", "AMENDMENT", or "SUPPLEMENT" with respect to the Registration Statement, the Prospectus or any Preliminary Prospectus shall be deemed to refer to and include the filing after the execution hereof of any document with the Commission deemed to be incorporated by reference therein. For purposes of this Agreement, all references to the Registration Statement, the Prospectus or any Preliminary Prospectus or to any amendment or supplement thereto shall be deemed to include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("EDGAR").

The Company and the Underwriters agree as follows:

1. Sale and Purchase. Upon the basis of the warranties and representations and subject to the terms and conditions herein set forth, the Company agrees to sell to the respective Underwriters and each of the Underwriters, severally and not jointly, agrees to purchase from the Company the number of Firm Shares set forth opposite the name of such Underwriter in Schedule A annexed hereto at a purchase price of $39.69 per Share. The Company is advised by you that the Underwriters intend (i) to make a public offering of their respective portions of the Firm Shares as soon after the execution and delivery of this Agreement as in your judgment is advisable and (ii) initially to offer the Firm Shares upon the terms set forth in the Prospectus. You may from time to time increase or decrease the public offering price after the initial public offering to such extent as you may determine.

In addition, the Company hereby grants to the several Underwriters the option to purchase, and upon the basis of the warranties and representations and subject to the terms and conditions herein set forth, the Underwriters shall have the right to purchase, severally and not jointly, from the Company, ratably in accordance with the number of Firm Shares to be purchased by each of them (subject to such adjustment as you shall determine to avoid fractional shares), all or a portion of the Additional Shares as may be necessary to cover over-allotments made in connection with the offering of the Firm Shares, at the same purchase price per Share to be paid by the Underwriters to the Company for the Firm Shares. This option may be exercised by you on behalf of the several Underwriters at any time (but not more than once) on or before the thirtieth day following the date hereof, by written notice to the Company. Such notice shall set forth the aggregate number of Additional Shares as to which the option is being exercised and the date and time when the Additional Shares are to be delivered (such date and time being herein referred to as the "ADDITIONAL TIME OF PURCHASE"); provided, however, that the Additional Time of Purchase shall not be earlier than the Time of Purchase (as defined below) nor earlier than the second business day (1) after the date on which the option shall have been exercised nor later than the tenth business day after the date on which the option shall have been exercised. The number of Additional Shares to be sold to each Underwriter shall be the number which bears the same proportion to the aggregate number of Additional Shares being purchased as the number of Firm Shares set forth opposite the name of such Underwriter on Schedule A hereto bears to the total number of Firm Shares (subject, in each case, to such adjustment as you may determine to eliminate fractional shares).

2. Payment and Delivery. Payment of the purchase price for the Firm Shares shall be made to the Company by Federal Funds wire transfer against delivery of the certificates for the Firm Shares to you through the facilities of the Depository Trust Company ("DTC") for the respective accounts of the Underwriters. Such payment and delivery shall be made at 10:00 A.M., New York City time, on June 26, 2002 (unless another time shall be agreed to by you and the Company or unless postponed in accordance with the provisions of Section 9 hereof). Concurrently with the payment of the purchase price for the Firm Shares, the Underwriters shall make a payment of $367,500 (such amount divided by the total number of Firm Shares, the "EXPENSE REIMBURSEMENT AMOUNT") to the Company by Federal Funds wire transfer to reimburse the Company for a portion of its expenses incurred in connection with this Agreement. The time at which such payments and delivery are actually made is hereinafter referred to as the "TIME OF PURCHASE." Certificates for the Firm Shares shall be delivered to you in

definitive form in such names and in such denominations as you shall specify no later than the second business day preceding the Time of Purchase. For the purpose of expediting the checking of the certificates for the Firm Shares by you, the Company agrees to

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1 As used herein "business day" shall mean a day on which the New York Stock Exchange is open for trading.

make such certificates available to you for such purpose at least one full business day preceding the Time of Purchase.

Payment of the purchase price for the Additional Shares shall be made to the Company at the Additional Time of Purchase in the same manner and at the same office as the payment for the Firm Shares. Concurrently with the payment of the purchase price for the Additional Shares, the Underwriters shall make a payment to the Company by Federal Funds wire transfer to reimburse the Company for a portion of its expenses incurred in connection with this Agreement in an amount equal to the product of (a) the number of Additional Shares so purchased and (b) the Expense Reimbursement Amount. Certificates for the Additional Shares shall be delivered to you by the Company in definitive form in such names and in such denominations as you shall specify no later than the second business day preceding the Additional Time of Purchase. For the purpose of expediting the checking of the certificates for the Additional Shares by you, the Company agrees to make such certificates available to you for such purpose at least one full business day preceding the Additional Time of Purchase.

3. Representations and Warranties of the Company. The Company represents and warrants to each of the Underwriters that:

(a) The Registration Statement became effective under the Act on May 14, 2002 and the conditions to the use of Form S-3 have been satisfied. No order of the Commission preventing or suspending the use of any Preliminary Prospectus has been issued and no proceedings for that purpose have been instituted or, to the knowledge of the Company, are contemplated by the Commission; each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the last Preliminary Prospectus distributed in connection with the offering of the Shares, as of its date, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; the Registration Statement complied, when it became effective, complies and will comply in all material respects with the provisions of the Act and the Prospectus will comply in all material respects with the provisions of the Act and any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement have been and will be so described or filed; the Registration Statement did not, when it became effective, does not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and the Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no warranty or representation with respect to any statement contained in the Preliminary Prospectus, the Registration Statement or the Prospectus in reliance upon and in

conformity with information concerning an Underwriter and furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in the Preliminary Prospectus, Registration Statement or the Prospectus; and the Company has not distributed any offering material in connection with the offering or sale of the Shares other than the Registration Statement, the Preliminary Prospectus, the Prospectus or any other materials, if any, permitted by the Act;

(b) As of the date of this Agreement, the Company has an authorized capitalization as set forth under the heading entitled "Actual" in the section of the Registration Statement and Prospectus entitled "Capitalization" and, as of the Time of Purchase, the Company shall have an authorized capitalization as set forth under the heading entitled "As Adjusted" in the section of the Registration Statement and Prospectus entitled "Capitalization". All of the issued and outstanding shares of capital stock or other equity interests of the Company have been duly authorized and validly issued, are fully paid and nonassessable and were not issued in violation of any preemptive or

similar right. Attached as Exhibit A is a true and complete list of each entity in which the Company has, or will have as of the Time of Purchase, a direct or indirect majority equity or voting interest, their jurisdictions of incorporation or formation, their stockholders and percentage equity ownership by the Company. The term "SUBSIDIARIES" as used herein shall refer to all of the subsidiaries listed on Exhibit A hereto. All of the issued and outstanding shares of capital stock or other equity interests of each of the Subsidiaries have been duly and validly authorized and issued, are fully paid and nonassessable, were not issued in violation of any preemptive or similar right and, except as set forth in the Registration Statement and Prospectus or on Exhibit A hereto, are owned, directly or indirectly, by the Company free and clear of all liens. Except as set forth in the Registration Statement and Prospectus, there are no outstanding options, warrants or other rights to acquire or purchase, or instruments convertible into or exchangeable for, any shares of capital stock of any of the Company or any of the Subsidiaries.

(c) Each of the Company and the Subsidiaries (a) is a corporation, limited liability company, partnership or other entity duly organized and validly existing under the laws of the jurisdiction of its organization; (b) has all requisite corporate, limited liability company, partnership or other similar power and authority, and has all governmental licenses, authorizations, consents and approvals necessary to own its property and carry on its business as now being conducted, except if the failure to obtain any such license, authorization, consent and approval would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (c) is qualified to do business and is in good standing in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure to be so qualified and in good standing, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. A "MATERIAL ADVERSE EFFECT" means any material adverse effect on the business, condition (financial or other), results of

operations, performance, properties or prospects of the Company and the Subsidiaries, taken as a whole.

(d) The Company has all requisite corporate power and authority to execute, deliver and perform all of its obligations under this Agreement and to consummate the transactions contemplated hereby.

(e) This Agreement has been duly and validly executed and delivered by the Company.

(f) The capital stock of the Company, including the Shares, conforms in all material respects to the description thereof contained in the Registration Statement and Prospectus, the certificates for the Shares are in due and proper form, and the holders of the Shares will not be subject to personal liability by reason of being such holders.

(g) The Shares to be issued and sold by the Company have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and nonassessable.

(h) No approval, authorization, consent or order of or filing with any national, state or local governmental or regulatory commission, board, body, authority or agency is required in connection with the issuance and sale of the Shares or the consummation by the Company of the transaction as contemplated hereby other than (A) such as have been or will be obtained or made on or prior to the Time of Purchase, (B) registration of the offer and sale of the Shares under the Act, which has been effected as described herein, (C) such approvals as have been obtained in connection with the listing of the Shares on the NYSE, (D) any necessary qualification under the securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters or under the rules and regulations of the National Association of Securities Dealers, Inc. ("NASD"), and any approvals, authorizations, consents or orders the failure to obtain or make would not adversely affect consummation of the transactions contemplated by this Agreement.

(i) Except as described in the Registration Statement and Prospectus, no person has the right, contractual or otherwise, to cause the Company to register under the Act any shares of capital stock or other equity interests as a result of the filing or effectiveness of the Registration Statement or the sale of Shares to the Underwriters contemplated thereby, nor does any person have preemptive rights, co-sale rights, rights of first refusal or other rights to purchase any of the Shares other than those that have been expressly waived prior to

the date hereof.

(j) All taxes, fees and other governmental charges that are due and payable on or prior to the Time of Purchase in connection with the execution, delivery and per-

formance of this Agreement and the delivery and sale of the Shares shall have been paid by or on behalf of the Company at or prior to the Time of Purchase.

(k) None of the Company or any Subsidiary is (A) in violation of its charter, bylaws or other constitutive documents, (B) in default (or, with notice or lapse of time or both, would be in default) in the performance or observance of any obligation, agreement, covenant or condition contained in any bond, debenture, note, indenture, mortgage, deed of trust, loan or credit agreement, lease, license, franchise agreement, authorization, permit, certificate or other agreement or instrument to which any of them is a party or by which any of them is bound or to which any of their assets or properties is subject (collectively, "AGREEMENTS AND INSTRUMENTS"), (C) in violation of any law, statute, rule or regulation applicable to the Company or any Subsidiary or their respective assets or properties or (D) in violation of any judgment, order or decree of any domestic or foreign court or governmental agency or authority having jurisdiction over the Company or any Subsidiary or their respective assets or properties, which in the case of clauses (B), (C) and (D) herein, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(l) The execution, delivery and performance by the Company of this Agreement, including the consummation of the offer and sale of the Shares, does not and will not violate, conflict with or constitute a breach of any of the terms or provisions of or a default (or an event that with notice or lapse of time or both, would constitute a default) under, or require consent under, or result in the creation or imposition of a lien, charge or encumbrance on any property or assets of the Company or any Subsidiary pursuant to (A) the charter, bylaws or other constitutive documents of any of the Company or any Subsidiary, (B) any of the Agreements and Instruments, except as would not reasonably be expected to have a Material Adverse Effect, (C) any law, statute, rule or regulation applicable to the Company or any Subsidiary or their respective assets or properties or (D) any judgment, order or decree of any domestic or foreign court or governmental agency or authority having jurisdiction over the Company or any Subsidiary or their respective assets or properties.

(m) Except as set forth in the Registration Statement and Prospectus, there is (A) no action, suit or proceeding before or by any court, arbitrator or governmental agency, body or official, domestic or foreign, now pending or, to the knowledge of the Company, threatened or contemplated, to which the Company or any Subsidiary is or may be a party or to which the business, assets or property of such person is or may be subject, (B) no statute, rule, regulation or order that has been enacted, adopted or issued or, to the knowledge of the Company, that has been proposed by any governmental body or agency, domestic or foreign, (C) no injunction, restraining order or order of any nature by a federal or state court or foreign court of competent jurisdiction to which the Company or any Subsidiary is or may be subject that (x) in the case of clause (A) above, if determined adversely to the Company or any Subsidiary, could,

individually or in the aggregate, reasonably be expected (1) to have a Material Adverse Effect or (2) to interfere with or adversely affect the issuance of the Shares in any jurisdiction or adversely affect the consummation of the transactions contemplated hereby and (y) in the case of clauses (B) and (C) above, could, individually or in the aggregate, reasonably be expected (1) to have a Material Adverse Effect or (2) to interfere with or adversely affect the issuance of the Shares in any jurisdiction or adversely affect the consummation of the transactions contemplated hereby. Every request of any securities authority or agency of any jurisdiction for additional information with respect to the Shares that has been received by the Company or any Subsidiary or their counsel prior to the date hereof has been, or will prior to the Time of Purchase be, complied with in all material respects.

(n) Except as could not reasonably be expected to have a Material Adverse Effect, no labor problem or dispute with the employees of the Company or any of the Subsidiaries exists or, to the best knowledge of the Company, is threatened.

(o) Except as described in the Registration Statement and Prospectus, the Company and each Subsidiary (A) is in compliance with, or not subject to costs or liabilities for violations under, laws, regulations, rules of common law, orders and decrees, as in effect as of the date hereof, and any present judgments and injunctions issued or promulgated thereunder, relating to pollution or protection of public and employee health and safety, emissions, discharges, releases or threatened releases of hazardous or toxic substances or wastes into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), pollutants or contaminants applicable to it or its business or operations or ownership or use of its property (including, but not limited to, the (i) the manufacture, processing, distribution, use, generation, treatment, storage, disposal, transport or handling of hazardous materials, and (ii) underground and above ground storage tanks and related piping, and emissions, discharges, releases or threatened releases therefrom) ("ENVIRONMENTAL LAWS"), other than noncompliance or such costs or liabilities that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, and (B) possesses all permits, licenses or other approvals required under applicable Environmental Laws, except where the failure to possess any such permit, license or other approval could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. All currently pending and, to the knowledge of the Company, threatened proceedings, notices of violation, demands, notices of potential responsibility or liability, suits and existing environmental conditions by any governmental authority which the Company or the Subsidiaries could reasonably expect to result in a Material Adverse Effect are fully and accurately described in all material respects in the Registration Statement and Prospectus.

(p) The Company and each Subsidiary have (A) all licenses, certificates, permits, authorizations, approvals, franchises and other rights from, and has made all

declarations and filings with, all applicable authorities, all self-regulatory authorities and all courts and other tribunals (each, a "LICENSE"), necessary to engage in the business conducted by it in the manner described in the Registration Statement and Prospectus, except where failure to hold such Licenses could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect, and (B) no reason to believe that any governmental body or agency, domestic or foreign, is considering limiting, suspending or revoking any such License, except where any such limitations, suspensions or revocations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. All such Licenses are valid and in full force and effect and the Company and each Subsidiary are in compliance in all material respects with the terms and conditions of all such Licenses and with the rules and regulations of the regulatory authorities having jurisdiction with respect to such Licenses, except for any invalidity, failure to be in full force and effect or noncompliance with any License that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(q) The Company and each Subsidiary have valid title in fee simple to all items of real property and valid title to all personal property owned by each of them (excluding land banks, homeowners' associations, golf clubs and district properties) described in the Registration Statement and Prospectus, in each case free and clear of any pledge, lien, encumbrance, security interest or other defect or claim of any third party, except (i) such as do not materially and adversely affect the value of such property and do not interfere with the use made or proposed to be made of such property by the Company or such Subsidiary to an extent that such interference could reasonably be expected to have a Material Adverse Effect, and (ii) liens securing debt described in the Registration Statement and Prospectus. Any real property and buildings held under lease by the Company or any such Subsidiary are held under valid, subsisting and enforceable leases, with such exceptions as do not materially interfere with the use made or proposed to be made of such property and buildings by the Company or such Subsidiary.

(r) Except as set forth in the Registration Statement and Prospectus, the Company and each Subsidiary owns, possesses or has the right to employ all patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names (collectively, the "INTELLECTUAL PROPERTY") necessary to conduct the businesses operated by it as described in the Registration Statement and Prospectus, except where the failure to own, possess or have the right to employ such Intellectual Property could not reasonably be expected to have a Material Adverse Effect. Except as set forth in the

Registration Statement and Prospectus, none of the Company or any Subsidiary has received any notice of infringement of or conflict with (and none of them knows of any such infringement or a conflict with) asserted rights of others with respect to any of the foregoing that, if such

assertion of infringement or conflict were sustained, could reasonably be expected to have a Material Adverse Effect. Except as set forth in the Registration Statement and Prospectus, the use of the Intellectual Property in connection with the business and operations of the Company and the Subsidiaries does not infringe on the rights of any person, except for such infringement as could not reasonably be expected to have a Material Adverse Effect.

(s) All material tax returns required to be filed by the Company and each Subsidiary have been filed in all jurisdictions where such returns are required to be filed, except where valid extensions have been obtained; and all taxes, including withholding, value added and franchise taxes, penalties and interest, assessments, fees and other charges that are due and payable have been paid (or, with respect to those based on good faith estimates, have been paid to the extent of such estimates), other than those being contested in good faith and for which reserves have been provided in accordance with generally accepted accounting principles or those currently payable without penalty or interest and except where the failure to make such required filings or payments could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. To the knowledge of the Company, there are no material proposed additional tax assessments against any of the Company and the Subsidiaries or their assets or property.

(t) None of the Company or the Subsidiaries has any liability for any prohibited transaction or accumulated funding deficiency (within the meaning of Section 412 of the Internal Revenue Code of 1986, as amended) or any complete or partial withdrawal liability with respect to any pension, profit sharing or other plan which is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), to which the Company or any Subsidiary makes or ever has made a contribution and in which any employee of the Company or any Subsidiary is or has ever been a participant. With respect to such plans, the Company and each Subsidiary are in compliance in all material respects with all applicable provisions of ERISA.

(u) None of the Company or any Subsidiary is an "investment company" or a company "controlled" by an "investment company" incorporated in the United States within the meaning of the Investment Company Act of 1940, as amended.

(v) The Company and each Subsidiary maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (A) transactions are executed in accordance with management's general or specific authorizations; (B) transactions are recorded as necessary to permit preparation of its financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for its

assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(w) The Company and each Subsidiary maintains insurance covering their properties, assets, operations, personnel and businesses, and, in the good faith estimate of management, such insurance is of such type and in such amounts as is in accordance with customary industry practice in the locations where the Company and each Subsidiary conduct operations, taking into account the costs and availability of such insurance.

(x) KPMG LLP and, to the knowledge of the Company, McGladrey & Pullen, LLP and Kolkhorst & Kolkhorst are independent accountants within the meaning of the Act. The historical financial statements and the notes thereto included in the Registration Statement and Prospectus present fairly in all material respects the consolidated financial position and results of operations of the Company and the Subsidiaries, the combined financial position and results of operations of Hancock Communities Limited Liability Company and HC Builders, Inc. (collectively, "HANCOCK") at the respective dates and for the respective periods indicated. Such financial statements comply as to form in all material respects with the applicable requirements of

Regulation S-X promulgated under the Exchange Act and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods presented (except as disclosed in the Registration Statement and Prospectus). The other financial and statistical information and data included in the Registration Statement and Prospectus are accurately presented in all material respects and prepared on a basis consistent with the financial statements and the books and records of the Company and the Subsidiaries and Hancock.

