SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

OR

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

COMMISSION FILE NUMBER 1-9977

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

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

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

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

As of October 10, 2000, 4,827,209 shares of Meritage Corporation common stock were outstanding.

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

ITEM 1. FINANCIAL STATEMENTS

MERITAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	SEPTEMBER 30, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
Cash and cash equivalents	$ 1,578	$ 13,422
Real estate under development	222,464	171,012
Deposits on real estate under option or contract	19,094	15,700
Receivables	1,619	1,643
Deferred tax asset	670	699
Goodwill	17,941	18,742
Property and equipment, net	4,727	4,040
Other assets	1,676	1,301
Total Assets	$ 269,769	$ 226,559
LIABILITIES		
Accounts payable and accrued liabilities	$ 44,248	$ 41,950
Customer deposits on sales contracts	12,561	8,261
Notes payable	106,567	85,937
Total Liabilities	163,376	136,148
STOCKHOLDERS' EQUITY		
Common stock, par value $.01 per share; 50,000,000 Shares authorized; issued and outstanding - 5,612,362 shares at September 30, 2000, and 5,474,906 shares at December 31, 1999	56	55
Additional paid-in capital	101,043	100,407
Accumulated earnings (deficit)	15,704	(8,149)
Less cost of shares held in treasury (785,153 shares at September 30, 2000, and 186,000 shares at December 31, 1999)	(10,410)	(1,902)
Total Stockholders' Equity	106,393	90,411
Total Liabilities and Stockholders' Equity	$ 269,769	$ 226,559

See accompanying notes to condensed consolidated financial statements

MERITAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Home sales revenue	$ 134,464	$ 76,786	$ 346,919	$ 204,584
Land sales revenue	944	0	2,601	155
	135,408	76,786	349,520	204,739
Cost of home sales	(105,574)	(62,232)	(276,924)	(164,295)
Cost of land sales	(851)	0	(2,321)	(69)
	(106,425)	(62,232)	(279,245)	(164,364)
Home sales gross profit	28,890	14,554	69,995	40,289
Land sales gross profit	93	0	280	86
	28,983	14,554	70,275	40,375
Commissions and other sales costs	(7,291)	(4,572)	(19,528)	(12,480)
General and administrative expense	(5,363)	(3,531)	(14,212)	(10,356)
Interest expense	(2)	(2)	(6)	(4)
Other income, net	319	362	1,273	1,395

Earnings before income taxes	16,646	6,811	37,802	18,930
Income taxes	(6,137)	(2,784)	(13,949)	(8,037)
Net earnings	$ 10,509	$ 4,027	$ 23,853	$ 10,893
Basic earnings per share	$ 2.06	$ .74	$ 4.57	$ 2.00
Diluted earnings per share	$ 1.85	$ .67	$ 4.15	$ 1.80

</TABLE>

See accompanying notes to condensed consolidated financial statements.

MERITAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 23,853	$ 10,893
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	2,320	1,608
Stock option compensation expense	73	445
Decrease in deferred tax asset	28	6,363
Increase in real estate under development	(51,452)	(75,393)
Increase in deposits on real estate under option or contract	(3,394)	(6,327)
(Increase) decrease in receivables and other assets	(350)	39
Increase in accounts payable and accrued liabilities	7,455	1,639
Increase in customer deposits on sales contracts	4,300	2,511
Net cash used in operating activities	(17,167)	(58,222)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for merger/acquisition	(5,158)	(6,967)
Purchases of property and equipment	(2,206)	(2,273)
Net cash used in investing activities	(7,364)	(9,240)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	318,723	213,469
Repayment of borrowings	(298,093)	(154,940)
Purchase of treasury shares	(8,507)	(113)
Proceeds from employee stock options exercised	564	495
Net cash provided by financing activities	12,687	58,911
Net decrease in cash and cash equivalents	(11,844)	(8,551)
Cash and cash equivalents at beginning of period	13,422	12,387
Cash and cash equivalents at end of period	$ 1,578	$ 3,836