(y) Except as described in the section entitled "Underwriting" in the Prospectus Supplement, there are no contracts, agreements or understandings between the Company or any Subsidiary and any other person other than the Underwriters that would give rise to a valid claim against the Company, any Subsidiary or the Underwriters for a brokerage commission, finder's fee or like payment in connection with the issuance, purchase and sale of the Shares.

(z) The statistical and market-related data included in the Registration Statement and Prospectus are based on or derived from sources that the Company believes to be reliable and accurate in all material respects and represent its good faith estimates that are made on the basis of data derived from such sources.

(aa) The Company has obtained (or will obtain prior to the Time of Purchase) the written agreement in substantially the form attached hereto as Exhibit B (the "LOCK-UP LETTER AGREEMENT") of each of the Company's directors and executive officers.

(bb) Neither the Company nor any of the Subsidiaries has either sent or received any notice of termination of any of the contracts or agreements expressly referred to or described in the Prospectus, and no such termination has been threatened by the Company or any of the Subsidiaries or, to the knowledge of the Company, any other party to any such contract or agreement.

(cc) Neither the Company nor any of the Subsidiaries or any of their respective directors and officers has taken, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(dd) The Company has not distributed and will not distribute, prior to the later of the Additional Time of Purchase and the completion of the Underwriters' distribution of the Shares, any offering material in connection with the offering and sale of the Shares other than any Preliminary Prospectus, the Prospectus or the Registration Statement.

(ee) The Common Stock is registered pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange ("NYSE"), and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or delisting the Common Stock from the NYSE, nor has the Company received any notification that the Commission or the NYSE is contemplating terminating such registration or listing.

(ff) Any certificate signed by an officer of the Company or any Subsidiary delivered to you or to counsel for the Underwriters pursuant to this Agreement or in connection with the Closing contemplated hereby shall be deemed to be a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

4. Certain Covenants of the Company. The Company hereby agrees:

(a) to furnish such information as may be required and otherwise to cooperate in qualifying the Shares for offering and sale under the securities or blue sky laws of such states as you may designate and to maintain such qualifications in effect so long as required for the distribution of the Shares; provided that the Company shall not be required to qualify as a foreign corporation or to consent to the service of process under the laws of any such state (except service of process with respect to the offering and sale of the Shares); and to promptly advise you of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(b) to make available to the Underwriters in New York City, as soon as practicable after the execution and delivery of this Agreement and thereafter from time to time to furnish to the Underwriters, as many copies of the Prospectus (or of the Prospectus as amended or supplemented if the Company shall have made any amendments or supplements thereto after the effective date of the Registration Statement) as the Underwriters may reasonably request for the purposes contemplated by the Act; in case any Underwriter is required to deliver a prospectus beyond the nine-month period referred to in Section 10(a)(3) of the Act in connection with the sale of the Shares, the Company will prepare promptly upon request such amendment or amendments to the Registration Statement and such prospectuses as may be necessary to permit compliance with the requirements of Section 10(a)(3) of the Act;

(c) to advise you promptly and (if requested by you) to confirm such advice in writing, (i) when any post-effective amendment to the Registration Statement becomes effective and (ii) when the Prospectus is filed with the Commission pursuant to Rule 424(b) under the Act (which the Company agrees to file in a timely manner under such rule);

(d) to advise you promptly, confirming such advice in writing, of any request by the Commission for amendments or supplements to the Registration Statement or Prospectus or for additional information with respect thereto, or of notice of institution of proceedings for, or the entry of a stop order suspending the effectiveness of the Registration Statement and, if the Commission should enter a stop order suspending the effectiveness of the Registration Statement, to use its best efforts to obtain the lifting or removal of such order as soon as possible; to advise you promptly of any proposal to amend or supplement the Registration Statement or Prospectus and to file no such amendment or supplement to which you shall object in writing;

(e) to file in a timely manner all reports and any definitive proxy or information statement required to be filed by the Company with the Commission in order to comply with the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Shares, and to promptly notify you of such filing;

(f) if necessary or appropriate, to file promptly a registration statement pursuant to Rule 462(b) under the Act;

(g) upon your request, to furnish to you and each of the other Underwriters for a period of two years from the date of this Agreement (i) copies of any reports or other communications which the Company shall send to its stockholders or shall from time to time publish or publicly disseminate, (ii) copies of all annual, quarterly and current reports filed with the Commission on Forms 10-K, 10-Q and 8-K, or such other similar form as may be designated by the Commission, (iii) copies of documents

or reports filed with any national securities exchange on which any class of securities of the Company is listed, and (iv) such other information as you may reasonably request regarding the Company or its Subsidiaries, in each case as soon as such communications, documents or information becomes available;

(h) to advise the Underwriters promptly of the happening of any event known to the Company within the time during which a Prospectus relating to the Shares is required to be delivered under the Act which, in the judgment of the Company, would require the making of any change in the Prospectus then being used, so that the Prospectus would not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading, and, during such time, to prepare and furnish, at the Company's expense, to the Underwriters promptly such amendments or supplements to such Prospectus as may be necessary to reflect any such change and to furnish you a copy of such proposed amendment or supplement before filing any such amendment or supplement with the Commission;

(i) to make generally available to its security holders, and to deliver to you, as soon as it is practicable to do so, but in any event not later than 15 months after the effective date of the Registration Statement, an earnings statement of the Company (which will satisfy the provisions of Section 11(a) of the Act) covering a period of twelve months beginning after the effective date of the Registration Statement (as defined in Rule 158(c) of the Act); provided, however, that this Section 4(i) will not be construed to

require the Company to file any periodic report referred to in Rule 158 prior to the time at which such report is otherwise due;

(j) to furnish to its stockholders as soon as practicable, but in no event prior to the delivery of its proxy statement to its shareholders in accordance with applicable securities laws, after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and of cash flow of the Company) for such fiscal year, accompanied by a copy of the certificate or report thereon of nationally recognized independent certified public accountants;

(k) to furnish to you conformed copies of the Registration Statement, as initially filed with the Commission, and of all amendments thereto (including all exhibits thereto) in such quantities as you shall reasonably request for distribution to each of the Underwriters;

(l) to furnish to you as early as practicable prior to the Time of Purchase and the Additional Time of Purchase, as the case may be, but not later than two business days prior thereto, a copy of the latest available unaudited interim consolidated financial statements, if any, of the Company and its Subsidiaries which have been read

by the Company's independent certified public accountants, as stated in their letter to be furnished pursuant to Section 7(e) hereof;

(m) not to take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company to facilitate the sale or resale of the Shares;

(n) to apply the net proceeds from the sale of the Shares in the manner set forth under the caption "Use of Proceeds" in the Prospectus;

(o) to furnish to you, before filing with the Commission subsequent to the effective date of this Agreement and during the period referred to in paragraph (e) above, a copy of any document proposed to be filed pursuant to Section 13, 14 or 15(d) of the Exchange Act;

(p) not to sell, offer or agree to sell, contract to sell, grant any option to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock or securities convertible into or exchangeable or exercisable for Common Stock or warrants or other rights to purchase Common Stock or any other securities of the Company that are substantially similar to Common Stock or permit the registration under the Act of any shares of Common Stock, for a period of 90 days after the date hereof, without the prior written consent of Deutsche Bank Securities Inc. ("DEUTSCHE BANK") and UBS Warburg LLC ("UBS WARBURG"), except for (i) the registration of the Shares and the sales to the Underwriters pursuant to this Agreement, (ii) issuances of Common Stock upon the exercise of outstanding options, warrants and debentures disclosed as outstanding in the Registration Statement, (iii) the granting of options and the issuances of Common Stock upon the exercise thereof pursuant to stock option and employee benefit plans of the Company in existence on the date hereof, and (iv) issuances as consideration for the acquisition of assets, businesses or companies; and

(q) to take all action necessary to list the Shares on the NYSE.

5. Payment of Expenses. The Company agrees with each Underwriter to pay all expenses, fees and taxes (other than any transfer taxes incurred by the Underwriters for the resale of the Shares and, except as set forth under Section 6 hereof and (iv) and (vi) below, fees and disbursements of counsel for the Underwriters, such transfer taxes, counsel fees and disbursements to be paid by the Underwriters) in connection with (i) the preparation and filing of the Registration Statement, each Preliminary Prospectus, the Prospectus, and any amendments or supplements thereto, and the printing and furnishing of copies of each thereof to the Underwriters and to dealers (including costs of mailing and shipment), (ii) all air travel-related expenses incurred by the Company and the Underwriters and all hotel expenses attributable to the Company, in each case, in connection with any meetings with prospective investors in the Shares, (iii) the issuance, sale and delivery of the Shares by the Company, (iv) the word proc-

essing and/or printing of this Agreement, any Agreement Among Underwriters, any dealer agreements, any Statements of Information, the Letter of Instruction and the reproduction and/or printing and furnishing of copies of each thereof to the Underwriters and to dealers (including costs of mailing and shipment), (v) the qualification of the Shares for offering and sale under state laws and the determination of their eligibility for investment under state law as aforesaid (including the reasonable legal fees and filing fees and other disbursements of counsel to the Underwriters) and the printing and furnishing of copies of any blue sky surveys or legal investment surveys to the Underwriters and to dealers, (vi) the listing of the Shares on the NYSE, (vii) the filing, if any, for review of the public offering of the Shares by the NASD (including the reasonable legal fees and filing fees and other disbursements of counsel to the Underwriters), and (viii) the performance of the Company's other obligations hereunder.

6. Reimbursement of Underwriters' Expenses.

If the Shares are not delivered for any reason other than the termination of this Agreement pursuant to clauses (iii) through (vi) of the second paragraph of Section 8 or the last paragraph of Section 9 hereof, or the default by one or more of the Underwriters in its or their respective obligations hereunder, the Company shall, in addition to paying the amounts described in Section 5 hereof, reimburse the Underwriters for all of their reasonable out-of-pocket expenses, including the fees and disbursements of their respective counsel.

7. Conditions of Underwriters' Obligations. The several obligations of the Underwriters hereunder are subject to the following conditions:

(a) All of the representations and warranties of the Company contained in this Agreement shall be true and correct in all material respects, or true and correct where such representations and warranties are already qualified by materiality or Material Adverse Effect, on the date of this Agreement and, in each case after giving effect to the transactions contemplated hereby, at the Time of Purchase (and the several obligations of the Underwriters at the Additional Time of Purchase are subject to the accuracy of the representations and warranties of the Company contained in Section 3 hereof, on the date hereof and at the Time of Purchase (unless previously waived) and at the Additional Time of Purchase, as the case may be), except that if a representation and warranty is made as of a specific date, and such date is expressly referred to therein, such representation and warranty shall be true and correct (or true and correct in all material respects, as applicable) as of such date. The Company shall have performed or complied with all of the agreements and covenants contained in this Agreement and required to be performed or complied with by them at or prior to the Time of Purchase and at the Additional Time of Purchase.

(b) The Company shall furnish to you at the Time of Purchase and at the Additional Time of Purchase, as the case may be, an opinion of Snell & Wilmer L.L.P., counsel for the Company, addressed to the Underwriters, and dated the Time of

Purchase or the Additional Time of Purchase, as the case may be, with reproduced copies for each of the other Underwriters and in form reasonably satisfactory to Cahill Gordon & Reindel, counsel for the Underwriters, stating that:

(i) each of the Subsidiaries (other than Legacy Operating Company, L.P. ("LOC"), Meritage Holdings, L.L.C. ("MERITAGE HOLDINGS"), Hulen Park Venture, L.L.C. ("HPV"), Texas Home Mortgage Corporation ("THMC"), and MTH-Homes Texas, L.P. ("MTH-HOMES")) (a) is a corporation, limited liability company or partnership duly incorporated or formed, as the case may be, is validly existing and in good standing under the laws of the jurisdiction of its organization and (b) has the requisite corporate, limited liability company or partnership power and authority, as the case may be, necessary to own its property and carry on its business as now being conducted;

(ii) the Registration Statement and Prospectus (except as to the financial statements and schedules and other financial and statistical data contained therein, as to which such counsel need express no opinion) comply as to form in all material respects with the applicable requirements of the Act;

(iii) the Registration Statement has become effective under the Act and, to such counsel's knowledge, no stop order proceedings with respect thereto are pending or threatened under the Act and any required filing of the Prospectus and any supplement thereto pursuant to Rule 424 under the Act has

been made in the manner and within the time period required by such Rule 424;

(iv) no approval, authorization, consent or order of or filing with any national, state or local governmental or regulatory commission, board, body, authority or agency is required on the part of the Company in connection with the issuance and sale of the Shares and consummation by the Company of the transaction as contemplated hereby other than such approvals, authorizations, consents, orders and filings as have been obtained or made (except such counsel need express no opinion as to any necessary qualification under the state securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters or under the rules and regulations of the NASD);

(v) to such counsel's knowledge, there are no contracts, licenses, agreements, leases or documents of a character which are required to be filed as exhibits to the Registration Statement or to be summarized or described in the Prospectus which have not been so filed, summarized or described as required;

(vi) except as set forth in the Registration Statement and Prospectus or as shown on the litigation searches referenced on a schedule attached to the opinion, to such counsel's knowledge there is (a) no action, suit or proceeding before or by any domestic court, arbitrator or governmental agency, body or official, now pending or threatened to which the Company or any Subsidiary is a party and (b) no injunction, restraining order or order of any nature by a federal or state court or foreign court of competent jurisdiction to which the Company or any Subsidiary is subject that such counsel believes (x) in the case of clause (a) above, could, individually or in the aggregate, reasonably be expected (1) to have a Material Adverse Effect if determined adversely to the Company or any Subsidiary or (2) to interfere with or adversely affect the issuance of the Shares in any jurisdiction or adversely affect the consummation of the transactions contemplated by this Agreement and (y) in the case of clause (b) above, could, individually or in the aggregate, reasonably be expected to (1) have a Material Adverse Effect or (2) interfere with or adversely affect the issuance of the Shares in any jurisdiction or adversely affect the consummation of the transactions contemplated by this Agreement;

(vii) The execution, delivery and performance by the Company of this Agreement, including the consummation of the offer and sale of the Shares, does not and will not violate, conflict with or constitute a breach of any of the terms or provisions of or a default (or an event that with the giving of notice or lapse of time or both, would constitute a default) under, or require consent under, or result in the creation or imposition of a lien, charge or encumbrance on any property or assets of the Company or any Subsidiary pursuant to, (A) the charter, bylaws or other constitutive documents of the Company or any Subsidiary (other than LOC, Meritage Holdings, HPV, THMC and MTH-Homes), (B) any agreement or instrument binding upon the Company or any Subsidiary that is filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 or to the Company's Current Report on Form 8-K dated June 14, 2002, as filed with the Securities and Exchange Commission, or incorporated by reference therein, (C) any law, statute, rule or regulation applicable to the Company or any Subsidiary or their respective assets or properties or (D) any judgment, order or decree of any domestic court or government agency or authority having jurisdiction over the Company or any Subsidiary or their respective assets or properties;

(viii) the Company is not, and after the offering and sale of the Shares, will not be, an "investment company" or an entity controlled by an "investment company," as such terms are defined in the Investment Company Act; and

(ix) except as described in the Registration Statement and Prospectus, no person has, pursuant to the terms

of any contract, agreement or other instrument known to such counsel (i) any preemptive rights, rights of first refusal, resale rights or similar rights with respect to the sale of the Shares to the Underwriters or (ii) the right to cause the Company to register under the Act any shares of capital stock or other equity interests as a result of the filing or effectiveness of the Registration Statement or the sale of the Shares to the Underwriters as contemplated hereby.

In addition, such counsel shall state that, in connection with the preparation of the Registration Statement and Prospectus, it has, from time to time, had discussions with officers, directors, employees and representatives of the Company and the Subsidiaries, the independent accountants who examined the consolidated financial statements of the Company, the Subsidiaries and Hancock included in the Registration Statement and Prospectus, and the Underwriters and their counsel and representatives at which the contents of the Registration Statement and Prospectus and related matters were discussed and, although such counsel has not independently verified and is not passing upon, and does not assume responsibility for, the accuracy, completeness or fairness of the information contained in the Registration Statement and Prospectus, based upon the participation and discussions described above, such counsel shall state that (relying as to materiality to the extent it deems appropriate upon officers or other representatives of the Company) no facts have come to its attention that cause it to believe that the Registration Statement or any amendment thereto at the time such Registration Statement or amendment became effective contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein not misleading, or that the Prospectus or any supplement thereto at the date of such Prospectus or such supplement, and at all times up to and including the Time of Purchase or Additional Time of Purchase, as the case may be, contained or contains an untrue statement of a material fact, or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that such counsel has not been requested to and need not make any comment with respect to the financial statements and the notes thereto, and the other financial, demographic, statistical and accounting data included in the Registration Statement and Prospectus).

(c) The Company shall furnish to you at the Time of Purchase and at the Additional Time of Purchase, as the case may be, an opinion of Venable, Baetjer, Howard and Civiletti LLP, counsel for the Company, addressed to the Underwriters and dated the Time of Purchase or the Additional Time of Purchase, as the case may be, with reproduced copies for each of the other Underwriters and in form reasonably satisfactory to Cahill Gordon & Reindel, counsel for the Underwriters, stating that:

(i) the Company (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland and (b) has the requisite corporate power and authority to carry on its business as now being

conducted, as that business is described in the Registration Statement and Prospectus.

(ii) the Company has the requisite corporate power and authority to execute, deliver and perform all of its obligations under this Agreement and to consummate the transactions contemplated hereby to be consummated by it including, without limitation, the requisite power and authority to issue, sell and deliver the Shares. The Company has duly authorized the execution, delivery and performance of this Agreement and the Company has duly executed and delivered this Agreement.

(iii) the execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby do not and will not violate or conflict with its charter or bylaws.

(iv) the Company has authorized and outstanding shares of capital stock as set forth in the Registration Statement and Prospectus; the outstanding shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid, non-assessable and, except as described in the Registration Statement and Prospectus, are free of any preemptive rights, resale rights, rights of first refusal and similar rights under the Maryland General Corporation Law ("MGCL"); the Shares to be issued and sold by the Company have been duly authorized and when issued and delivered to and paid for by the Underwriters will be duly and validly issued and will be fully paid and non-assessable. The certificates for the Shares are in due and proper form and

conform in all material respects to the requirements of the MGCL, and the holders of the Shares will not be subject to personal liability by reason of being such holders; and

(v) the capital stock of the Company, including the Shares, conforms to the description thereof contained under the caption "Description of Capital Stock" in the Registration Statement and Prospectus.

(d) You shall have received at the Time of Purchase and at the Additional Time of Purchase, as the case may be, an opinion of Cahill Gordon & Reindel, counsel for the Underwriters, dated the Time of Purchase or the Additional Time of Purchase, as the case may be, with respect to matters as the Underwriters may require.

(e) You shall have received from KPMG LLP, independent public accountants for the Company, from McGladrey & Pullen LLP, independent public accountants for Hancock and from Kolkhorst & Kolkhorst, independent public accountants for Hammonds Homes, Ltd. and Crystal City Land & Cattle, Ltd., letters dated the date of this Agreement and, in the case of KPMG LLP, the Time of Purchase and Additional Time of Purchase, as the case may be, and addressed to the Underwriters (with

reproduced copies for each of the Underwriters) in the forms heretofore approved by Cahill Gordon & Reindel, counsel for the Underwriters.

(f) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act, at or before 2:00 P.M., New York City time, on the business day following the date of this Agreement, unless a later time (but not later than 5:00 P.M., New York City time, on the second full business day after the date of this Agreement) shall be agreed to by the Company and you in writing or by telephone, confirmed in writing; provided, however, that the Company and you and any group of Underwriters, including you, who have agreed hereunder to purchase in the aggregate at least 50% of the Firm Shares may from time to time agree on a later date.

(g) Prior to the Time of Purchase or the Additional Time of Purchase, as the case may be, (i) no stop order with respect to the effectiveness of the Registration Statement shall have been issued under the Act and remain in effect and proceedings initiated under Section 8(d) or 8(e) of the Act shall be pending; (ii) no action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental body, agency or official that would prevent the issuance of the Shares and, except as disclosed in the Registration Statement and Prospectus, no action, suit or proceeding shall have been commenced and be pending against or affecting or, to the best knowledge of the Company, threatened against the Company before any court or arbitrator or any governmental body, agency or official that, if adversely determined, could reasonably be expected to have a Material Adverse Effect; (iii) the Registration Statement and all amendments thereto, or modifications thereof, if any, shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (iii) the Prospectus and all amendments or supplements thereto, or modifications thereof, if any, shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading; and (iv) the Company shall not have amended or supplemented the Registration Statement or Prospectus unless the Underwriters shall previously have been advised of such proposed amendment or supplement at least two business days prior to the proposed use, and shall not have reasonably objected to such amendment or supplement.

(h) Between the time of execution of this Agreement and the Time of Purchase or the Additional Time of Purchase, as the case may be, (a) neither the Company nor any Subsidiary shall have incurred any liabilities or obligations, direct or contingent, except in the ordinary course of business and consistent with past practice, that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect and (b) there shall not have been any event or development in respect of the business or condition (financial or other) of the Company or the Subsidiaries that,

individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(i) You shall have received a certificate, dated the Time

of Purchase or Additional Time of Purchase, as the case may be, signed by a Chief Executive Officer and the Chief Financial Officer of the Company, confirming, as of the Time of Purchase or the Additional Time of Purchase, as the case may be, to their knowledge, the matters set forth in paragraphs (a), (f), (g) and (h) of this Section 7.

(j) You shall have received Lock-Up Letter Agreements, dated the date of this Agreement, from each of the Company's directors and executive officers (as set forth on Schedule B hereto);

(k) Between the time of execution of this Agreement and the Time of Purchase or Additional Time of Purchase, as the case may be, there shall not have occurred any downgrading, nor shall any notice or announcement have been given or made of (i) any intended or potential downgrading or (ii) any review or possible change that does not indicate an improvement, in the rating accorded any securities of or guaranteed by the Company or any Subsidiary by any "nationally recognized statistical rating organization", as that term is defined in Rule 436(g)(2) under the Act.

(l) All government authorizations required in connection with the issue and sale of the Shares as contemplated under this Agreement and the performance of the Company's obligations hereunder shall be in full force and effect.

(m) The Underwriters shall have been furnished with such other information as they may reasonably request.

(n) Cahill Gordon & Reindel, counsel to the Underwriters, shall have been furnished with such documents as they may reasonably request to enable them to review or pass upon the matters referred to in this Section 7 and in order to evidence the accuracy, completeness or satisfaction in all material respects of any of the representations, warranties or conditions contained in this Agreement.

(o) The NYSE shall have approved the listing (subject to official notice of issuance) of the Shares.

8. Effective Date of Agreement; Termination. This Agreement shall become effective when the parties hereto have executed and delivered this Agreement.

The Underwriters shall have the right to terminate this Agreement at any time prior to the Time of Purchase or the Additional Time of Purchase, as the case may be, by notice to the Company from the Underwriters, without liability (other than with respect to Sections 10 and 11) on the Underwriters' part to the Company if, on or prior to such date, (i) the Company

shall have failed, refused or been unable to perform in any material respect any agreement on its part to be performed under this Agreement when and as required, (ii) any other condition to the obligations of the Underwriters under this Agreement to be fulfilled by the Company pursuant to Section 7 is not fulfilled when and as required and not waived in writing by the Underwriters, (iii) trading in securities generally on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market shall have been suspended or materially limited, or minimum prices shall have been established thereon by the Commission, or by such exchange or other regulatory body or governmental authority having jurisdiction, (iv) a general banking moratorium shall have been declared by federal or New York authorities, (v) there is an outbreak or escalation of hostilities or other national or international calamity, in any case involving the United States, on or after the date of this Agreement, or if there has been a declaration by the United States of a national emergency or war or other national or international calamity or crisis (economic, political, financial or otherwise) which affects the U.S. and international financial or capital markets, making it, in the Underwriters' reasonable judgment, impracticable to proceed with the offering or delivery of the Shares on the terms and in the manner contemplated in the Registration Statement and Prospectus or (vi) there shall have been such a material adverse change or material disruption in the financial, banking or capital markets generally or the effect (or potential effect if the financial markets in the United States have not yet opened) of international conditions on the financial markets in the United States shall be such as, in the Underwriters' reasonable judgment, to make it inadvisable or impracticable to proceed with the offering or delivery of the Shares on the terms and in the manner contemplated in the Registration Statement and Prospectus.

If you or any group of Underwriters elects to terminate this Agreement as provided in this Section 8, the Company and each other Underwriter shall be notified promptly by letter or telegram from such terminating Underwriter.

If the sale to the Underwriters of the Shares, as contemplated by this Agreement, is not carried out by the Underwriters for any reason permitted under this Agreement or if such sale is not carried out because the Company shall be

unable to comply with any of the terms of this Agreement, the Company shall not be under any obligation or liability under this Agreement (except to the extent provided in Sections 5, 6 and 10 hereof), and the Underwriters shall be under no obligation or liability to the Company under this Agreement (except to the extent provided in Section 10 hereof) or to one another hereunder.

9. Increase in Underwriters' Commitments. Subject to Sections 7 and 8, if any Underwriter shall default in its obligation to take up and pay for the Firm Shares to be purchased by it hereunder (otherwise than for reasons sufficient to justify the termination of this Agreement under the provisions of Section 8 hereof) and if the number of Firm Shares which all Underwriters so defaulting shall have agreed but failed to take up and pay for does not exceed 10% of the total number of Firm Shares, the non-defaulting Underwriters shall take up and pay for (in addition to the number of Firm Shares they are obligated to purchase pursuant to Section 1 hereof) the number of Firm Shares agreed to be purchased by all such defaulting

Underwriters, as hereinafter provided. Such Shares shall be taken up and paid for by such non-defaulting Underwriter or Underwriters in such amount or amounts as you may designate with the consent of each Underwriter so designated or, in the event no such designation is made, such Shares shall be taken up and paid for by all non-defaulting Underwriters pro rata in proportion to the aggregate number of Firm Shares set opposite the names of such non-defaulting Underwriters in Schedule A.

Without relieving any defaulting Underwriter from its obligations hereunder, the Company agrees with the non-defaulting Underwriters that they will not sell any Firm Shares hereunder unless all of the Firm Shares are purchased by the Underwriters (or by substituted Underwriters selected by you with the approval of the Company or selected by the Company with your approval).

If a new Underwriter or Underwriters are substituted by the Underwriters or by the Company for a defaulting Underwriter or Underwriters in accordance with the foregoing provision, the Company or you shall have the right to postpone the Time of Purchase for a period not exceeding five business days in order that any necessary changes in the Registration Statement and Prospectus and other documents may be effected.

The term Underwriter as used in this agreement shall refer to and include any Underwriter substituted under this Section 9 with like effect as if such substituted Underwriter had originally been named in Schedule A.

If the aggregate number of Shares which the defaulting Underwriter or Underwriters agreed to purchase exceeds 10% of the total number of Shares which all Underwriters agreed to purchase hereunder, and if neither the non-defaulting Underwriters nor the Company shall make arrangements within the five business day period stated above for the purchase of all the Shares which the defaulting Underwriter or Underwriters agreed to purchase hereunder, this Agreement shall be terminated without further act or deed and without any liability on the part of the Company to any non-defaulting Underwriter and without any liability on the part of any non-defaulting Underwriter to the Company. Nothing in this paragraph, and no action taken hereunder, shall relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

10. Indemnification. (a) The Company agrees to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, the agents, employees, officers and directors of each Underwriter and the agents, employees, officers and directors of any such controlling person from and against any and all losses, liabilities, claims, damages and expenses (including, but not limited to, reasonable attorneys' fees and any and all reasonable expenses incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim and any and all reasonable amounts paid in settlement of any claim or litigation) (collectively, "LOSSES") to which they or any of them may become subject under

the Act, the Exchange Act or otherwise insofar as such Losses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact (i) contained in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated in the Registration Statement or necessary to make the statements therein not misleading, or (ii) contained in the Prospectus (the term Prospectus for the purpose of this Section 10 being deemed to include any Preliminary Prospectus, the Prospectus and the Prospectus as amended or supplemented by the Company), or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated in the Prospectus or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, however, that (A) the Company will not be liable

in any such case to the extent, but only to the extent, that any such Loss arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission relating to any Underwriter made therein in reliance upon and in conformity with written information relating to such Underwriter furnished to the Company by or on behalf of such Underwriter expressly for use therein and (B) that with respect to any untrue statement or omission of material fact made in any Preliminary Prospectus, the indemnity agreement contained in this Section 10(a) shall not inure to the benefit of any Underwriter from whom the person asserting any such Loss purchased the Shares, to the extent that any such Loss of such Underwriter occurs under the circumstance where it shall have been determined by a court of competent jurisdiction by final and nonappealable judgment that (w) the Company had previously furnished copies of the Prospectus to you, (x) delivery of the Prospectus was required by the Act to be made to such person, (y) the untrue statement or omission of a material fact contained in the Preliminary Prospectus was corrected in the Prospectus and (z) there was not sent or given to such person, at or prior to the written confirmation of the sale of such Shares to such person, a copy of the Prospectus, unless the failure to send or give a copy of the Prospectus to such person was the result of noncompliance by the Company with Section 4(b) hereof.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, and each of their respective agents, employees, officers and directors and the agents, employees, officers and directors of any such controlling person from and against any Losses to which they or any of them may become subject under the Act, the Exchange Act or otherwise insofar as such Losses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or in a Prospectus, or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated in such Registration Statement or Prospectus or necessary to make such information (with respect to the Prospectus, in light of the circumstances under which it was made) not misleading, in each case to the extent, but only to the extent, that any such Loss arises out of or is based upon any untrue statement or alleged untrue statement or omission or

alleged omission relating to such Underwriter made therein in reliance upon and in conformity with information relating to such Underwriter furnished in writing to the Company by or on behalf of such Underwriter expressly for use therein. The only such information furnished by or on behalf of the Underwriters expressly for use therein is the information set forth in the fifth and ninth paragraphs under the caption "Underwriting" in the Prospectus (collectively, the "UNDERWRITER INFORMATION"); provided, however, that with respect to any such untrue statement or omission made in the Preliminary Prospectus, the indemnity contained in this Section 10(b) (to the extent and only to the extent that such Losses resulted from an untrue statement or omission in the Preliminary Prospectus that was corrected in the Prospectus) shall not inure to the benefit of the Company if it shall be established that (1) both (A) a copy of the Prospectus was sent or given by such Underwriter to the person asserting any such Losses, and (B) the untrue statement or omission in the Preliminary Prospectus was corrected in the Prospectus or (2) such failure to deliver the Prospectus was a result of noncompliance by the Company with Section 4.

(c) Promptly after receipt by an indemnified party under subsection 10(a) or 10(b) above of notice of the commencement of any action, suit or proceeding (collectively, an "ACTION"), such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify each party against whom indemnification is to be sought in writing of the commencement of such action (but the failure so to notify an indemnifying party shall not relieve such indemnifying party from any liability that it may have under this Section 10 except to the extent that it has been prejudiced in any material respect by such failure or from any liability which it otherwise may have). In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement of such action, the indemnifying party will be entitled to participate in such action, and to the extent it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense of such action with counsel reasonably satisfactory to such indemnified party. Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such action, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying parties in connection with the defense of such action, (ii) the indemnifying parties shall not have employed counsel to take charge of the defense of such action within a reasonable time after notice of commencement of the action or (iii) the indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them that are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events

such reasonable fees and expenses of counsel shall be borne by the indemnifying parties; provided, however, that the indemnifying party will not be liable for the fees and expenses of more than one counsel (together with appropriate local counsel) designated by the indemnified party or parties at any time for all indemnified parties in connection with any one action or separate but similar or related actions arising out of the same general allegations or

circumstances. An indemnifying party shall not be liable for any settlement of any claim or action effected without its written consent which consent may not be unreasonably withheld. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

11. Contribution. In order to provide for contribution in circumstances in which the indemnification provided for in Section 10 of this Agreement is for any reason held to be unavailable from the indemnifying party, or is insufficient to hold harmless a party indemnified under Section 10 of this Agreement, each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such aggregate Losses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the offering of the Shares or (ii) if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other hand, in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other, shall be deemed to be in the same respective proportion as (x) the total proceeds from the offering of the Shares (net of discounts and commissions but before deducting expenses) received by the Company are to (y) the total underwriting discounts and commissions received by the Underwriters. The relative fault of the Company, on the one hand, and Underwriters, on the other, shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or alleged statement or omission.

The Company and each Underwriter agree that it would not be just and equitable if contribution pursuant to this Section 11 were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to above. Notwithstanding the provisions of this Section 11, (i) in no case shall any Underwriter be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by such Underwriter and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of any untrue statement or alleged untrue statement or omission or alleged omission and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 11, each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each director, officer, employee and agent of such Underwriter shall

have the same rights to contribution as such Underwriter, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each director, officer, employee and agent of the Company or person who controls the Company shall have the same rights to contribution as the Company. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made against another party or parties under this Section 11, notify such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 11 or otherwise, except to the extent that it has been prejudiced in any material respect by such failure; provided, however, that no additional notice shall be required with respect to any action for which notice has been given under Section 10 for purposes of indemnification. Anything in this section to the contrary notwithstanding, no party shall be liable for contribution with respect to any action or claim settled without its written consent, provided, however, that such written consent was not unreasonably withheld.

12. Notices. All communications with respect to or under this Agreement, except as may be otherwise specifically provided in this Agreement, shall be in writing and, if sent to the Underwriters, shall be mailed, delivered, or telegraphed or telecopied and confirmed in writing to Deutsche

Bank Securities Inc., 31 West 52nd Street, New York, New York 10019, Attention: General Counsel (telecopier no: (212) 469-3665), with a copy to Deutsche Bank Securities Inc., One South Street, Baltimore, Maryland 21202, Attention: Syndicate Manager (telephone: (410) 895-3630, fax: (410) 895-2740), and to UBS Warburg LLC, 299 Park Avenue, New York, New York 10171 (telephone: (212) 821-3000, fax: (212) 821-6890), Attention: Syndicate Department, with a copy to Cahill Gordon & Reindel, 80 Pine Street, New York, New York 10005 (telephone: (212) 701-3000, fax: (212) 269-5420), Attention: Daniel J. Zubkoff, Esq.; and if sent to the Company, shall be mailed, delivered or, telegraphed or telecopied and confirmed in writing to Meritage Corporation, 6613 North Scottsdale Road, Suite 200, Scottsdale, AZ 85260 (telephone: (480) 998-8700, fax: (480) 998-9178), Attention: Larry W. Seay, with a copy to Snell & Wilmer L.L.P., One Arizona Center, 400 E. Van Buren St., Phoenix, AZ 85004 (telephone: (602) 382-6252, fax: (602) 382-6070), Attention: Steven D. Pidgeon, Esq.

13. Governing Law; Construction. This Agreement and any claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Agreement ("CLAIM"), directly or indirectly, shall be governed by, and construed in accordance with, the laws of the State of New York. The section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

14. Submission to Jurisdiction. Except as set forth below, no Claim may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of

such matters, and the Company consents to the jurisdiction of such courts and personal service with respect thereto. The Company hereby consents to personal jurisdiction, service and venue in any court in which any Claim arising out of or in any way relating to this Agreement is brought by any third party against Deutsche Bank, UBS Warburg or any indemnified party. Each of Deutsche Bank, UBS Warburg and the Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Agreement. The Company agrees that a final determination or final judgment in any such action, proceeding or counterclaim brought in any such court shall be conclusive and binding upon the Company and may be enforced in any other courts in the jurisdiction of which the Company is or may be subject, by suit upon such judgment.

15. Parties at Interest. The Agreement herein set forth has been and is made solely for the benefit of the Underwriters, the Company, and to the extent provided in Sections 10 and 11 hereof the controlling persons, directors and officers referred to in such sections, and their respective successors, assigns, heirs, personal representatives and executors and administrators. No other person, partnership, association or corporation (including a purchaser, as such purchaser, from any of the Underwriters) shall acquire or have any right under or by virtue of this Agreement.

16. Counterparts. This Agreement may be signed by the parties in one or more counterparts which together shall constitute one and the same agreement among the parties.

17. Successors and Assigns. This Agreement shall be binding upon the Underwriters, the Company and their respective successors and assigns and any successor or assign of any substantial portion of the Company's and any of the Underwriters' respective businesses and/or assets.

If the foregoing correctly sets forth the understanding among the Company and the Underwriters, please so indicate in the space provided below for the purpose, whereupon this letter and your acceptance shall constitute a binding agreement among the Company and the Underwriters, severally.

Very truly yours,

MERITAGE CORPORATION

By: /s/ Larry W. Seay
_____
Name: Larry W. Seay
Title: Chief Financial Officer
and Vice President-Finance

Accepted and agreed to as of the date first above written, on behalf of themselves and the other several Underwriters named in Schedule A

DEUTSCHE BANK SECURITIES INC.
UBS WARBURG LLC

A.G. EDWARDS & SONS, INC.
JMP SECURITIES LLC

DEUTSCHE BANK SECURITIES INC.

By: /s/ Richard W. Thaler, Jr.
_____
Name: Richard W. Thaler, Jr.
Title: Managing Director

By: /s/ Stephan Sachman
_____
Name: Stephan Sachman
Title: Director

UBS WARBURG LLC

By: /s/ Donal J. Orr
_____
Name: Donal J. Orr
Title: Managing Director

By: /s/ Robert C. Crowley
_____
Name: Robert C. Crowley
Title: Executive Director

A.G. EDWARDS & SONS, INC.