</TABLE>

See accompanying notes to condensed consolidated financial statements

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

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

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

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

NOTE 2 - REAL ESTATE UNDER DEVELOPMENT AND CAPITALIZED INTEREST

Real estate under development consisted of the following (in thousands):

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
Homes under contract, in production	$110,654	$ 71,987
Finished home sites and home sites under development	82,370	63,610
Model homes and homes held for resale	24,392	31,797
Land held for development	5,048	3,618
	$222,464	$171,012

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

<TABLE>
<CAPTION>

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Beginning unamortized capitalized interest	$ 4,911	$ 2,653	$ 3,971	$ 1,982
Interest capitalized	2,975	1,942	7,617	4,541
Amortized in cost of home and land sales	(2,203)	(1,118)	(5,905)	(3,046)
Ending unamortized capitalized interest	$ 5,683	$ 3,477	$ 5,683	$ 3,477
Interest incurred	$ 2,977	$ 1,944	$ 7,623	$ 4,545
Interest capitalized	(2,975)	(1,942)	(7,617)	(4,541)
Interest expensed	$ 2	$ 2	$ 6	$ 4

</TABLE>

NOTE 3 - NOTES PAYABLE

Notes payable consist of the following (in thousands):

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
$100 million bank revolving construction line of credit, interest payable monthly approximating prime (9.5% at September 30, 2000) or LIBOR (90 day LIBOR 6.8% at September 30, 2000), plus 1.75% payable December 31, 2001, secured by first deeds of trust on real estate	$ 71,807	$36,180
$65 million bank revolving construction line of credit, interest payable monthly approximating prime or LIBOR plus 2.0%, payable at the earlier of close of escrow, maturity date of individual homes within the line or July 31, 2001, secured by first deeds of trust on real estate	16,164	26,104
$15 million unsecured bank revolving line of credit, interest payable monthly at prime, matured January 17, 2000	--	6,000
Acquisition and development credit facilities and seller carry back financing totaling $5.7		

million, interest payable monthly, ranging from prime to prime plus .25% or at a fixed 10% per annum rate; payable at the earlier of funding of construction financing or the maturity date of the individual projects, secured by first deeds of trust on real estate	3,580	2,627
Senior unsecured notes, maturing September 15, 2005, annual interest of 9.10% payable quarterly, principal payable in three equal installments on September 15, 2003, 2004 and 2005	15,000	15,000
Other	16	26
Total	$106,567	$85,937

NOTE 4 - EARNINGS PER SHARE INFORMATION

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

<TABLE>
<CAPTION>

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Net earnings	$10,509	$4,027	$23,853	$10,893
Basic EPS - Weighted average shares outstanding	5,097	5,463	5,224	5,448
Basic earnings per share	$ 2.06	$ .74	$ 4.57	$ 2.00
Basic EPS - Weighted average shares outstanding	5,097	5,463	5,224	5,448
Effect of dilutive securities:				
Contingent shares and warrants	--	70	25	83
Stock options	582	491	496	527
Dilutive EPS - Weighted average shares outstanding	5,679	6,024	5,745	6,058
Diluted earnings per share	$ 1.85	$ .67	$ 4.15	$ 1.80
Antidilutive stock options not included in diluted EPS	102	272	265	275

</TABLE>

NOTE 5 - INCOME TAXES

Components of income tax expense are (in thousands):

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Current taxes:				
Federal	$5,263	$ 724	$12,202	$ 964
State	710	250	1,719	709
	5,973	974	13,921	1,673
Deferred taxes:				
Federal	147	1,770	25	6,236
State	17	40	3	128
	164	1,810	28	6,364
Total	$6,137	$ 2,784	$13,949	$8,037