By: /s/ Michael L. Essex
_____
Name: Michael L. Essex
Title: Vice President

JMP SECURITIES LLC

By: /s/ Carter Mack
_____
Name: Carter Mack
Title: Managing Director

SCHEDULE A

<TABLE>
<CAPTION>

Underwriter	Number of Firm Shares
<S>	<C>
DEUTSCHE BANK SECURITIES INC.	700,000
UBS Warburg LLC	700,000
A.G. EDWARDS & SONS, INC.	175,000
JMP SECURITIES LLC	175,000
Total	1,750,000

</TABLE>

SCHEDULE B

Directors and Executive Officers

1. John R. Landon
2. Steven J. Hilton
3. Larry W. Seay
4. Richard T. Morgan
5. Peter L. Ax
6. William G. Campbell
7. Raymond Oppel
8. Robert G. Sarver
9. C. Timothy White

EXHIBIT A

<TABLE>
<CAPTION>

Subsidiary	Jurisdiction of Incorporation or Formation	Stockholders	% Owned by the Company (directly or indirectly)
<S>	<C>	<C>	<C>
Monterey Homes Arizona, Inc.	Arizona	Meritage Corporation	100%

Monterey Homes Construction, Inc.	Arizona	Meritage Corporation	100%
Meritage Homes of Arizona, Inc.	Arizona	Meritage Corporation	100%
Meritage Paseo Crossing, LLC	Arizona	Meritage Homes of Arizona, Inc.	100%
Meritage Homes Construction, Inc.	Arizona	Meritage Corporation	100%
Meritage Paseo Construction, LLC	Arizona	Meritage Homes Construction, Inc.	100%
Hancock-MTH Communities, Inc.	Arizona	Meritage Corporation	100%
Hancock-MTH Builders, Inc.	Arizona	Meritage Corporation	100%
MTH-Texas GP, Inc.	Arizona	Meritage Corporation	100%
MTH-Texas LP, Inc.	Arizona	Meritage Corporation	100%
Legacy/Monterey Homes, L.P.	Arizona	MTH-Texas LP, Inc.	99%
		MTH Texas GP, Inc.	1%
Meritage Holdings, L.L.C.	Texas	Legacy/Monterey Homes, L.P.	
		Legacy Operating Company, L.P.	99%
			1%
Legacy Operating Company, L.P.	Texas	Legacy/Monterey Homes, L.P.	100%
Hulen Park Venture, L.L.C.	Texas	Legacy/Monterey Homes, L.P.	100%
Texas Home Mortgage Corporation	Texas	Meritage Corporation	100%
Meritage Homes of Northern California, Inc.	California	Meritage Corporation	100%
MTH-Homes Texas, L.P.	Texas	MTH-Texas LP II, Inc.	99%
		MTH-Texas GP II, Inc.	1%
MTH-Texas GP II, Inc.	Arizona	Meritage Corporation	100%
MTH-Texas LP II, Inc.	Arizona	Meritage Corporation	100%

EXHIBIT B

MERITAGE CORPORATION

LOCK-UP AGREEMENT

JUNE 20, 2002

Deutsche Bank Securities Inc.
31 West 52nd Street
New York, NY 10019

UBS Warburg LLC
299 Park Avenue
New York, NY 10171

Re: Meritage Corporation - Lock-Up Agreement

Ladies and Gentlemen:

The undersigned is an owner of record or beneficially of certain shares of common stock, par value $0.01 per share ("COMMON STOCK"), of Meritage Corporation, a Maryland corporation (the "COMPANY"), or securities convertible into or exchangeable or exercisable for shares of Common Stock. The undersigned understands that you, as representatives (the "REPRESENTATIVES"), propose to enter into an Underwriting Agreement on behalf of the several Underwriters named in such agreement (collectively, the "UNDERWRITERS"), with the Company, providing for a public offering of newly issued shares of Common Stock (the "OFFERED SHARES") pursuant to a Registration Statement on Form S-3 (File No. 333-87398) filed with the Securities and Exchange Commission (the "SEC").

In consideration of the agreement by the Underwriters to offer and sell the Offered Shares, and of other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the undersigned agrees that, during the period beginning from the date of the final prospectus covering the public offering of the Offered Shares and continuing to and including the date 90 days after the date of such final prospectus, the undersigned will not offer, sell, contract to sell, hypothecate, pledge, loan, grant any option to purchase, make any short sale or otherwise dispose of or grant any rights with respect to any shares of Common Stock, or any options or warrants to purchase any shares of Common Stock, or any securities convertible into, exchangeable for or that represent the right to receive shares of Common Stock, whether now owned or hereinafter acquired, owned directly by the undersigned (including holding as a custodian) or with respect to which the undersigned has beneficial ownership within the rules and regulations of the SEC (collectively the "UNDERSIGNED'S SHARES").

The foregoing restriction is expressly agreed to preclude the undersigned from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Undersigned's Shares even if the Undersigned's Shares would be disposed of by someone other than the undersigned. Such prohibited hedging or other transactions would include without limitation any short sale (whether or

not against the box) or any purchase, sale or grant of any right (including, without limitation, any put or call option) with respect to any of the Undersigned's Shares or with respect to any security that includes, relates to, or derives any significant part of its value from the Undersigned's Shares.

Notwithstanding the foregoing, the undersigned may transfer the Undersigned's Shares (i) as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, (iii) if the undersigned is a corporation, to any wholly-owned subsidiary of such corporation, (iv) in connection with a simultaneous sale of all or substantially all of the Common Stock of the Company (by means of a merger, consolidation, tender offer or otherwise) or (v) with the prior written consent of the Representatives on behalf of the Underwriters. For purposes of this Lock-Up Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin. It shall be a condition to any transfer permitted by the first sentence of this paragraph (other than clause (iv) thereof) that (a) the transferee execute an agreement stating that the transferee is receiving and holding the Undersigned's Shares subject to the provisions of this Agreement and there shall be no further transfer of the Undersigned's Shares except in accordance with this Agreement and (b) any such transfer shall not involve a disposition for value. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Undersigned's Shares except in compliance with the foregoing restrictions.

The undersigned understands that the Company and the Underwriters are relying upon this Lock-Up Agreement in proceeding toward consummation of the offering. The undersigned further understands that this Lock-Up Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

Very truly yours,

_____
Exact Name of Record and/or Beneficial Owner

_____
Authorized Signature

_____
Title

EXHIBIT 3

MONTEREY HOMES CORPORATION

ARTICLES OF RESTATEMENT

Monterey Homes Corporation, a Maryland corporation (the "Corporation"), having its principal office in Phoenix, Arizona, hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: The Corporation desires to restate its charter as currently in effect as follows:

ARTICLE I

NAME

The name of the corporation (which is hereinafter called the "Corporation") is:

Monterey Homes Corporation.

ARTICLE II

PURPOSES

The purposes for which and any of which the Corporation is formed and the business and objects to be carried on and promoted by it are:

(a) To engage in any one or more businesses or transactions, or to acquire all or any portion of the securities of any entity engaged in any one or more businesses or transactions which the Board of Directors of the Corporation may from time to time authorize or approve, whether or not related to the business described elsewhere in this Article II or to any other business at the time or theretofore engaged in by the Corporation.

(b) To purchase, lease, hire or otherwise acquire, hold, own, construct, develop, erect, improve, manage, operate and in any manner dispose of, and to aid and subscribe toward the acquisition, construction or improvement of, buildings, machinery, equipment and facilities, and any other property or appliances which may have an interest; and to contract for, for terms of years or otherwise, procure or make use of, personal services of officers, employees, agents or contractors, and of services of any firm, association or corporation.

(c) To acquire the whole or any part of the goodwill, rights, property, franchise and business of any corporation, joint stock company, syndicate, association, firm, trust, partnership, joint venture or person heretofore or hereafter engaged in any business and to hold, utilize, enjoy and in any manner dispose of, the whole or any part of the goodwill, rights, property, franchise and business so acquired, and to ensure in connection therewith any liabilities of any such corporation, joint stock company, syndicate, association, firm, trust, partnership, joint venture or person.

(d) To acquire by purchase, subscription or otherwise, and to receive, hold, own, guarantee, sell, assign, exchange, transfer, mortgage, pledge or otherwise dispose of or deal in and with any of the shares of capital stock, or any voting trust certificates or depository receipts in respect of the shares of capital stock, scrip, warrants, rights, options, bonds, debentures, notes, trust receipts, and other securities, obligations, chooses in action and evidences of indebtedness or other rights in or interests issued or created by any corporation, joint stock company, syndicate, association, firm, trust, partnership, joint venture or person, public or private, or by the government of the United States of America, or by any foreign government, or by any state, territory, province, municipality or other political subdivision, or by any governmental agency, or by any other entity, and to issue in exchange therefor or in payment thereof its own capital stock, bonds or other obligations or securities, or otherwise pay therefor in money or other property; to possess and exercise as owner thereof all the rights, powers and privileges of ownership including the right to execute consents and vote thereon, and to do any and all acts and things necessary or advisable for the preservation, protection, improvement and enhancement in value thereof.

(e) To cause to be organized, under the laws of the United States of America, or any foreign government, or any state, territory, province, municipality or other political entity, a corporation, joint stock company, syndicate, association, firm, trust, partnership, or joint venture, for the purpose of accomplishing any and all of the objects and purposes of the Corporation and to dissolve, wind up, liquidate, merge or consolidate any such corporation, joint stock company, syndicate, association, firm, trust, partnership, or joint venture or cause the same to be dissolved, terminated, wound up, liquidated, merged or consolidated.

(f) To carry out all or any part of the foregoing objects as principal, or otherwise, either alone or through or in conjunction with, as

partner, joint venturer or otherwise, any corporation, joint stock company,

syndicate, association, firm, trust, partnership, joint venture or person; and, in carrying on its business and for the purpose of attaining or furthering any of its objects and purposes, to make and perform any contracts and do any acts and things, and to exercise any powers suitable, convenient or proper for the accomplishment of any of the objects and purposes herein enumerated or incidental to the powers herein specified, or which at any time appear conducive to or expedient for the accomplishment of any of such objects and purposes.

(g) To purchase or otherwise acquire, and to hold, sell or otherwise dispose of, and to retire and reissue, shares of its own stock of any class and any other securities issued by it in any manner now or hereafter authorized or permitted by law.

(h) To make contracts and guarantees, incur liabilities and borrow money; to sell, mortgage, lease, pledge, exchange, convey, transfer, and otherwise dispose of all or any part of the property and assets of the Corporation; and to issue bonds, notes and other obligations and secure the same by mortgage or deed of trust of all or any part of the property, franchises and income of the Corporation.

(i) To aid in any manner any corporation, joint stock company, syndicate, association, firm, trust, partnership, joint venture or person of which the shares of capital stock, or voting trust certificates or depository receipts in respect of the shares of capital stock, scrip, warrants, rights, options, bonds, debentures, notes, trust receipts, and other securities, obligations, chooses in action and evidences of indebtedness or other rights in or interests issued or created by are held by or for the Corporation, or in the welfare of which the Corporation shall have any interest, direct or indirect; and to do any acts or things designed to protect, preserve, improve and enhance the value of any such property or interest, or any other property of the Corporation.

(j) To guarantee the payment of dividends or distributions upon any shares of capital stock, interests in or other securities of, or the performance of any contract by, any other corporation, joint stock company, syndicate, association, firm, trust, partnership, joint venture or person in which, or in the welfare of which, the Corporation has any interest, direct, or indirect; and to endorse or otherwise guarantee the payment of the principal and interest, or either, on any bonds, debentures, notes or other securities, obligations and evidences of indebtedness created or issued by any of the same.

(k) To carry out all or any part of the objects and purposes of the Corporation and to conduct its business in all or any of its branches, in any or all states, territories, districts and possessions of the United States of America and in foreign countries; and to maintain offices

and agencies in any or all states, territories, districts and possessions of the United States of America and in foreign countries.

The foregoing enumerated purposes and objects shall be in no way limited or restricted by reference to, or inference from, the terms of any other clause of this or any other Article of the charter of the Corporation, and each shall be regarded as independent; and they are intended to be and shall be construed as powers as well as purposes and objects of the Corporation and shall be in addition to and not in limitation of the general powers of corporations under the General Laws of the State of Maryland.

ARTICLE III

PRINCIPAL OFFICE

The present address of the principal office of the corporation in this State is c/o The Corporation Trust Incorporated, 32 South Street, Baltimore, Maryland 21202.

ARTICLE IV

RESIDENT AGENT

The name and address of the resident agent of the Corporation are The Corporation Trust Incorporated, 32 South Street, Baltimore, Maryland. Said resident agent is a Maryland corporation.

ARTICLE V

CAPITAL STOCK

(a) The total number of shares of stock of all classes which the Corporation has authority to issue is fifty million (50,000,000) shares of

capital stock, par value one cent ($0.01) per share, amounting in aggregate par value to Five Hundred Thousand Dollars ($500,000). All of the authorized shares are classified as Common Stock of the same class (the "Common Stock").

(b) Each share of Common Stock shall entitle the owner thereof to vote at the rate of one (1) vote for each share held.

(c) The Corporation shall not issue fractional shares of its Common Stock.

(d) All persons who acquire shares of Common Stock in the Corporation shall acquire such shares subject to the provisions of these Articles of Incorporation and the Bylaws of the Corporation.

(e) Simultaneously with the effective date of the merger (December 31, 1996, the "Effective Date"), of Monterey Homes Construction II, Inc., an Arizona corporation and Monterey Homes Arizona II, Inc., an Arizona corporation with and into the corporation (the "Merger") and immediately after the Merger, each share of Common Stock, par value $0.01 per share, issued and outstanding following the Merger (the "Old Common Stock") shall automatically and without any action on the part of the holder thereof be reclassified and changed into one-third (1/3) of a share of the Corporation's Common Stock, par value equal to the par value of the Old Common Stock (the "New Common Stock"), subject to the treatment of fractional share interests as described below (the "Stock Change"). Each holder of a certificate or certificates which immediately following the Merger represented outstanding shares of Old Common Stock (the "Old Certificates," whether one or more) shall be entitled to receive upon surrender of such Old Certificates to the Corporation's Transfer Agent for cancellation, a certificate or certificates (the "New Certificates," whether one or more) representing the number of whole shares of the New Common Stock into which and for which the shares of the Old Common Stock formerly represented by such Old Certificates so surrendered, are reclassified and changed under the terms hereof. From and after the Effective Date and immediately following the Merger, Old Certificates shall represent only the right to the number of shares of New Common Stock into which the Old Common Stock shall have been reclassified and changed and the right to receive New Certificates therefor pursuant to the provisions hereof. No certificates or scrip representing fractional share interests in New Common Stock will be issued, and no such fractional share interest will entitle the holder thereof to vote, or to any rights of a shareholder of the Corporation. All fractional shares for one share or more shall be increased to the next higher whole number of shares and all fractional shares of less than one-half (1/2) share shall be decreased to the next lower whole number of shares, respectively. If more than one Old Certificate shall be surrendered at one time for the account of the same stockholder, the number of full shares of New Common Stock for which New Certificates shall be issued shall be computed on the basis of the aggregate number of shares represented by the Old Certificates so surrendered. In the event that the Corporation's Transfer Agent determines that a holder of Old Certificates has not tendered all his certificates for exchange, the Transfer Agent shall carry forward any fractional share until all certificates of that holder have been presented for exchange such that rounding for fractional shares to any one person shall not exceed one share. If any New Certificate is to be issued in a name other than that in which the Old Certificates surrendered for exchange are issued, the Old Certificates so surrendered shall be properly endorsed and otherwise be in proper form for transfer, and the person or persons requesting such exchange shall affix any

requisite stock transfer tax stamps to the Old Certificates surrendered, or provide funds for their purchase, or establish to the satisfaction of the Transfer Agent that such taxes are not payable. From and after the Effective Date and immediately following the Merger, the amount of capital represented by the shares of the New Common Stock into which and for which the shares of the Old Common Stock are reclassified and changed under the terms hereof shall be the same as the amount of capital represented by the shares of Old Common Stock so reclassified and changed, until thereafter reduced or increased in accordance with applicable law.

ARTICLE VI

DIRECTORS

The number of directors of the Corporation shall be as set forth in the bylaws of the Corporation, but shall never be less than the minimum number permitted by the Maryland General Corporation Law now or hereinafter in force. The directors shall be divided into two classes designated Class I and Class II. Each Class shall consist of one-half of the directors or as close thereto as possible. The Class I directors shall stand for election at the 1996 annual

meeting of shareholders and shall be elected for a two-year term. The Class II directors shall stand for election at the 1996 annual meeting of shareholders and shall be elected for a one-year term. At each annual meeting of shareholders, commencing with the annual meeting to be held during fiscal 1997, each of the successors to the directors of the Class whose term shall have expired at such annual meeting shall be elected for a term running until the second annual meeting next succeeding his or her election and until his or her successor shall have been duly elected and qualified.

ARTICLE VII

RIGHTS AND POWERS OF DIRECTORS AND OFFICERS

The following provisions are hereby adopted for the purpose of defining, limiting and regulating the powers of the Corporation and of the directors and stockholders:

(a) The Board of Directors of the Corporation is hereby empowered to authorize the issuance from time to time of shares of its Common Stock, whether now or hereafter authorized, or securities convertible into shares of its Common Stock, whether now or hereafter authorized, for such consideration as may be deemed advisable by the Board of Directors and without any action by the stockholders.

(b) No holder of any shares of Common Stock or any other securities of the Corporation, whether now or hereafter authorized, shall have any preemptive right to subscribe for or purchase any shares of Common Stock or any other securities of the Corporation other than such, if any, as the Board of Directors, in its sole discretion, may determine and at such price or prices and upon such other terms as the Board of Directors, in its sole discretion, may fix; and any shares of Common Stock or other securities which the Board of Directors may determine to offer for subscription may, as the Board of Directors in its sole discretion shall determine, be offered to the holders of shares of Common Stock of the exclusion of any other holders of shares of Common Stock.

(c) The Board of Directors of the Corporation shall have power from time to time and in its sole discretion to determine in accordance with sound accounting practice, what constitutes annual or other net profits, earnings, surplus, or net assets in excess of capital; to fix and vary from time to time the amount to be reserved as working capital, or determine that retained earnings or surplus shall remain in the hands of the Corporation; to set apart out of any funds of the Corporation such reserve or reserves in such amount or amounts and for such proper purpose or purposes as it shall determine and to abolish any such reserve or any part thereof; to distribute and pay distributions or dividends in stock, cash or other securities or property, out of surplus or any other funds or amounts legally available therefor, at such times and to the stockholders of record on such dates as it may, from time to time, determine; and to determine whether and to what extent and at what times and places and under what conditions and regulations the books, accounts and documents of the Corporation, or any of them, shall be open to the inspection of stockholders, except as otherwise provided by statute or by the Bylaws, and, except as so provided, no stockholder shall have any right to inspect any book, account or document of the Corporation unless authorized so to do by resolution of the Board of Directors.

(d) A contract or other transaction between the Corporation and any of its directors or between the Corporation and any other Corporation, firm or other entity in which any of its directors is a director or has a material financial interest is not void or voidable solely because of any one or more of the following: the common directorship or interest; the presence of the director at the meeting of the Board of Directors which authorizes, approves, or ratifies the contract or transaction; or the counting of the vote of the Director for the authorization, approval, or ratification of the contract or transaction. This Section (d) applies if:

(1) the fact of the common directorship or interest is disclosed or known to: the Board of Directors and the Board authorizes, approves, or ratifies the contract or transaction by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum; or the stockholders entitled to vote, and the

contract or transaction is authorized, approved, or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or Corporation, firm, or other entity; or

(2) the contract or transaction is fair and reasonable to the Corporation.

Common or interested directors or the stock owned by them or by an interested Corporation, firm, or other entity may be counted in determining the presence of a quorum at a meeting of the Board of Directors or at a meeting of the stockholders, as the case may be, at which the contract or transaction is authorized, approved, or ratified. If a contract or transaction is not

authorized, approved, or ratified in one of the ways provided for in clause (1) of this Section (d), the person asserting the validity of the contract or transaction bears the burden of proving that the contract or transaction was fair and reasonable to the Corporation at the time it was authorized, approved, or modified. The procedures in this Section (d) do not apply to the timing by the Board of Directors of reasonable compensation for a director, whether as a director or in any other capacity.

(e) Except for contracts, transactions, or acts required to be approved under the provisions of Section (d) of this Article VII, any contract, transaction, or act of the Corporation or of the Board of Directors which shall be ratified by a majority of a quorum of the stockholders having voting powers at any annual meeting, or at any special meeting called for such purpose, shall so far as permitted by law be as valid and as binding as though ratified by every stockholder of the Corporation.

(f) Unless the Bylaws otherwise provide, any officer or employee of the Corporation (other than a director) may be removed at any time with or without cause by the Board of Directors or by any committee or superior officer upon whom such power of removal may be conferred by the Bylaws or by authority of the Board of Directors.

(g) Notwithstanding any provision of law requiring the authorization of any action by a greater proportion than a majority of the total number of shares of Common Stock or of the total number of shares of Common Stock, such action shall be valid and effective if authorized by the affirmative vote of the holders of a majority of the total number of shares of Common Stock outstanding and entitled to vote thereon, except as otherwise provided in the charter.

(h) The Corporation shall indemnify (1) its directors to the full extent provided by the general laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures provided by such laws; (2) its officers to the same

extent it shall indemnify its directors; and (3) its officers who are not directors to such further extent as shall be authorized by the Board of Directors and be consistent with law. The foregoing shall not limit the authority of the Corporation to indemnify other employees and agents consistent with law.

(i) The Corporation reserves the right from time to time to make any amendments of its charter which may now or hereafter be authorized by law, including any amendments changing the terms or contract rights, as expressly set forth in its charter, of any of its outstanding Common Stock by classification, reclassification or otherwise but no such amendment which changes such terms or contract rights of any of its outstanding Common Stock shall be valid unless such amendment shall have been authorized by not less than a majority of the aggregate number of the votes entitled to be cast thereon, by a vote at a meeting or in writing with or without a meeting.

(j) To the fullest extent permitted by Maryland statutory or decisional law, as amended or interpreted, no director or officer of this Corporation shall be personally liable to the Corporation or its stockholders for money damages. No amendment of the charter of the Corporation or repeal of any of its provisions shall limit or eliminate the benefits provided to directors and officers under this provision with respect to any act or omission which occurred prior to such amendment or repeal.

The enumeration and definition of particular powers of the Board of Directors included in this Article VII shall in no way be limited or restricted by reference to or interference from the terms of any other clause of this or any other Article of the charter of the Corporation, or construed as or deemed by inference or otherwise in any manner to exclude or limit any powers conferred upon the Board of Directors under the General Laws of the State of Maryland now or hereafter in force.

ARTICLE VIII

RESTRICTION ON TRANSFER OF SHARES

(a) In order to preserve the net operating loss carryovers, capital loss carryovers and built-in losses (the "Tax Benefits") to which the Corporation is entitled pursuant to the Internal Revenue Code of 1986, as amended, or any successor statute (collectively the "Code") and the regulations thereunder, the following restrictions shall apply until the earlier of (x) the business day following the fifth anniversary of the effectiveness of this Article VIII, (y) the repeal of Sections 382 and 383 of the Code (or successor provisions) if the Board of Directors determines

that the restrictions are no longer necessary, or (z) the beginning of a taxable year of the Corporation to which the Board of Directors determines that no Tax Benefits may be carried forward, unless the Board of Directors shall fix an earlier or later date in accordance with paragraph (i) of this Article VIII

(such date is sometimes referred to herein as the "Expiration Date"):

(i) No person (as herein defined), including the Corporation, shall engage in any Transfer (as herein defined) with any person to the extent that such Transfer, if effective, would cause the Ownership Interest Percentage (as herein defined) of any person or Public Group (as herein defined) to increase to 4.9 percent or above, or from 4.9 percent or above to a greater Ownership Interest Percentage, or would create a new Public Group; provided, however, that the foregoing restriction on such Transfers shall not be applicable to the Transfer of shares of Stock pursuant to (1) the exercise of any option that is issued by the Corporation and is outstanding on the Effective Date and immediately following the Merger, (2) the exercise of those certain options initially covering 750,000 shares of stock (before the effect of the Stock Change) referred to in the Stock Option Agreement dated December 21, 1995 between the Corporation and Alan D. Hamberlin, (3) the issuance of the 800,000 shares of Contingent Stock (before the effect of the Stock Change) referred to in the Agreement and Plan of Reorganization dated as of September 13, 1996 (the "Agreement") or (4) the exercise of those certain options initially covering an aggregate of 1,000,000 shares of stock (before the effect of the Stock Change) referred to in those Stock Option Agreements dated December 31, 1996 between the Corporation and each of William W. Cleverly and Steven J. Hilton.

For purposes of this Article VIII:

(A) "person" refers to any individual, corporation, estate, trust, association, company, partnership, joint venture, or other entity or organization, including, without limitation, any "entity" within the meaning of Treasury Regulation Section 1.382-3(a);

(B) a person's "Ownership Interest Percentage" shall be the sum of such person's direct ownership interest in the Corporation as determined under Treasury Regulation Section 1.382-2T(f)(8) or any successor regulation and such person's indirect ownership interest in the Corporation as determined under Treasury Regulation Section 1.382-2T(f)(15) or any successor regulation, except that, for purposes of determining a person's direct ownership interest in the Corporation, any ownership interest in the Corporation described in Treasury Regulation Section 1.382-2T(f)(18)(iii)(A) or any successor regulation shall be treated as stock of the Corporation, and for purposes of determining a person's indirect ownership interest in the Corporation, Treasury Regulations Sections 1.382-2T(g)(2), 1.382-2T(h)(2)(i)(A), 1.382-2T(h)(2)(iii) and

1.382-2T(h)(6)(iii) or any successor regulations shall not apply and any Option Right to acquire Stock shall be considered exercised;

(C) "Transferee" means any person to whom Stock is Transferred;

(D) "Stock" shall mean shares of stock of the Corporation (other than stock described in Section 1504(a)(4) of the Code or any successor statute, or stock that is not described in Section 1504(a)(4) solely because it is entitled to vote as a result of dividend arrearages), any Option Rights to acquire Stock, and all other interests that would be treated as stock of the Corporation pursuant to Treasury Regulation Section 1.382- 2T(f)(18) (or any successor regulation);

(E) "Public Group" shall mean a group of individuals, entities or other persons described in Treasury Regulation Section 1.382-2T(f)(13) or any successor regulation;

(F) "Option Right" shall mean any option, warrant, or other right to acquire, convert into or exchange or exercise for, or any similar interests in, shares of Stock;

(G) "Transfer" shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event, that causes a person to acquire or increase an Ownership Interest Percentage in the Corporation, or any agreement to take any such actions or cause any such events, including (a) the granting or exercise of any Option Right with respect to Stock, (b) the disposition of any securities or rights convertible into or exchangeable or exercisable for Stock or any interest in Stock or any exercise of any such conversion or exchange or exercise right, and (c) transfers of interests in other entities that result in changes in direct or indirect ownership of Stock, in each case, whether voluntary or involuntary, of record, and by operation by law or otherwise;

(H) "Optionee" means any person holding an Option Right to

acquire Stock.

(ii) Any Transfer that would otherwise be prohibited pursuant to the preceding subparagraph may nonetheless be permitted if information relating to a specific proposed transaction is presented to the Board of Directors and the Board (including a majority of the Independent Directors, as such term is defined in the Agreement) determines in its discretion (x) based upon an opinion of legal counsel or independent public accountants selected by the Board, that such transaction will not jeopardize or create a material limitation on the Corporation's then current or future ability to utilize its Tax Benefits, taking into account both the proposed transaction and potential future transactions, or (y) that the overall economic benefits of such

transaction to the Corporation outweigh the detriments of such transaction. Nothing in this subparagraph shall be construed to limit or restrict the Board of Directors in the exercise of its fiduciary duties under applicable law.

(b) Unless approval of the Board of Directors is obtained as provided in subparagraph (a)(ii) of this Article VIII, any attempted Transfer that is prohibited pursuant to subparagraph (a)(i) of this Article VIII, to the extent that the amount of Stock subject to such prohibited Transfer exceeds the amount that could be Transferred without restriction under subparagraph (a) (i) of this Article VIII (such excess hereinafter referred to as the "Prohibited Interests"), shall be void ab initio and not effective to transfer ownership of the Prohibited Interests with respect to the purported acquiror thereof (the "Purported Acquiror"), who shall not be entitled to any rights as a shareholder of the Corporation with respect to the Prohibited Interests (including, without limitation, the right to vote or to receive dividends with respect thereto), or otherwise as the holder of the Prohibited Interests. All rights with respect to the Prohibited Interests shall remain the property of the person who initially purported to Transfer the Prohibited Interests to the Purported Acquiror (the "Initial Transferor") until such time as the Prohibited Interests are resold as set forth in subparagraph (b)(i) or subparagraph (b)(ii) of this Article VIII.

(i) Upon demand by the Corporation, the Purported Acquiror shall Transfer any certificate or other evidence of purported ownership of the Prohibited Interests within the Purported Acquiror's possession or control, along with any dividends or other distributions paid by the Corporation with respect to the Prohibited Interests that were received by the Purported Acquiror (the "Prohibited Distributions"), to an agent designated by the Corporation (the "Agent"). If the Purported Acquiror has sold the Prohibited Interests to an unrelated party in an arms-length transaction after purportedly acquiring them, the Purported Acquiror shall be deemed to have sold the Prohibited Interests as agent for the Initial Transferor, and in lieu of Transferring the Prohibited Interests to the Agent shall Transfer to the Agent the Prohibited Distributions and the proceeds of such sale (the "Resale Proceeds") except to the extent that the Agent grants written permission to the Purported Acquiror to retain a portion of the Resale Proceeds not exceeding the amount that would have been payable by the Agent to the Purported Acquiror pursuant to the following subparagraph (b)(ii) if the Prohibited Interests had been sold by the Agent rather than by the Purported Acquiror. Any purported Transfer of the Prohibited Interests by the Purported Acquiror other than a Transfer described in one of the two preceding sentences shall not be effective to Transfer any ownership of the Prohibited Interests.

(ii) The Agent shall sell in an arms-length transaction (on the New York Stock Exchange, if possible) any Prohibited Interests transferred to the Agent by the Purported Acquiror, and the proceeds of such sale (the "Sales Proceeds"), or the Resale Proceeds, if applicable, shall be allocated to the Purported Acquiror up to the following amount: (x) where applicable, the

purported purchase price paid or value of consideration surrendered by the Purported Acquiror for the Prohibited Interests, and (y) where the purported Transfer of the Prohibited Interests to the Purported Acquiror was by gift, inheritance, or any similar purported Transfer, the fair market value of the Prohibited Interests at the time of such purported Transfer. Subject to the succeeding provisions of this subparagraph, any Resale Proceeds or Sales Proceeds in excess of the amount allocable to the Purported Acquiror pursuant to the preceding sentence, together with any Prohibited Distributions, shall be the property of the Initial Transferor. If the identity of the Initial Transferor cannot be determined by the Agent through inquiry made to the Purported Acquiror, the Agent shall publish appropriate notice (in The Wall Street Journal, if possible) for seven consecutive business days in an attempt to identify the Initial Transferor in order to transmit any Resale Proceeds or Sales Proceeds or Prohibited Distributions due to the Initial Transferor pursuant to this subparagraph. The Agent may also take, but is not required to take, other reasonable actions to attempt to identify the Initial Transferor. If after ninety (90) days following the final publication of such notice the Initial Transferor has not been identified, any amounts due to the Initial Transferor pursuant to this subparagraph may be paid over to a court or

governmental agency, if applicable law permits, or otherwise shall be transferred to an entity designated by the Corporation that is described in Section 501(c)(3) of the Code. In no event shall any such amounts due to the Initial Transferor inure to the benefit of the Corporation or the Agent, but such amounts may be used to cover expenses (including but not limited to the expenses of publication) incurred by the Agent in attempting to identify the Initial Transferor.

(c) Within thirty (30) business days of learning of a purported Transfer of Prohibited Interests to a Purported Acquiror, the Corporation through its Secretary shall demand that the Purported Acquiror surrender to the Agent the certificates representing the Prohibited Interests, or any Resale Proceeds, and any Prohibited Distributions, and if such surrender is not made by the Purported Acquiror within thirty (30) business days from the date of such demand the Corporation shall institute legal proceedings to compel such Transfer; provided, however, that nothing in this paragraph (c) shall preclude the Corporation in its discretion from immediately bringing legal proceedings without a prior demand, and also provided that failure of the Corporation to act within the time periods set out in this paragraph (c) shall not constitute a waiver of any right of the Corporation under this Article VIII.

(d) Upon a determination by the Board of Directors that there has been or is threatened a purported Transfer of Prohibited Interests to a Purported Acquiror, the Board of Directors may take such action in addition to any action required by the preceding paragraph as it deems advisable to give effect to the provisions of this Article VIII, including, without limitation, refusing to give effect on the books of this Corporation to such purported Transfer or instituting proceedings to enjoin such purported Transfer.

(e) In the event of any Transfer which does not involve a Transfer of "securities" of the Corporation within the meaning of the Maryland Securities Act, as amended ("Securities"), but which would cause a person or Public Group (the "Prohibited Party") to violate a restriction provided for in subparagraph (a) of this Article VIII, the application of subparagraphs (b) and (c) of this Article VIII shall be modified as described in this paragraph (e). In such case, the Prohibited Party and/or any person or Public Group whose ownership of the Corporation's Securities is attributed to the Prohibited Party pursuant to Section 382 of the Code and the Treasury Regulations thereunder (collectively, the "Prohibited Party Group") shall not be required to dispose of any interest which is not a Security, but shall be deemed to have disposed of, and shall be required to dispose of, sufficient Securities (which Securities shall be disposed of in the inverse order in which they were acquired by members of the Prohibited Party Group), to cause the Prohibited Party, following such disposition, not to be in violation of subparagraph (a) of this Article VIII. Such disposition shall be deemed to occur simultaneously with the Transfer giving rise to the application of this provision, and such amount of Securities which are deemed to be disposed of shall be considered Prohibited Interests and shall be disposed of through the Agent as provided in subparagraphs (b) and (c) of this Article VIII, except that the maximum aggregate amount payable to the Prohibited Party Group in connection with such sale shall be the fair market value of the Prohibited Interests at the time of the prohibited Transfer. All expenses incurred by the Agent in disposing of the Prohibited Interests shall be paid out of any amounts due the Prohibited Party Group.

(f) The Corporation may require as a condition to the registration of the transfer of any shares of its Stock that the proposed Transferee furnish to the Corporation all information reasonably requested by the Corporation with respect to all the proposed Transferee's direct or indirect ownership interests in, or options to acquire, Stock.

(g) All certificates evidencing ownership of shares of Stock that are subject to the restrictions on Transfer contained in this Article VIII shall bear a conspicuous legend referencing the restrictions set forth in this Article VIII.

(h) Any person who knowingly violates the restrictions on Transfer set forth in this Article VIII will be liable to the Corporation for any costs incurred by the Corporation as a result of such violation.

(i) Nothing contained in this Article VIII shall limit the authority of the Board of Directors to take such other action to the extent permitted by law as it deems necessary or advisable to protect the Corporation and the interests of the holders of its securities in preserving the Tax Benefits. Without limiting the generality of the foregoing, in the event of a change in law or Treasury Regulations making one or more of the following actions necessary or desirable,

the Board of Directors may (i) accelerate or extend the Expiration Date, (ii) modify the Ownership Interest Percentage in the Corporation specified in the first sentence of subparagraph (a)(i), or (iii) modify the definitions of any terms set forth in this Article VIII; provided that the Board of Directors shall

determine in writing that such acceleration, extension, change or modification is reasonably necessary or advisable to preserve the Tax Benefits under the Code and the regulations thereunder or that the continuation of these restrictions is no longer reasonably necessary for the preservation of the Tax Benefits, which determination shall be based upon an opinion of legal counsel or independent public accountants to the Corporation.

(j) The Corporation and the Board of Directors shall be fully protected in relying in good faith upon the information, opinions, reports or statements of the chief executive officer, the chief financial officer, or the chief accounting officer of the Corporation or of the Corporation's legal counsel, independent auditors, transfer agent, investment bankers, and other employees and agents in making the determinations and findings contemplated by this Article VIII, and neither the Corporation nor the Board of Directors shall be responsible for any good faith errors made in connection therewith.

ARTICLE IX

DURATION

The duration of the Corporation shall be perpetual.

SECOND: The Corporation's charter is not amended by these Articles of Restatement. The provisions set forth in these Articles of Restatement are all of the provisions of the Corporation's charter currently in effect.

THIRD: The foregoing restatement has been unanimously approved by the Board of Directors of the Corporation at a meeting of the Board of Directors on July 17, 1997.

FOURTH: The Corporation currently has 5 directors; the directors currently in office are:

William W. Cleverly
Steven J. Hilton
Alan D. Hamberlin
Robert G. Sarver
C. Timothy White

FIFTH: The current address of the principal office of the Corporation is c/o the Corporation Trust Incorporated, 32 South Street, Baltimore, Maryland 21202 and the Corporation's current resident agent is The Corporation Trust Incorporated, whose address is 32 South Street, Baltimore, Maryland 21202

SIXTH: These Articles of Restatement do not increase the authorized stock of the Corporation or the aggregate par value of such authorized stock.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Restatement to be signed in its name and on its behalf by its President and attested by its Secretary all as of September 22, 1997.