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

NOTE 6 - SEGMENT INFORMATION

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

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

<TABLE>
<CAPTION>

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
	(in thousands)			
HOME SALES REVENUE:				
Texas	$ 58,932	$ 43,604	$ 160,643	$ 116,399
Arizona	45,168	26,056	99,367	75,585
California	30,364	7,126	86,909	12,600
Total	$ 134,464	$ 76,786	$ 346,919	$ 204,584
EBIT:				
Texas	$ 10,449	$ 5,790	$ 26,228	$ 15,344
Arizona	4,862	2,565	8,619	8,270
California	5,033	515	12,975	1,288
Corporate and other	(1,493)	(937)	(4,109)	(2,921)
Total	$ 18,851	$ 7,933	$ 43,713	$ 21,981
AMORTIZATION OF CAPITALIZED INTEREST:				
Texas	$ 585	$ 445	$ 1,876	$ 1,112
Arizona	1,213	559	2,724	1,750
California	405	114	1,305	184
Total	$ 2,203	$ 1,118	$ 5,905	$ 3,046

	AT SEPTEMBER 30, 2000	AT DECEMBER 31, 1999
ASSETS:		
Texas	$ 100,809	$ 97,832
Arizona	116,596	77,195
California	49,785	43,773
Corporate	2,579	7,759
Total	$ 269,769	$ 226,559

</TABLE>

NOTE 7 - RELATED PARTY TRANSACTIONS

In September 2000, the Company purchased 312,500 shares from a current director at a cost of $5 million. These shares are held as treasury shares.

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

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

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

RESULTS OF OPERATIONS

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

HOME SALES REVENUE

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

<TABLE>
<CAPTION>

	QUARTER ENDED SEPTEMBER 30, 2000	QUARTER ENDED SEPTEMBER 30, 1999	DOLLAR/UNIT INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999	DOLLAR/UNIT INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total								
Dollars	$134,464	$76,786	$57,678	75%	$346,919	$204,584	$142,335	70%
Homes closed	588	399	189	47%	1,553	1,030	523	51%
Average sales price	$ 228.7	$ 192.5	$ 36.2	20%	$ 223.4	$ 198.6	$ 24.8	12%
Texas								
Dollars	$ 58,932	$43,604	$15,328	35%	$160,643	$116,399	$ 44,244	38%
Homes closed	334	283	51	18%	939	758	181	24%
Average sales price	$ 176.4	$ 154.1	$ 22.4	15%	$ 171.1	$ 153.6	$ 17.5	11%
Arizona								
Dollars	$ 45,168	$26,056	$19,112	73%	$ 99,367	$ 75,585	$ 23,782	31%
Homes closed	165	97	68	70%	361	238	123	52%
Average sales price	$ 273.7	$ 268.6	$ 5.1	2%	$ 275.3	$ 317.6	$ (42.3)	(13)%
California								
Dollars	$ 30,364	$ 7,126	$23,238	326%	$ 86,909	$ 12,600	$ 74,309	590%
Homes closed	89	19	70	368%	253	34	219	644%
Average sales price	$ 341.2	$ 375.1	$ (33.9)	(9)%	$ 343.5	$ 370.6	$ (27.1)	(7)%

</TABLE>

The increase in total home sales revenue and number of homes closed in 2000 compared to 1999 results mainly from strong market performance in all of our divisions and additional closings from our expanding mid-priced market segment in Arizona.

HOME SALES GROSS PROFIT

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

<TABLE>
<CAPTION>

	QUARTER ENDED SEPTEMBER 30, 2000	QUARTER ENDED SEPTEMBER 30, 1999	DOLLAR/ PERCENTAGE INCREASE	PERCENTAGE INCREASE	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999	DOLLAR/ PERCENTAGE INCREASE	PERCENTAGE INCREASE

<S> <C> <C> <C> <C> <C> <C> <C> <C>

Dollars	$28,890	$14,554	$14,336	99%	$69,995	$40,289	$29,706	74%
Percentage of home sales revenues	21.5%	19.0%	2.5%	--	20.2%	19.7%	.5%	--

</TABLE>

The dollar increase in gross profit for the three and nine months ended September 30, 2000 over the prior year periods is attributable to the increase in number of homes closed. The gross profit margin increased marginally in both periods due to an increase in gross margins in Texas and California caused mainly by home sale price increases and due to a larger number of deliveries of high margin California homes.