The undersigned President acknowledges these Articles of Restatement to

be the corporate act of the Corporation and states that, to the best of his knowledge, information and belief, the matters and facts set forth herein with respect to the authorization and approval hereof are true in all material respects and that this statement is made under penalties of perjury.

ATTEST:	MONTEREY HOMES CORPORATION
By:	By:
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Larry W. Seay, Secretary	Steven J. Hilton, President

EXHIBIT 5

Venable, Baetjer, Howard & Civiletti, LLP
1201 New York Avenue, NW
Suite 1000
Washington, DC 20005-3917

June 21, 2002

Meritage Corporation
6613 North Scottsdale Rd., Suite 200
Scottsdale, Arizona 85250

RE: PUBLIC OFFERING OF COMMON STOCK OF MERITAGE CORPORATION
PURSUANT TO A REGISTRATION STATEMENT ON FORM S-3 AND A
PROSPECTUS SUPPLEMENT DATED JUNE 20, 2002

Ladies and Gentlemen:

We have acted as special Maryland counsel for Meritage Corporation, a Maryland corporation (the "Registrant"), in connection with the Registrant's proposed public offering of 1,750,000 shares of its Common Stock , $0.01 par value per share, subject to an option to offer an additional 262,500 shares of Common Stock to cover over-allotments, if any (such offered shares and the shares subject to the over-allotment option, the "Shares"), pursuant to a Registration Statement filed on Form S-3 (Registration No. 333-87398) (the "Registration Statement"). On June 21, 2002, the Registrant filed with the Securities and Exchange Commission (the "Commission") a final prospectus supplement (the "Prospectus Supplement") to the Prospectus dated May 14, 2002 included in the Registration Statement (the "Prospectus") with respect to the Shares.

In connection with this opinion, we have considered such questions of law as we have deemed necessary as a basis for the opinion set forth below, and we have examined or otherwise are familiar with originals or copies, certified or otherwise identified to our satisfaction, of the following:

(i) the Registration Statement, including the Prospectus, and the Prospectus Supplement, in substantially final form;

(ii) a certificate, dated June 21, 2002, issued by the Maryland State Department of Assessments and Taxation (the "SDAT") to the effect that the Registrant is duly incorporated and existing under the laws of the State of Maryland and is in good standing and duly authorized

to transact business in the State of Maryland (upon which we have relied as to those matters addressed therein);

(iii) the Registrant's (a) Articles of Amendment and Restatement, as filed with the SDAT on July 12, 1988, as certified by the SDAT on June 7, 2002, (b) Articles of Amendment, as filed with the SDAT on April 12, 1990, as certified by the SDAT on June 7, 2002, (c) Articles of Merger of Monterey Homes Construction II, Inc. and Monterey Homes Arizona, II, Inc. into Homeplex Mortgage Investments Corporation, as filed with the SDAT on December 31, 1996, as certified by the SDAT on June 7, 2002, (d) Articles of Restatement, as filed with the SDAT on September 24, 1997, as certified by the SDAT on June 5, 2002, (e) Articles of Amendment, as filed with the SDAT on September 16, 1998, as certified by the SDAT on June 5, 2002, and (f) Certificate of Correction, filed with the SDAT on June 20, 2002, as certified by the SDAT on June 20, 2002 (collectively, the "Charter");

(iv) the Bylaws of the Registrant as certified by the Secretary of the Registrant on June 21, 2002; (the "Bylaws")

(v) certain resolutions adopted by the Board of Directors of the Registrant relating to the authorization and issuance of the Shares pursuant to the Registration Statement and the Prospectus Supplement, as certified by the Secretary of the Registrant on June 21, 2002;

(vi) a certificate of the Secretary of the Registrant dated June 21, 2002, relating to such resolutions and certain other matters; and

(vii) such other documents as we have deemed necessary or appropriate as a basis for the opinion set forth below.

In our examination, we have assumed, without independent verification, the genuineness of all signatures, the legal capacity of all natural persons, the accuracy, completeness and authenticity of all documents submitted to us as originals, the conformity with the original documents of all documents submitted to us as certified, facsimile, photostatic or reproduced copies and the authenticity, accuracy and completeness of the originals of such copies. As to any facts material to this opinion that we did not independently establish or verify, we have relied upon statements and representations of officers and other representatives of the Registrant and others.

Based upon the foregoing, we are of the opinion that the Shares have been duly authorized for issuance and that when sold, issued, paid for and delivered in the manner

contemplated by the Prospectus Supplement, the Shares will be validly issued, fully paid and nonassessable.

This letter is strictly limited to the matters expressly set forth herein and no statements or opinions should be inferred beyond such matters. This opinion is limited to the corporate law of the State of Maryland governing matters such as the authorization and issuance of stock (without regard to the principles of conflicts of laws thereof) and is based upon and limited to such laws in effect as of the date hereof. We assume no obligation to update the opinion set forth herein. This opinion does not extend to the securities or "blue sky" laws of Maryland or any other state, to the federal securities laws or to any other laws.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Form 8-K filed with the Commission this day by the Registrant, the incorporation by reference of this opinion into the Registration Statement and the reference to our firm under the caption "Legal Matters" in the Prospectus Supplement comprising part of the Registration Statement. In giving such consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission thereunder. This opinion is intended solely for use in connection with the transactions described above. It may not be relied upon for any other purpose without our prior written consent.

Very truly yours,

/s/ Venable, Baetjer, Howard
and Civiletti, LLP

EIGHTH MODIFICATION AGREEMENT EXHIBIT 10.1

This EIGHTH MODIFICATION AGREEMENT (this "Agreement") is made and entered into as of May 31, 2002, by and between LEGACY/MONTEREY HOMES L.P., an Arizona limited partnership,) HANCOCK-MTH COMMUNITIES, INC., an Arizona corporation and HANCOCK-MTH BUILDERS, INC., an Arizona corporation, jointly and severally (collectively, "Borrower"), and GUARANTY BANK, a federal savings bank ("Lender").

W I T N E S S E T H:

WHEREAS, pursuant to a certain Master Loan Agreement (the "Loan Agreement") dated as of January 31, 1993, between Lender and Borrower, Lender made a loan (the "Loan") to Borrower, evidenced by a certain Revolving Promissory Note (the "Note") dated as of January 31, 1993, payable to Lender in the stated principal amount of SEVENTY-FIVE MILLION AND NO/100 DOLLARS ($75,000,000.00), with interest and principal payable as set forth therein; and

WHEREAS, to secure the Note and Loan, Master Form Deed(s) of Trust (With Security Agreement and Assignment of Rents and Leases) (hereinafter collectively referred to as the "Master Deeds of Trust," whether one or more), which Master Deeds of Trust have been recorded in certain counties in the State of Texas as more particularly described on Exhibit A attached hereto; and which Master Deeds of Trust are incorporated by reference pursuant to the terms and provisions of certain Deeds of Trust Incorporating by Reference a Master Form Deed of Trust (With Security Agreement and Assignment of Rents and Leases) (hereafter collectively referred to as the "Supplemental Deeds of Trust," whether one or more) recorded in such counties and encumbering certain real and other property (the "Property") described in such Supplemental Deeds of Trust (such Master Deeds of Trust and Supplemental Deeds of Trust hereafter collectively referred to as the "Deeds of Trust," whether one or more); and

WHEREAS, the Deeds of Trust were modified pursuant to a Modification Agreement (the "First Modification"), and recorded in various counties in Texas, which First Modification modified certain terms and provisions of the Loan as set forth therein; and

WHEREAS, the Deeds of Trust were further pursuant to a Second Modification Agreement (the "Second Modification") dated as of May 19, 1998, and recorded in various counties in Texas, which Second Modification modified certain terms and provisions of the Loan as set forth therein; and

WHEREAS, the Deeds of Trust were further pursuant to a Third Modification Agreement (the "Third Modification") dated as of March 30, 1999, and recorded in various counties in Texas, which Third Modification modified certain terms and provisions of the Loan as set forth therein; and

WHEREAS, the Deeds of Trust were further pursuant to a Fourth Modification Agreement (the "Fourth Modification") dated as of July 31, 1999, and recorded in various counties in Texas, which Fourth Modification modified certain terms and provisions of the Loan as set forth therein; and

WHEREAS, the Deeds of Trust were further pursuant to a Fifth Modification Agreement (the "Fifth Modification") dated March 24, 2000, and recorded in various counties in Texas, which Fifth Modification modified certain terms and provisions of the Loan as set forth therein; and

WHEREAS, the Deeds of Trust were further pursuant to a Sixth Modification Agreement (the "Sixth Modification") dated as of July 31, 2000, and recorded in various counties in Texas, which Sixth Modification modified certain terms and provisions of the Loan as set forth therein; and

WHEREAS, the Deeds of Trust were further pursuant to a Seventh Modification Agreement (the "Seventh Modification") dated as of _____, 2001, and recorded in various counties in Texas, which Seventh Modification modified certain terms and provisions of the Loan as set forth therein; and

WHEREAS, the Deeds of Trust were further pursuant to a Ratification and Assumption Agreement (the "Ratification Agreement") dated as of December _____, 2001, and recorded in various counties in Texas, which Ratification Agreement modified certain terms and provisions of the Loan as set forth therein; and

WHEREAS, the Note and the Loan are guaranteed pursuant to that certain Guaranty Agreement dated as of June 30, 1997 (the "Guaranty"), executed by MTH-Texas GP, Inc., an Arizona corporation, MTH-Texas LP, Inc., an Arizona corporation, and Meritage Corporation, a Maryland corporation ("Guarantor," whether one or more); and

WHEREAS, the Loan Agreement, the Note, the First Modification, the Second Modification, the Third Modification, the Fourth Modification, the Fifth Modification, the Sixth Modification, the Seventh Modification, the Ratification Agreement, the Deeds of Trust and all other documents evidencing and/or securing the Loan are hereinafter collectively called the "Loan Instruments"; and

WHEREAS, Lender, the owner and holder of the Note and the Deeds of Trust and all rights and titles evidenced thereby, and Borrower, the record owner of the Property and being liable for the payment of the Note and Loan, desire to modify the Loan Instruments as herein provided.

NOW, THEREFORE, in consideration of Ten and No/100 Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. The stated maturity date of the Note is hereby extended to and including May 31, 2003, 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 the Loan Agreement.

2. Borrower shall execute and deliver to Lender a letter agreement (in form and substance satisfactory to Lender in its sole discretion) (the "Letter Agreement") dated as of the date hereof amending certain other terms and provisions of the Loan Instruments. (Hereafter, this Agreement and the Letter Agreement shall be included in the defined term "Loan Instruments.")

3. Borrower and Lender acknowledge and agree that Section 3.2 of the Deeds of Trust shall be deleted and replaced with the following:

> 3.2 Notice of Changes: Grantor shall not change (a) the location of its place of business or its chief executive office if it has more than one place of business, (b) the location of any of the Mortgaged Property, (c) Grantor's name or business structure, including Grantor's state of organization or registration, without in each instance the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, delayed or conditioned. Beneficiary's consent will, however, be conditioned upon, among other things, the execution and delivery of additional financing statements, security agreements and other instruments which may be necessary to effectively evidence or perfect Beneficiary's security interest in the Mortgaged Property as a result of such changes. Grantor's principal place of business and its chief executive office as of the date hereof are located at the address set forth in the initial paragraph of this Deed of Trust.

4. Borrower and Lender acknowledge and agree that the following shall be added as new Section 6.17 to the Deeds of Trust:

> Section 6.17 Prohibited Person Compliance:
>
> (a) Grantor warrants, represents and covenants that neither Grantor nor any of its affiliated entities is or will be an entity or person (i) that is subject to Executive Order 13224 issued on September 24, 2001 ("EO13224"), (ii) whose name appears on the United States Treasury Department's Office of Foreign Assets Control ("OFAC") most current list of "Specifically Designated National

> and Blocked Persons," (iii) who commits, threatens to commit or supports "terrorism," as that term is defined in EO13224, or (iv) who is otherwise affiliated with any entity or person listed above (any and all parties or persons described in subparts [i] - [iv] above are herein referred to as a "Prohibited Person").
>
> (b) Grantor covenants and agrees that neither Grantor nor any of its affiliated entities will conduct any business, nor engage in any transaction or dealing, with any Prohibited Person, including, but not limited to, the making or receiving of any contribution of funds, goods, or services, to or for the benefit of a Prohibited Person.
>
> (c) In addition to any other indemnification provided herein, Grantor hereby indemnifies and holds Beneficiary harmless from all liability, damage or expense imposed on or incurred by Beneficiary from any claims resulting from Grantor conducting any business, or engaging in any transaction or dealing, with any Prohibited Person (including, without limitation, the making or receiving of any contribution of funds, goods or services, to or for the benefit of a Prohibited Person).
>
> Grantor covenants and agrees to deliver (from time to time) to Beneficiary any such certification or other evidence as may be requested by Beneficiary in its sole and absolute discretion, confirming that (i) Grantor is not a Prohibited Person, and (ii) Grantor has not engaged in any business, transaction or dealings with a Prohibited Person, including, but not limited to, the making or receiving of any contribution of funds, goods, or services, to or for the benefit of a Prohibited Person.

5. Borrower and Lender acknowledge and agree that Sections 9.1, 9.2,

9.3 and 9.4 of the Deeds of Trust shall be deleted and replaced with the following:

Section 9.1 Grantor's Warranties. Grantor hereby represents and warrants that, to the best of Grantor's knowledge, no hazardous waste (as defined in 42 U.S.C. Section 6901, et seq.) or hazardous substance (as defined in 42 U.S.C. Section 9601, et seq.), health hazards (including, without limitation, mold), other prohibited or harmful materials (together "Hazardous Materials") are now located on the Mortgaged Property and that neither Grantor nor, to the best of Grantor's knowledge, any other person has ever caused or permitted any Hazardous Materials to be placed, held, located or disposed of on, under or at the Mortgaged Property or any part thereof. To the best of Grantor's knowledge, no part of the Mortgaged Property has ever been used as a manufacturing, storage or dump site for Hazardous Materials, nor is any part of the Mortgaged Property affected by any Hazardous Materials ("Hazardous Materials Contamination"). To the best of Grantor's knowledge and belief, no property adjoining the Mortgaged Property has ever been used as a manufacturing, storage or dump site for Hazardous Materials nor is any other property adjoining the Mortgaged Property affected by Hazardous Materials Contamination.

Section 9.2 Grantor's Covenants. Grantor agrees to (a) give notice to Beneficiary immediately upon Grantor's acquiring knowledge of the presence of any Hazardous Materials on the Mortgaged Property or of any Hazardous Materials Contamination with a full description thereof; (b) promptly comply with any court order or other governmental requirement requiring the removal, treatment or disposal of such Hazardous Materials or Hazardous Materials Contamination and provide Beneficiary with satisfactory evidence of such compliance; and (c) provide Beneficiary, within thirty (30) days after demand by Beneficiary, with a bond, letter of credit or similar financial assurance evidencing to Beneficiary's satisfaction that the necessary funds are available to pay the cost of removing, treating and disposing of such Hazardous Materials or Hazardous Materials Contamination and discharging any assessments which may be established on the Mortgaged Property as a result thereof.

Section 9.3 Indemnification. Grantor shall defend, indemnify and hold harmless Beneficiary and Trustee from any and all liabilities (including strict

liability), actions, demands, penalties, losses, costs or expenses (including, without limitation, reasonable attorneys' fees and remedial costs), suits, costs of any settlement or judgment and claims of any and every kind whatsoever which may now or in the future (whether before or after the release of this Deed of Trust) be paid, incurred or suffered by or asserted against, Beneficiary or Trustee by any person or entity or governmental agency for, with respect to, or as a direct or indirect result of, the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or release from the Mortgaged Property of any Hazardous Materials or any Hazardous Materials Contamination or which arise out of or result from the environmental condition of the Mortgaged Property or the applicability of any court order or governmental requirement relating to Hazardous Materials, regardless of whether or not caused by or within the control of Beneficiary or Trustee. The representations, covenants and warranties contained in this Article 9 shall survive the foreclosure, deed-in-lieu of foreclosure and/or release of this Deed of Trust.

Section 9.4 Beneficiary's Right to Remove Hazardous Materials. Beneficiary shall have the right (but not the obligation), without in any way limiting Beneficiary's other rights and remedies under this Deed of Trust, to enter onto the Mortgaged Property or to take such other actions as it deems necessary or advisable to clean up, remove, resolve or minimize the impact of, or otherwise deal with (together with restoring the Mortgaged Property), any Hazardous Materials or Hazardous Materials Contamination on the Mortgaged Property following receipt of any notice from any person or entity asserting the existence of any Hazardous Materials or Hazardous Materials Contamination pertaining to the Mortgaged Property. All reasonable costs and expenses paid or incurred by Beneficiary in the exercise of any such rights shall be secured by this Deed of Trust and shall be payable by Grantor to Beneficiary upon demand.

6. Borrower acknowledges and agrees, that as an accommodation to Borrower, Exhibit A hereto (which exhibit describes the recording information of the Master Deeds of Trust) shall be attached to this Agreement (and to any and all other documents which may require the attachment of a description of the recording information of the Master Deeds of Trust) after Borrower's execution of same. Accordingly, Borrower hereby authorizes and directs Lender to attach such Exhibit A to this Agreement.

7. Notwithstanding anything to the contrary in any of the Loan

Instruments, Borrower acknowledges and agrees, that to the extent that Lender is relying on Chapter 303 of the Texas Finance Code to determine the Maximum Lawful Rate (hereafter defined) payable on the Note and/or the Related Indebtedness (hereafter defined) Lender will utilize the weekly ceiling from time to time in effect as provided in such Chapter 303, as amended. To the extent United States federal law permits Lender to contract for, charge, take, receive or reserve a greater amount of interest than under Texas law, Lender will rely on United States federal law instead of such Chapter 303 for the purpose of determining the Maximum Lawful Rate. Additionally to the extent permitted by applicable law now or hereafter in effect, Lender may, at its option and from time to time, utilize any other method of establishing the Maximum Lawful Rate under such Chapter 303 or under other applicable law by giving notice, if required, to Borrower as provided by applicable law now or hereafter in effect. As used herein, the term "Maximum Lawful Rate" shall mean the maximum lawful rate of interest which may be contracted for, charged, taken, received or reserved by Lender in accordance with the applicable laws of the State of Texas (or applicable United States federal law to the extent that it permits Lender to contract for, charge, take, receive or reserve a greater amount of interest than under Texas law), taking into account all Charges (as hereafter defined) made in connection with the transaction evidenced by the Note and the other Loan Instruments. As used herein, the term "Charges" shall mean all fees, charges and/or any other things of value, if any, contracted for, charged, received, taken or reserved by Lender in connection with the transactions relating to the Note and the other Loan Instruments, which are treated as interest under applicable law. As used herein, the term "Related Indebtedness" shall mean any and all debt paid or payable by Borrower to Lender pursuant to the Loan Instruments or any other communication or writing by or between Borrower and Lender related to the transaction or transactions that are the subject mater of the Loan Instruments, except such debt which has been paid or is payable by Borrower to Lender.

8. Notwithstanding anything to the contrary contained in the Deeds of Trust or other

Loan Instruments, with respect to any amendment to the Master Deeds of Trust, the following terms and provisions shall apply:

> With respect to any amendment or modification of the Master Deeds of Trust now or hereafter executed by Borrower (or any future owner of the Property if different from Borrower) and duly recorded in the appropriate official public records, Borrower acknowledges and agrees that such amendment or modification of the Master Deeds of Trust shall constitute an amendment or modification to the terms and provisions of any such Supplemental Deeds of Trust (and shall be incorporated into any such Supplemental Deeds of Trust and made a part thereof for all purposes, as though such amendment or modification of the Master Deeds of Trust specifically referred to such Supplemental Deeds of Trust) without the necessity of any specific reference in such amendment or modification to any such Supplemental Deeds of Trust; and no such amendment or modification of the Master Deeds of Trust shall impair the obligations of Borrower under any such Supplemental Deeds of Trust or any other of the Loan Instruments.

9. Borrower hereby expressly promises to pay to the order of Lender, the principal amount of the Note (as modified and extended) and all accrued and unpaid interest now or hereafter to become due and payable under the Note, and Borrower hereby expressly promises to perform all of the obligations of Borrower under the Loan Instruments (as modified and extended).

10. The liens of the Deeds of Trust are hereby acknowledged by Borrower to be good, valid and subsisting liens, and such liens are hereby renewed and extended so as to secure the payment of the Note and Loan (as modified and extended).

11. Borrower hereby represents and warrants to Lender that (a) Borrower is the sole legal and beneficial owner of the Property; (b) Borrower has the full power and authority to make the agreements contained in this Agreement without joinder or consent of any other party; (c) the execution, delivery and performance of this Agreement will not contravene or constitute an event which itself or which with the passing of time or giving of notice or both would constitute a default under any deed of trust, loan agreement, indenture or other agreement to which Borrower or Guarantor is a party or by which Borrower or any of its property is bound; and (d) there exists no default under the Loan Instruments (as modified). BORROWER HEREBY AGREES TO INDEMNIFY AND HOLD LENDER HARMLESS AGAINST ANY LOSS, CLAIM, DAMAGE, LIABILITY OR EXPENSE (INCLUDING WITHOUT LIMITATION, ATTORNEYS' FEES) INCURRED AS A RESULT OF ANY REPRESENTATION OR WARRANTY MADE BY BORROWER HEREIN PROVING TO BE UNTRUE IN ANY MATERIAL RESPECT.

12. The terms and conditions hereof may not be modified, amended, altered or otherwise affected except by instrument in writing executed by Lender and Borrower.

13. All Loan Instruments are hereby amended and modified in a manner

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

14. Borrower agrees to pay to Lender, contemporaneously with the execution and delivery hereof, all costs and expenses incurred in connection with this transaction, title insurance endorsement premiums, reasonable fees of Lender's counsel and recording fees.

15. Borrower hereby agrees to execute and deliver to Lender such further documents and instruments evidencing or pertaining to the Loan, as modified and increased hereby, as may be reasonably requested by Lender from time to time so as to evidence the terms and conditions hereof.

[The balance of this page is intentionally left blank.]

EXECUTED on the date(s) set forth in the acknowledgment(s) below to be EFFECTIVE as of the date first above written.

BORROWER:

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

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

By: _____
Name: _____
Title: _____

HANCOCK-MTH COMMUNITIES, INC.,
an Arizona corporation

By: _____
Name: _____
Title: _____

HANCOCK-MTH BUILDERS, INC.,
an Arizona corporation

By: _____
Name: _____
Title: _____

LENDER:

GUARANTY BANK
a federal savings bank

By: _____
Name: _____
Title: _____

STATE OF _____)
)
COUNTY OF _____)

This instrument was ACKNOWLEDGED before me on _____, 2002, by _____, _____ of MTH-TEXAS GP, INC., an Arizona corporation, as General Partner of LEGACY/MONTEREY HOMES L.P., an Arizona limited partnership, on behalf of said

limited partnership.

[S E A L]

_____
Notary Public

My Commission Expires:

_____
Printed Name of Notary Public

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was ACKNOWLEDGED before me on _____, 2002, by _____, _____ of HANCOCK-MTH COMMUNITIES, INC., an Arizona corporation, on behalf of said corporation.

[S E A L]

_____
Notary Public

My Commission Expires:

_____
Printed Name of Notary Public

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was ACKNOWLEDGED before me on _____, 2002, by _____, _____ of HANCOCK-MTH BUILDERS, INC., an Arizona corporation, on behalf of said corporation.

[S E A L]

_____
Notary Public

My Commission Expires:

_____
Printed Name of Notary Public

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2002, by _____, _____ of GUARANTY BANK, a federal savings bank, on behalf of said federal savings bank.

_____
Notary Public in and for the above county and state

My Commission Expires:

_____
Printed Name of Notary Public

_____

CONSENT OF GUARANTOR

Each of the undersigned, as a guarantor ("Guarantor," whether one or more) of the loan (the "Loan"), evidenced by the Note and secured by the Deeds of Trust described in the foregoing Eighth Modification Agreement (the "Agreement") to which this Consent is attached, hereby acknowledge and consent (jointly and severally) to the terms of the Agreement and agree (jointly and severally) that the execution and delivery of the Agreement will in no way change or modify Guarantor's respective obligations under their respective

Guaranty (as defined in the Agreement); and each Guarantor acknowledges and agrees (jointly and severally) that the Indebtedness (as defined in the respective instruments comprising the Guaranty) includes the Loan, together with any and all other Indebtedness now or at any time hereafter owing by Guarantor to Lender; and each Guarantor (jointly and severally) hereby unconditionally and absolutely guarantees to Lender the payment when due of such Indebtedness, and hereby acknowledge and agree that their respective Guaranty is in full force and effect, and that there are no claims, counterclaims, offsets or defenses to their respective Guaranty; and each Guarantor acknowledges and consents (jointly and severally) to the terms of any and all prior modifications to the terms of the Loan (including, without limitation, any and all extensions of the term thereof and increases in the principal thereof prior to the date hereof, if any).

EXECUTED on the date(s) set forth in the acknowledgment(s) below to be EFFECTIVE as of the 31st day of May, 2002.

GUARANTOR:

MERITAGE CORPORATION,
a Maryland corporation

By: _____
Name: _____
Title: _____

MTH-TEXAS GP, INC.,
an Arizona corporation

By: _____
Name: _____
Title: _____

MTH-TEXAS LP, INC.,
an Arizona corporation

By: _____
Name: _____
Title: _____

STATE OF _____) (section symbol)
) (section symbol)
COUNTY OF _____) (section symbol)

This instrument was ACKNOWLEDGED before me on _____, 2002, by _____, _____ of MERITAGE CORPORATION, a Maryland corporation, on behalf of said corporation.

[S E A L]

_____
Notary Public

My Commission Expires:

_____

_____
Printed Name of Notary Public

STATE OF _____) (section symbol)
) (section symbol)
COUNTY OF _____) (section symbol)

This instrument was ACKNOWLEDGED before me on _____, 2002, by _____, _____ of MTH-TEXAS GP, INC., an Arizona corporation, on behalf of said corporation.

[S E A L]

_____
Notary Public

My Commission Expires:

_____ _____
Printed Name of Notary Public

As of May 31, 2002

Guaranty Bank
8333 Douglas Avenue
Dallas, Texas 75225

Re: Modification of an existing $75,000,000.00 guidance line from Guaranty Bank, a federal savings bank ("Lender") to Legacy/Monterey Homes L.P., an Arizona corporation, Hancock-MTH Communities, Inc., an Arizona corporation and Hancock-MTH Builders, Inc., an Arizona corporation, jointly and severally (collectively "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 $75,000,000.00 loan (as increased) (the "Loan") for the acquisition and/or refinancing of residential lots located in certain counties in the States of Texas and Arizona 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 (i) the "Loan Instruments" as defined in the Loan Agreement, (ii) the modification agreements dated as of even date herewith, executed by and between the parties hereto, and (iii) 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 May 31, 2003, 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. Exhibit A to the Loan Agreement is hereby modified by deleting such exhibit in its entirety and replacing it with Exhibit A attached hereto.

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. This letter agreement constitutes the "Letter Agreement" referred to in the Sixth Modification Agreement of even date herewith executed by and between the parties hereto.

5. 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.

6. 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: _____
Name: _____
Title: _____

HANCOCK-MTH COMMUNITIES, INC.,
an Arizona corporation

By: _____
Name: _____
Title: _____

HANCOCK-MTH BUILDERS, INC.,
an Arizona corporation

By: _____
Name: _____
Title: _____

GUARANTOR:

MERITAGE CORPORATION,
a Maryland corporation

By: _____
Name: _____
Title: _____

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

By: _____
Name: _____
Title: _____

MTH-TEXAS LP, INC.,
an Arizona corporation

By: _____
Name: _____
Title: _____

ACCEPTED AND AGREED TO:

LENDER:

GUARANTY BANK,
a federal savings bank

By:

Name:

Title:

EXHIBIT A

TO LOAN AGREEMENT

1. Introductory Paragraph. RESIDENCE AND INVENTORY LOT LIMITATIONS. At any given time, Residences and Inventory Lots financed under the Loan shall be limited to the following numbers, unless modified by Lender in writing:

Total Residences: Nine Hundred Fifty (950).
Specs: One Hundred Sixty (160).
Models: Seventy (70).
Inventory Lots: One Thousand Four Hundred (1,400).

Borrower may increase the number of Specs allowed above by the same number by which Borrower is short of Models allowed above. Borrower covenants and agrees not to allow, and is prohibited from allowing, any more than fifteen (15) Specs, four (4) Models or two hundred (200) Inventory Lots to exist in any Approved Subdivision (as hereinafter defined).

The outstanding aggregate amount of the Loan Allocations for all Specs and Models at any time shall never exceed $31,250,000.00.

The outstanding aggregate amount of the Loan Allocations for all Inventory Lots at any time shall never exceed $22,500,000.00.

The term "Specs" means a Residence which is not a Model and is not Under Contract.

The term "Model" means a Residence specifically utilized for the purposes of marketing other residential products.

The term "Under Contract" shall mean Residences under written contract to sell to bona fide third parties unrelated to Borrower, having no contingency or any other conditions not reasonably susceptible to being satisfied, providing for earnest money deposits of at least $2,000.00, and for which Lender has received preliminary loan approval from a bona fide residential permanent lender.

The term "Inventory Residence" means any Residence which is not a Model.

2. Introductory Paragraph. APPROVED SUBDIVISIONS. The following subdivisions and any additional subdivisions approved in writing by Lender (the "Approved Subdivisions") are approved by Lender for the Residences and Inventory Lots:

<TABLE>
<CAPTION>

Subdivision	County
<S>	<C>
Auburn Ridge - Pinelakes	Harris
Bethany Ridge	Collin
Candle Meadow	Dallas
Canyon Gate at The Brazos	Fort Bend
Canyon Gate at Cinco Ranch	Fort Bend
Cypress Mills	Harris
Cypress Point	Denton
Parks at Deer Creek	Tarrant
El Dorado Heights	Collin
Forest Creek	Williamson
Forest Oaks	Denton
Hillcrest Estates	Collin

Indian Pointe Estates	Dallas
Lakeside Village Estates	Dallas
Legend Bend	Denton
Legend Crest	Collin
McCreary Estates	Tarrant
Parkwood Hills	Tarrant

EXHIBIT A, Page 1

<S>	<C>
Pine Lakes	Harris
Plum Creek	Hays
Ryan Ranch	Denton
Springbrook Glen	Williamson
Spring Meadow	Collin
Stone Gate	Tarrant
Stone Meadow	Tarrant
Village at Western Oaks	Travis
Westchester Square	Dallas
Westwood Shores	Dallas
Wimbledon Champions	Harris
Winding Hollow	Dallas
Windy Hills Farm	Collin

3. Introductory Paragraph. APPROVED PRICE RANGE. The Residences shall be in the $70,000.00 to $400,000.00 price range; provided, however, Residences in any Approved Subdivision in the Austin, Texas metropolitan area may have a $70,000.00 to $900,000.00 price range.

4. Paragraph 1(c). GUARANTOR. Guarantor of the Loan shall be: Meritage Corporation, a Maryland corporation; MTH-Texas G.P., Inc., an Arizona corporation; and MTH-Texas L.P., Inc., an Arizona corporation.

5. Paragraph 2(h). LOAN FINANCE CHARGE. None.

6. Paragraph 2(k) and 6(g). INSPECTION FEE. An inspection fee of $30.00 per Residence shall be paid to Lender on the day the Mortgage pertaining to such Residence is recorded in the Real Property Records.

7. Paragraph 4(c). LOAN RATIOS. With respect to Residences Under Contract, the Loan Allocation shall not exceed the lesser of (1) one hundred percent (100%) of the direct costs of a Property, as determined by Lender or, (2) eighty percent (80%) of the lowest of the values as provided in Paragraph 4(c) (i), (ii) and (iii) of this Loan Agreement.

With respect to Specs, Models and Inventory Lots, the Loan Allocation shall not exceed the lesser of (1) one hundred percent (100%) of the direct costs of a Property, as determined by Lender or, (2) seventy-five percent (75%) of the lowest of the values as provided in Paragraph 4(c) (i), (ii) and (iii) of this Loan Agreement.

8. Paragraph 6(q). OTHER ENTITIES. The Mortgages shall additionally secure all other indebtedness now or hereafter owed by the following entities to Lender: None.

9. Paragraph 6(s). REQUIRED RELEASES. Borrower shall cause: (a) Inventory Residences to be released from a Mortgage nine (9) months from the day such Mortgage is recorded in the Real Property Records, (b) Models to be released from a Mortgage twenty-four (24) months from the day such Mortgage is recorded in the Real Property Records, and (c) Inventory Lots to be released from a Mortgage twelve (12) months from the day such Mortgage is recorded in the Real Property Records; provided, however, if no default then exists under any Loan Instruments, Lender may, at its option, extend the Required Release Date for periods of six (6) months (the "Extended Release Date"); provided, such Extended Release Date shall in no event go beyond the Stated Maturity Date (as hereinafter defined) or the Extended Maturity Date (as hereinafter defined), if applicable.

10. Paragraph 7. REQUIRED PRINCIPAL REDUCTIONS. Prior to the date that Lender gives Borrower the notice described in Paragraph 4(f) above, the following shall apply: in the event a Property has been granted an Extended Release Date (as provided in Paragraph 9 of this Exhibit A) and a Mortgage remains covering such Property beyond the following periods from the date such Mortgage is recorded, then Borrower shall make a principal payment of the Note in an amount equal to ten percent (10%) of the Loan Allocation with respect to such Property (and the Loan Allocation for such Property shall be reduced by the same amount), as determined by Lender:

Inventory Residences:	Fifteen (15) months.
Models:	Twenty-four (24) months.
Inventory Lots:	Twelve (12) months.

From and after the date that Lender gives Borrower the notice described in Paragraph 4(f) of the Loan Agreement, the following shall apply: in the event a Property has been granted an Extended Release Date, as provided in Paragraph 9 of this Exhibit A, Borrower shall make a principal payment on the Note of ten percent (10%) of that portion of the Loan advanced by Lender for such Property, within the following periods from the date a Mortgage covering such Property is recorded in the Real Property Records:

Inventory Residences:	Fifteen (15) months.
Models:	Twenty-four (24) months.
Inventory Lots:	Twelve (12) months.

11. Paragraph 9. MATURITY AND EXTENSION. The maturity date of the Note shall be the later of the maturity date as provided in the Note (May 31, 2003) (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.

12. Paragraph 10. ADDITIONAL DEFAULTS. In addition to the events of default stipulated in the Loan Instruments, it shall be a default under this Loan Agreement if Borrower fails to comply with any of the following: None.

13. Paragraph 11. ADDITIONAL LOAN COVENANTS. Borrower shall fully perform and satisfy the following "Additional Loan Covenants":

(a) The aggregate net worth of Borrower (determined in accordance with generally accepted accounting principles, consistently applied) shall not fall below $50,000,000.00.

(b) The ratio of total liabilities to equity (as determined by Lender) shall not exceed 3.0 to 1.0.

(c) John Landon shall at all times retain management control of Borrower.

(d) In no event shall Meritage Corporation, a Maryland corporation, be in default under any secured indebtedness.

If Borrower or Guarantor (if applicable to Guarantor) breaches any of the Additional Loan Covenants then, at Lender's election, no additional Mortgages shall be recorded in the Real Property Records; provided, however, that a breach of any Additional Loan Covenants shall not be considered a default under the Loan Instruments.

14. Paragraph 16(d). RELEASE PRICE. The partial release price shall be a cash amount equal to the Loan Allocation for the Property multiplied by the Stage (expressed as a percentage) of the Property, all as determined by Lender; provided, however, if Lender shall have given Borrower the notice described in Paragraph 4(f) of the Loan Agreement, then the partial release price shall be an amount in cash equal to one hundred and one hundred percent (100%) of the outstanding balance of the Loan advanced by Lender for the Property.

15. Paragraph 16(e). EXTENSION FEE. If Lender extends the Required Release Date, as provided in Paragraph 9 of this Exhibit A, Borrower shall pay to Lender an extension fee of one percent (1%) of that portion of the Loan advanced by Lender for each such Property times a fraction, the numerator of which is the number of days the Required Release Date is extended and the denominator of which is 365.

EXHIBIT A

Description of the Deed(s) of Trust

EXHIBIT 10.2

DEFERRED BONUS AGREEMENT

2001 AWARD YEAR

THIS DEFERRED BONUS AGREEMENT (the "Agreement") is entered into as of May 1, 2002, by Larry W. Seay (the "Executive") and Meritage Corporation, an Arizona corporation (the "Company").

1. PURPOSE.

The purpose of this Agreement is to reward Executive for his service for the Company.

2. COMPANY CONTRIBUTION.

The Company agrees to make a "Company Contribution" of $45,000 to the Deferred Bonus Account established pursuant to Section 3 effective as of December 31, 2001. The purpose of this Company Contribution is to further compensate Executive for his many years of service to the Company as a tool to retain the valuable services of the Executive.

3. DEFERRED COMPENSATION ACCOUNT.

The Company shall maintain a bookkeeping account (the "Deferred Bonus Account") to which it shall credit the Company Contribution in accordance with Section 2. Interest shall be credited to the Deferred Bonus Account in accordance with Section 5, below. The Deferred Compensation Account is a bookkeeping account only and Executive shall not have any claim to any particular assets of the Company.

4. VESTING.

(a) As of the date of this Agreement, the Company Contribution credited to Executive's Deferred Bonus Account shall be unvested and subject to forfeiture on the termination of Executive's employment for any reason prior to January 1, 2005. If Executive continues to be employed by the Company on and through December 31, 2004, Executive shall be fully vested in amounts credited to his Deferred Bonus Account and his rights and interests therein shall not be forfeitable.