LAND SALES GROSS PROFIT

Meritage will occasionally sell land that the Company originally purchased for development. These lots are no longer needed for use in current operations, and are therefore considered to be excess.

COMMISSIONS AND OTHER SALES COSTS

Commissions and other sales costs, such as advertising and sales offices expenses, were approximately $7.3 million, or 5.4% of home sales revenue for the three months ended September 30, 2000 compared with $4.6 million, or 6.0% of home sales revenue for the third quarter of 1999. For the first nine months of 2000, commissions and other sales costs were approximately $19.5 million, or 5.6% of home sales revenue, compared with $12.5 million, or 6.1% of home sales revenue for the first nine months of 1999. The decrease in these expenses as a percentage of home sales revenue was caused by controlling increases in advertising and other marketing costs, while revenues expanded.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were approximately $5.4 million (4.0% of revenue) in the third quarter of 2000, as compared with approximately $3.5 million (4.6% of revenue) in 1999. For the nine months ended September 30, 2000, G&A expenses were approximately $14.2 million (4.1% of revenue), compared with $10.4 million (5.1% of revenue) for the same period of 1999. The higher expense as a percentage of revenue for the nine months ended September 30, 1999 includes approximately $600,000 related to the buyout of an employment agreement of a former managing director. Operating costs in 1999 were also higher as a percentage of revenue due to overhead increases incurred related to our California expansion, and the start-up of our new Meritage Division in Phoenix, Arizona.

INCOME TAXES

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

SALES CONTRACTS

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

<TABLE>
<CAPTION>

	QUARTER ENDED SEPTEMBER 30, 2000	QUARTER ENDED SEPTEMBER 30, 1999	DOLLAR/UNIT INCREASE	PERCENTAGE INCREASE	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999	DOLLAR/UNIT INCREASE	PERCENTAGE INCREASE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total								
Dollars	$173,930	$93,955	$79,975	85%	$470,601	$295,969	$174,632	59%
Units ordered	731	405	326	81%	1,950	1,455	495	34%
Average sales price	$ 237.9	$ 232.0	$ 5.9	3%	$ 241.3	$ 203.4	$ 37.9	19%
Texas								
Dollars	$ 71,684	$36,562	$35,122	96%	$190,166	$156,178	$ 33,988	22%
Units ordered	422	219	203	93%	1,094	996	98	10%
Average sales price	$ 169.9	$ 166.9	$ 2.9	2%	$ 173.8	$ 156.8	$ 17.0	11%
Arizona								
Dollars	$ 59,912	$39,027	$20,885	54%	$148,771	$100,265	$ 48,506	48%
Units ordered	194	132	62	47%	474	344	130	38%
Average sales price	$ 308.8	$ 295.7	$ 13.2	5%	$ 313.9	$ 291.5	$ 22.4	8%

California								
Dollars	$ 42,334	$18,366	$23,968	131%	$131,664	$ 39,526	$ 92,138	233%
Units Ordered	115	54	61	113%	382	115	267	232%
Average sales price	$ 368.1	340.1	$ 28.0	8%	$ 344.7	$ 343.7	$ 1.0	*