(b) Not withstanding the previous paragraph 4(a), if the Executive is terminated without "cause", upon a "change of control", or upon the "death" or "disability" of Executive, (as defined in the Executives' Employment Agreement), all amounts due under this Agreement shall fully vest and shall be payable within 30 days of the Executives' termination.

5. INTEREST.

Each December 31, the Company shall credit the Deferred Bonus Account with interest calculated at an annual rate equal to 1.5% plus the prime rate as announced in the Wall Street Journal on the first business day of each year compounded annually (or, if no prime rate is announced in the Wall Street Journal on such date, then on the first day of each year in which the prime rate is reported in the Wall Street Journal), or such other greater interest rate as determined by the Company in its discretion.

6. DISTRIBUTION OF BENEFITS.

(a) DISTRIBUTION OF BENEFITS. Payment to Executive shall occur within thirty (30) days of the effective date of Executive's vesting in his Deferred Bonus Account. For purposes of determining the distributable amount, the Deferred Bonus Account shall be valued through the day prior to the day on which the Deferred Bonus Account is distributed, less any claim, debt, reimbursement, recoupment, or offset the Company may have against Executive.

(b) IN-SERVICE DISTRIBUTIONS. Executive shall have no right to borrow money from his Deferred Bonus Account nor shall he be allowed to receive a distribution except as provided above.

(c) METHOD OF DISTRIBUTION. Distribution of benefits shall be made in one cash lump sum.

7. INALIENABILITY OF BENEFITS.

(a) GENERAL PROHIBITION. Executive, nor creditors of Executive, shall have any right to assign, pledge, hypothecate, anticipate or in any way create a lien upon Executive's interest created under this Agreement. All payments to be made to Executive shall be made only upon his personal receipt or endorsement, and no interest under this Agreement shall be subject to assignment or transfer

or otherwise be alienable, either by voluntary or involuntary act or by operation of law or equity, or subject to attachment, execution, garnishment, sequestration, levy or other seizure under any legal, equitable or other process, or be liable in any way for the debts or defaults of Executive.

(b) PERMITTED ARRANGEMENTS. This Section shall not preclude arrangements for the withholding of applicable taxes from payments under this Agreement, or arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation).

8. BINDING NATURE OF AGREEMENT.

This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of any and all interested parties, present and future.

9. NATURE OF PAYMENTS.

Executive shall, for the purpose of this Agreement, be treated as general creditors of the Company. Nothing in this Agreement or any action taken pursuant to this Agreement shall create or be construed to create a fiduciary relationship between the Company and Executive, or any other person.

10. DISPUTE RESOLUTION.

All claims, disputes and other matters in question between the parties arising under this Agreement shall, unless otherwise provided herein, be resolved in accordance with the dispute resolution provisions set forth in Executive's Employment Agreement. If no such agreement is

in effect, or if the Employment Agreement in effect at the time of Executive's termination of employment does not include a dispute resolution provision, all claims, disputes and other matters in question between the parties arising under this Agreement shall be decided in accordance with the dispute resolution provisions stated below:

(a) MEDIATION. Any and all disputes arising under, pertaining to or touching upon this Agreement, or the statutory rights or obligations of either party hereto, shall, if not settled by negotiation, be subject to non-binding mediation before an independent mediator selected by the parties pursuant to Section 10(d). Notwithstanding the foregoing, both Executive and Company may seek preliminary judicial relief if such action is necessary to avoid irreparable damage during the pendency of the proceedings described in this Section 10. Any demand for mediation shall be made in writing and served upon the other party to the dispute, by certified mail, return receipt requested, at the address specified in the signature blocks of this agreement. The demand shall set forth with reasonable specificity the basis of the dispute and the relief sought. The mediation hearing will occur at a time and place convenient to the parties within 30 days of the date of selection or appointment of the mediator.

(b) ARBITRATION. In the event that the dispute is not settled through mediation, the parties shall then proceed to binding arbitration before an independent arbitrator selected pursuant to Section 10(d). The mediator shall not serve as the arbitrator. EXCEPT AS PROVIDED IN SECTION 10(a), ALL DISPUTES INVOLVING ALLEGED UNLAWFUL EMPLOYMENT DISCRIMINATION, TERMINATION BY ALLEGED BREACH OF CONTRACT OR POLICY, OR ALLEGED EMPLOYMENT TORT COMMITTED BY COMPANY OR A REPRESENTATIVE OF COMPANY, INCLUDING CLAIMS OF VIOLATIONS OF FEDERAL OR STATE DISCRIMINATION STATUTES OR PUBLIC POLICY, SHALL BE RESOLVED PURSUANT TO THIS SECTION 10 AND THERE SHALL BE NO RECOURSE TO COURT, WITH OR WITHOUT A JURY TRIAL. The arbitration hearing shall occur at a time and place convenient to the parties within 90 days of selection or appointment of the arbitrator, or as otherwise agreed to. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16 and the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA") in effect on the date of the first notice of demand for arbitration. Notwithstanding any provisions in such rules to the contrary, the arbitrator shall issue findings of fact and conclusions of law, and an award, within 15 days of the date of the hearing unless the parties otherwise agree.

(c) DAMAGES. In case of breach of contract or policy, damages shall be limited to contract damages. In cases of discrimination claims prohibited by statute, the arbitrator may direct payment consistent with the applicable statute. In cases of employment tort, the arbitrator may award punitive damages if proved by clear and convincing evidence. Issues of procedure, arbitrability, or confirmation of award shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16, except that court review of the arbitrator's award shall be that of an appellate court reviewing a decision of a trial judge sitting without a jury.

(d) SELECTION OF MEDIATOR OR ARBITRATOR. The parties shall select the mediator and arbitrator from a panel list made available by the AAA. If the

parties are unable to agree to a mediator or an arbitrator within 10 days of receipt of a demand for mediation or arbitration, the mediator or arbitrator will be chosen by alternatively striking from a list of five mediators or arbitrators obtained by Company from the AAA. Executive shall have the first strike.

(e) FEES AND EXPENSES. The fees of the AAA and Mediation/Arbitration shall be borne equally by the parties, unless ordered otherwise by the Arbitrator. Each party shall bear its own attorney's fees and other expenses, unless ordered otherwise by the Arbitrator.

11. VALIDITY.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

12. NO EMPLOYMENT OR SERVICE CONTRACT.

Except as may be otherwise provided in the Executive's Employment Agreement, nothing in this Agreement shall confer upon Executive any right to continue in the service of the Company (or any parent or subsidiary corporation of the Company employing or retaining Executive) for any period of time.

13. AMENDMENT AND TERMINATION.

Any amendment, modification, change, or termination of this Agreement must be done so in writing and signed by both parties.

14. GOVERNING LAW.

The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Arizona.

15. COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

16. EFFECT ON EMPLOYMENT AGREEMENT.

This Agreement supplements, and does not replace, Executive's Employment Agreement as it may be amended or replaced from time to time. If there are any conflicts between the provisions of this Agreement and Executive's Employment Agreement, the provisions of this Agreement shall control.

17. ENTIRE AGREEMENT.

This Agreement sets forth the entire agreement between Executive and the Company concerning the subject matter discussed in this Agreement and supersedes all prior agreements, promises, covenants, arrangements, communications, and representations or warranties, whether written or oral, by any officer, employee, or representative of the Company. Any prior agreements or understandings with respect to the subject matter set forth in this Agreement are hereby terminated and canceled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

MERITAGE CORPORATION

6613 N. Scottsdale Rd., Suite 200
Scottsdale, AZ 85250

By: _____

Its: _____

EXECUTIVE

Larry W. Seay
_____

Address:

5

EXHIBIT 10.3

DEFERRED BONUS AGREEMENT

2001 AWARD YEAR

THIS DEFERRED BONUS AGREEMENT (the "Agreement") is entered into as of May 1, 2002, by Richard T. Morgan (the "Executive") and Meritage Corporation, an Maryland corporation (the "Company").

1. PURPOSE.

The purpose of this Agreement is to reward Executive for his service for the Company.

2. COMPANY CONTRIBUTION.

The Company agrees to make a "Company Contribution" of $40,000 to the Deferred Bonus Account established pursuant to Section 3 effective as of December 31, 2001. The purpose of this Company Contribution is to further compensate Executive for his many years of service to the Company as a tool to retain the valuable services of the Executive.

3. DEFERRED COMPENSATION ACCOUNT.

The Company shall maintain a bookkeeping account (the "Deferred Bonus Account") to which it shall credit the Company Contribution in accordance with Section 2. Interest shall be credited to the Deferred Bonus Account in accordance with Section 5, below. The Deferred Compensation Account is a bookkeeping account only and Executive shall not have any claim to any particular assets of the Company.

4. VESTING.

As of the date of this Agreement, the Company Contribution credited to Executive's Deferred Bonus Account shall be unvested and subject to forfeiture on the termination of Executive's employment for any reason prior to January 1, 2005. If Executive continues to be employed by the Company on and through December 31, 2004, Executive shall be fully vested in amounts credited to his Deferred Bonus Account and his rights and interests therein shall not be forfeitable.

5. INTEREST.

Each December 31, the Company shall credit the Deferred Bonus Account with interest calculated at an annual rate equal to 1.5% plus the prime rate as announced in the Wall Street Journal on the first business day of each year compounded annually (or, if no prime rate is announced in the Wall Street Journal on such date, then on the first day of each year in which the prime rate is reported in the Wall Street Journal), or such other greater interest rate as determined by the Company in its discretion.

6. DISTRIBUTION OF BENEFITS.

(a) DISTRIBUTION OF BENEFITS. Payment to Executive shall occur within thirty (30) days of the effective date of Executive's vesting in his Deferred Bonus Account. For purposes of determining the distributable amount, the Deferred Bonus Account shall be valued through the day prior to the day on which the Deferred Bonus Account is distributed, less any claim, debt, reimbursement, recoupment, or offset the Company may have against Executive.

(b) IN-SERVICE DISTRIBUTIONS. Executive shall have no right to borrow money from his Deferred Bonus Account nor shall he be allowed to receive a distribution except as provided above.

(c) METHOD OF DISTRIBUTION. Distribution of benefits shall be made in one cash lump sum.

7. INALIENABILITY OF BENEFITS.

(a) GENERAL PROHIBITION. Executive, nor creditors of Executive, shall have any right to assign, pledge, hypothecate, anticipate or in any way create a lien upon Executive's interest created under this Agreement. All payments to be made to Executive shall be made only upon his personal receipt or endorsement, and no interest under this Agreement shall be subject to assignment or transfer or otherwise be alienable, either by voluntary or involuntary act or by operation of law or equity, or subject to attachment, execution, garnishment, sequestration, levy or other seizure under any legal, equitable or other process, or be liable in any way for the debts or defaults of Executive.

(b) PERMITTED ARRANGEMENTS. This Section shall not preclude arrangements for the withholding of applicable taxes from payments under this Agreement, or arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation).

8. BINDING NATURE OF AGREEMENT.

This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of any and all interested parties, present and future.

9. NATURE OF PAYMENTS.

Executive shall, for the purpose of this Agreement, be treated as general creditors of the Company. Nothing in this Agreement or any action taken pursuant to this Agreement shall create or be construed to create a fiduciary relationship between the Company and Executive, or any other person.

10. DISPUTE RESOLUTION.

All claims, disputes and other matters in question between the parties arising under this Agreement shall be decided in accordance with the dispute resolution provisions stated below:

(a) MEDIATION. Any and all disputes arising under, pertaining to or touching upon this Agreement, or the statutory rights or obligations of either party hereto, shall, if not settled by negotiation, be subject to non-binding mediation before an independent mediator selected by the parties pursuant to Section 10(d). Notwithstanding the foregoing, both Executive and Company may seek preliminary judicial relief if such action is necessary to avoid irreparable damage during the pendency of the proceedings described in this Section 10. Any demand for mediation shall be made in writing and served upon the other party to the dispute, by certified mail, return receipt requested, at the address specified in the signature blocks of this agreement. The demand shall set forth with reasonable specificity the basis of the dispute and the relief sought. The mediation hearing will occur at a time and place convenient to the parties within 30 days of the date of selection or appointment of the mediator.

(b) ARBITRATION. In the event that the dispute is not settled through mediation, the parties shall then proceed to binding arbitration before an independent arbitrator selected pursuant to Section 10(d). The mediator shall not serve as the arbitrator. EXCEPT AS PROVIDED IN SECTION 10(a), ALL DISPUTES INVOLVING ALLEGED UNLAWFUL EMPLOYMENT DISCRIMINATION, TERMINATION BY ALLEGED BREACH OF CONTRACT OR POLICY, OR ALLEGED EMPLOYMENT TORT COMMITTED BY COMPANY OR A REPRESENTATIVE OF COMPANY, INCLUDING CLAIMS OF VIOLATIONS OF FEDERAL OR STATE DISCRIMINATION STATUTES OR PUBLIC POLICY, SHALL BE RESOLVED PURSUANT TO THIS SECTION 10 AND THERE SHALL BE NO RECOURSE TO COURT, WITH OR WITHOUT A JURY TRIAL. The arbitration hearing shall occur at a time and place convenient to the parties within 90 days of selection or appointment of the arbitrator, or as otherwise agreed to. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16 and the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA") in effect on the date of the first notice of demand for arbitration. Notwithstanding any provisions in such rules to the contrary, the arbitrator shall issue findings of fact and conclusions of law, and an award, within 15 days of the date of the hearing unless the parties otherwise agree.

(c) DAMAGES. In case of breach of contract or policy, damages shall be limited to contract damages. In cases of discrimination claims prohibited by statute, the arbitrator may direct payment consistent with the applicable statute. In cases of employment tort, the arbitrator may award punitive damages if proved by clear and convincing evidence. Issues of procedure, arbitrability, or confirmation of award shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16, except that court review of the arbitrator's award shall be that of an appellate court reviewing a decision of a trial judge sitting without a jury.

(d) SELECTION OF MEDIATOR OR ARBITRATOR. The parties shall select the mediator and arbitrator from a panel list made available by the AAA. If the parties are unable to agree to a mediator or an arbitrator within 10 days of receipt of a demand for mediation or arbitration, the

mediator or arbitrator will be chosen by alternatively striking from a list of five mediators or arbitrators obtained by Company from the AAA. Executive shall have the first strike.

(e) FEES AND EXPENSES. The fees of the AAA and Mediation/Arbitration

shall be borne equally by the parties, unless ordered otherwise by the Arbitrator. Each party shall bear its own attorney's fees and other expenses, unless ordered otherwise by the Arbitrator.

11. VALIDITY.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

12. NO EMPLOYMENT OR SERVICE CONTRACT.

Nothing in this Agreement shall confer upon Executive any right to continue in the service of the Company (or any parent or subsidiary corporation of the Company employing or retaining Executive) for any period of time.

13. AMENDMENT AND TERMINATION.

Any amendment, modification, change, or termination of this Agreement must be done so in writing and signed by both parties.

14. GOVERNING LAW.

The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Arizona.

15. COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

16. ENTIRE AGREEMENT.

This Agreement sets forth the entire agreement between Executive and the Company concerning the subject matter discussed in this Agreement and supersedes all prior agreements, promises, covenants, arrangements, communications, and representations or warranties, whether written or oral, by any officer, employee, or representative of the Company. Any prior agreements or understandings with respect to the subject matter set forth in this Agreement are hereby terminated and canceled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

MERITAGE CORPORATION

6613 N. Scottsdale Rd., Suite 200
Scottsdale, AZ 85250

By: _____

Its: _____

EXECUTIVE

Richard T. Morgan

_____

Address: _____

_____

EXHIBIT 99.1

MERITAGE CORPORATION ANNOUNCES PRICING OF PUBLIC OFFERING

SCOTTSDALE, ARIZ. AND DALLAS (JUNE 21, 2002) - MERITAGE CORPORATION (NYSE: MTH) today announced that it has priced a public offering of its common stock. Meritage is offering 1,750,000 shares of common stock at a price of $42 per share. Deutsche Bank Securities and UBS Warburg are serving as Joint Book Managers and A.G. Edwards & Sons, Inc. and JMP Securities are serving as Co-Managers. The underwriters have a 30-day option to purchase up to 262,500 additional shares from Meritage to cover over-allotments, if any. The net proceeds of the offering to be received by Meritage will be used for general corporate purposes, which may include the development of new residential properties, the repayment of debt, land acquisitions and possible acquisitions of other homebuilders.

The offering is expected to close on June 26, 2002 and is subject to customary closing conditions. The shares of common stock will be sold pursuant to Meritage's Shelf Registration Statement covering the issuance from time to time of $300,000,000 of various securities of Meritage. A Shelf Registration Statement relating to the shares was previously declared effective on May 14, 2002 by the Securities and Exchange Commission. The shares may be offered only by means of a prospectus, including a prospectus supplement. A copy of the prospectus, including the prospectus supplement, may be obtained from Deutsche Bank Securities, 1 South Street, Baltimore, MD 21202, (410) 895-2080 or UBS Warburg, 299 Park Avenue, New York, NY 10171, (212) 821-3000.

ABOUT MERITAGE CORPORATION

Meritage Corporation designs, builds and sells distinctive single-family homes ranging from first-time to semi-custom luxury. We operate in the Phoenix and Tucson, Arizona markets as Monterey Homes, Hancock Communities and Meritage Homes, in the Dallas/Ft. Worth, Austin and Houston, Texas markets as Legacy Homes and in the San Francisco East Bay and Sacramento, California markets as Meritage Homes. Please visit our web site at: www.meritagehomes.com.

Certain matters discussed in this press release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include statements

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concerning future Company actions and their expected results. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements

With respect to the offering of our common stock, these risks and uncertainties include: the offering could result in a lowering of our stock price; our charter and bylaws and ownership structure could prevent a third party from acquiring us or limit the price investors might be willing to pay for shares of our common stock; we have broad discretion in how we use the net proceeds from this offering and ultimately may not use them effectively; and our stock price is volatile and could decline substantially.

In addition, our business is subject to a number of risks and uncertainties including: the strength and competitive pricing environment of the single-family housing market; changes in the availability and pricing of residential mortgages; changes in the availability and pricing of real estate in the markets in which we operate; our high level of indebtedness; demand for and acceptance of our homes; the success of planned marketing and promotional campaigns; the success of our program to integrate existing operations with our planned new operations or those of past or future acquisitions; our ability to raise additional capital; our success in locating and negotiating favorably with possible acquisition candidates; recent legislative or other initiatives that seek to restrain growth in new housing construction or similar measures; the economic impact of foreign hostilities or military action; general economic slow downs; and other factors identified in documents filed by us with the Securities and Exchange Commission, including those set forth in Meritage's Form 10-K Report for the year ended December 31, 2001 under the captions "Market for the Registrant's Common Stock and Related Stockholder Matters - Factors that May Affect Future Stock Performance" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Exhibit 99.1 of the Company's Form 10-Q for the quarter ended March 31, 2002. As a result of these and other factors, the prices of Meritage's securities may fluctuate dramatically.

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