</TABLE>

* Represents less than one percent

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

NET SALES BACKLOG

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

	AT SEPTEMBER 30, 2000	1999	DOLLAR/UNIT INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)
Total				
Dollars	$344,566	$236,524	$108,042	46%
Homes in backlog	1,390	1,113	277	25%
Average sales price	$ 247.9	$ 212.5	$ 35.4	17%
Texas				
Dollars	$123,505	$116,957	$ 6,548	6%
Homes in backlog	721	741	(20)	(3)%
Average sales price	$ 171.3	$ 157.8	$ 13.5	9%
Arizona				
Dollars	$143,722	$ 90,904	$ 52,818	58%
Homes in backlog	437	286	151	53%
Average sales price	$ 328.9	$ 317.8	$ 11.0	4%
California				
Dollars	$ 77,339	$ 28,663	$ 48,676	170%
Homes in backlog	232	86	146	170%
Average sales price	$ 333.4	$ 333.3	$ .1	*

* Represents less than one percent

Total dollar backlog at September 30, 2000 increased 46% over the 1999 amount due to an increase in the number of homes in backlog and increased sales prices in most of our markets. Units in backlog at September 30, 2000 increased 25% over the same period in the prior year due to the increase in net orders caused by expansion into California, the start-up of our new Meritage Phoenix division and strong housing markets in which we operate.

LIQUIDITY AND CAPITAL RESOURCES

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

At September 30, 2000 we had short-term secured revolving construction loan and acquisition and development facilities totaling $170.7 million, of which approximately $90.3 million was outstanding. An additional $49 million of unborrowed funds supported by approved collateral were available under our credit facilities at that date. We also have $15 million outstanding in unsecured, senior subordinated notes due in three equal installments, September 15, 2003, 2004 and 2005, which were issued in October 1998.

In May 1999, our Board of Directors authorized the buyback of up to $6 million of outstanding Meritage stock. This amount was increased to $20 million at subsequent board meetings. As of September 30, 2000, approximately 785,000 shares had been repurchased for an aggregate price of approximately $10.4 million, including 312,500 shares purchased from a current director in the third quarter, 2000, at a cost of $5 million.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not have or trade in derivative financial instruments. We have other financial instruments in the form of notes payable and senior debt, which are at fixed interest rates. Our lines of credit and credit facilities are at variable interest rates and are subject to market risk in the form of interest rate fluctuations.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION	PAGE OR METHOD OF FILING
10.1	Modification to Loan Agreement with Guaranty Federal Bank, Dated as of July 31, 2000	Filed herewith
27	Financial Data Schedule	Filed herewith
99	Private Securities Reform Act of 1995 Safe Harbor Compliance Statement for Forward-Looking Statements	Filed herewith

(b) REPORTS ON FORM 8-K

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, this 14th day of November 2000.

MERITAGE CORPORATION,
a Maryland Corporation

By /s/ LARRY W.SEAY

Larry W. Seay
Chief Financial Officer and Vice President-Finance
(Principal Financial Officer and Duly Authorized Officer)

Exhibit 10.1

SIXTH MODIFICATION AGREEMENT

This SIXTH MODIFICATION AGREEMENT (this "AGREEMENT") is made and entered into as of July 31, 2000, by and between LEGACY/MONTEREY HOMES L.P., an Arizona limited partnership ("BORROWER"), and GUARANTY FEDERAL BANK, F.S.B., a federal savings bank organized and existing under the laws of the United States ("LENDER").

WITNESSETH:

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 SIXTY-FIVE MILLION AND NO/100 DOLLARS ($65,000,000.00), 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 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 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 July 31, 2001, 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 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.

4. 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.

5. 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.

6. 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).

7. 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).

8. 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.

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

10. 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.

11. 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.

12. 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: /s/ Rick Morgan

Name: Rick Morgan
Title: Vice President

LENDER:

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

By: /s/ Sam A. Meade

Name: Sam A. Meade
Title: Senior Vice President

STATE OF TEXAS ss.
ss.
COUNTY OF COLLIN ss.

This instrument was ACKNOWLEDGED before me on August 8, 2000, by Rick Morgan, Vice President 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.

[SEAL] /s/ Ana Patterson

Notary Public

My Commission Expires: Ana Patterson

Printed Name of Notary Public

08-28-2003

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 Fifth 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 July, 2000.

GUARANTOR:

MERITAGE CORPORATION,
a Maryland corporation

By: /s/ John R. Landon

Name: John R. Landon
Title: Co-CEO

MTH-TEXAS GP, INC.,
an Arizona corporation

By: /s/ Rick Morgan

Name: Rick Morgan
Title: Vice President

MTH-TEXAS LP, INC.,
an Arizona corporation

By: /s/ Rick Morgan

Name: Rick Morgan
Title: Vice President

STATE OF TEXAS ss.
ss.
COUNTY OF COLLIN ss.

This instrument was ACKNOWLEDGED before me on August 8, 2000, by John R. Landon, Co-CEO of MERITAGE CORPORATION, a Maryland corporation, on behalf of said corporation.

[SEAL]

/s/ Ana Patterson

Notary Public

My Commission Expires:

08-28-2003
- ---------------------

Ana Patterson

Printed Name of Notary Public

STATE OF TEXAS ss.
ss.
COUNTY OF COLLIN ss.

This instrument was ACKNOWLEDGED before me on August 8, 2000, by Rick Morgan, Vice President of MTH-TEXAS GP, INC., an Arizona corporation, on behalf of said corporation.

[SEAL]

/s/ Ana Patterson

Notary Public

My Commission Expires:

08-28-2003
- ---------------------

Ana Patterson

Printed Name of Notary Public

STATE OF TEXAS ss.
ss.
COUNTY OF COLLIN ss.

This instrument was ACKNOWLEDGED before me on August 8, 2000, by Rick Morgan, Vice President of MTH-TEXAS LP, INC., an Arizona corporation, on behalf of said corporation.

[SEAL]

/s/ Ana Patterson

Notary Public

My Commission Expires:

Ana Patterson

Printed Name of Notary Public

08-28-2003
- ---------------------

EXHIBIT A

Description of the Deed(s) of Trust

Exhibit 99

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

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

In general, "forward-looking statements" can be identified by use of words such as "expect", "believe", "estimate", "project", "forecast", "anticipate", "plan" and similar expressions. In this report, forward-looking statements address such matters but are not limited to, projections of revenues, income or loss, capital expenditures, plans for future operations, financing needs or plans and liquidity, the impact of inflation, the impact of changes in interest rates, plans relating to our products or services, potential real property acquisitions, and new or planned development projects, as well as assumptions relating to the foregoing.

Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, the following: (i) changes in national and local economic and other conditions, such as employment levels, availability of mortgage financing, interest rates, consumer confidence, and housing demand; (ii) risks inherent in homebuilding activities, including delays in construction schedules, cost overruns, changes in government regulation, increases in real estate taxes and other local fees; (iii) changes in costs or availability of land, materials, and labor; (iv) fluctuations in real estate values; (v) the timing of home closings and land sales; (vi) Meritage's ability to continue to acquire additional land or options to acquire additional land on acceptable terms; (vii) a relative lack of geographic diversification of Meritage's operations, especially when real estate analysts are predicting that new home sales in certain markets may slow during 2001; (viii) Meritage's inability to obtain sufficient capital on terms acceptable to Meritage to fund its planned capital and other expenditures; (ix) changes in local, state and federal rules and regulations governing real estate development and homebuilding activities and environmental matters, including "no growth" or "slow growth" initiatives, building permit allocation ordinances and building moratoriums; (x) expansion by Meritage into new geographic or product markets in which Meritage has little or no operating experience; (xi) the inability of Meritage to identify acquisition candidates that will result in successful combinations; (xii) the failure of Meritage to make acquisitions on terms acceptable to Meritage, or to successfully integrate acquired operations, into Meritage; and (xiii) the loss of key employees of the Company, including Steven J. Hilton and John R. Landon.

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