SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2001

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 August 10, 2001, 5,345,746 shares of Meritage Corporation common stock were outstanding.

MERITAGE CORPORATION
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2001

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERITAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	June 30, 2001	December 31, 2000
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 4,079	$ 4,397
Real estate under development	324,614	211,307
Deposits on real estate under option or contract	35,708	24,251
Receivables	9,756	2,179
Deferred tax asset	602	543
Goodwill	28,760	17,675
Property and equipment, net	7,147	4,717
Other assets	6,686	2,006
Total Assets	$ 417,352	$ 267,075
LIABILITIES		
Accounts payable and accrued liabilities	$ 61,070	$ 48,907
Home sale deposits	15,308	10,917
Notes payable	198,469	86,152
Total Liabilities	274,847	145,976
STOCKHOLDERS' EQUITY		
Common stock, par value $.01. Authorized 50,000,000 shares; issued and outstanding 6,150,209 shares at June 30, 2001 and 5,922,822 shares at December 31, 2000	62	59
Additional paid-in capital	104,046	102,526
Retained earnings	49,413	29,530
Treasury stock at cost; 811,963 shares at June 30, 2001 and December 31, 2000	(11,016)	(11,016)
Total Stockholders' Equity	142,505	121,099
Total Liabilities and Stockholders' Equity	$ 417,352	$ 267,075

See accompanying notes to consolidated financial statements.

MERITAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	(in thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Home sales revenue	$ 174,403	$ 120,802	$ 290,516	$ 212,455
Land sales revenue	1,005	1,946	1,598	2,703
	175,408	122,748	292,114	215,158
Cost of home sales	(136,829)	(96,526)	(229,408)	(171,482)
Cost of land sales	(943)	(1,703)	(1,474)	(2,384)
	(137,772)	(98,229)	(230,882)	(173,866)
Home sales gross profit	37,574	24,276	61,108	40,973
Land sales gross profit	62	243	124	319
	37,636	24,519	61,232	41,292
Commissions and other sales costs	(9,435)	(6,458)	(16,448)	(12,237)
General and administrative costs	(7,884)	(4,847)	(12,818)	(8,849)
Interest expense	--	(3)	(1)	(5)
Other income, net	827	422	1,361	955

Earnings before income taxes and extraordinary item	21,144	13,633	33,326	21,156
Income taxes	(8,205)	(5,060)	(12,997)	(7,812)
Earnings before extraordinary item	12,939	8,573	20,329	13,344
Extraordinary item: loss from extinguishment of debt (net of $285 tax benefit)	(446)	--	(446)	--
Net earnings	$ 12,493	$ 8,573	$ 19,883	$ 13,344
Earnings per share:				
Basic:				
Earnings before extraordinary item	$ 2.44	$ 1.62	$ 3.89	$ 2.52
Extraordinary item	(.08)	--	(.08)	--
Net earnings per share	$ 2.36	$ 1.62	$ 3.81	$ 2.52
Diluted:				
Earnings before extraordinary item	$ 2.20	$ 1.50	$ 3.52	$ 2.31
Extraordinary item	(.08)	--	(.08)	--
Net earnings per share	$ 2.12	$ 1.50	$ 3.44	$ 2.31

</TABLE>

See accompanying notes to consolidated financial statements.

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

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	2001	2000
	(in thousands)	
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 19,883	$ 13,344
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	1,986	1,525
Increase in deferred tax asset before extraordinary item	(59)	(136)
Stock option compensation expense	--	73
Change in assets and liabilities, net of effect of acquisition:		
Increase in real estate under development	(58,763)	(29,574)
Increase in deposits on real estate under option or contract	(2,557)	(1,792)
(Increase) decrease in receivables and other assets	(11,726)	253
Increase in accounts payable and accrued liabilities	5,274	1,690
Increase in home sale deposits	1,888	4,055
Increase in goodwill	(260)	--
Net cash used in operating activities	(44,334)	(10,562)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisition/merger	(65,759)	(5,158)
Purchases of property and equipment	(2,175)	(1,431)
Net cash used in investing activities	(67,934)	(6,589)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	432,735	196,001
Repayments of debt	(322,308)	(180,184)
Repurchase of stock	--	(2,635)
Proceeds from exercises of stock options	1,523	6
Net cash provided by financing activities	111,950	13,188
Net decrease in cash and cash equivalents	(318)	(3,963)
Cash and cash equivalents at beginning of period	4,397	13,422
Cash and cash equivalents at end of period	$ 4,079	$ 9,459

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
The acquisition of Hancock Communities resulted in the following changes in assets and liabilities:

Real estate under development	$ (54,545)
Deposits on real estate under option or contract	(8,899)
Receivables and other assets	(543)
Accounts payable and accrued liabilities	6,890
Home sale deposits	2,503
Goodwill	(11,423)
Property and equipment	(1,632)
Borrowings	1,890
Net cash paid for acquisition	$ (65,759)

</TABLE>

See accompanying notes to consolidated financial statements

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

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

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/Scottsdale and Tucson, Arizona markets as Monterey Homes, Hancock Communities and Meritage Homes, and in the San Francisco Bay and Sacramento, California markets as Meritage Homes.

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 accompanying unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present our financial position, results of operations and cash flows for the periods presented. The results of operations for any interim period are not necessarily indicative of results to be expected for a full fiscal year.

NOTE 2 - REAL ESTATE UNDER DEVELOPMENT AND CAPITALIZED INTEREST

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

	June 30, 2001	December 31, 2000
Homes under contract, in production	$164,150	$ 92,881
Finished home sites	68,646	60,630
Home sites under development	56,917	27,636
Model homes and homes held for resale	31,961	26,937
Land held for development	2,940	3,223
	$324,614	$211,307

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 to the buyer. A summary of interest capitalized and interest expensed follows (in thousands):

<TABLE>
<CAPTION>

<S>	Three Months Ended June 30, 2001 <C>	Three Months Ended June 30, 2000 <C>	Six Months Ended June 30, 2001 <C>	Six Months Ended June 30, 2000 <C>
Beginning unamortized capitalized interest	$ 6,541	$ 4,274	$ 5,426	$ 3,971
Interest capitalized	3,364	2,774	6,438	4,642
Amortized to cost of home and land sales	(2,657)	(2,137)	(4,616)	(3,702)
Ending unamortized capitalized interest	$ 7,248	$ 4,911	$ 7,248	$ 4,911
Interest incurred	$ 3,364	$ 2,777	$ 6,439	$ 4,647
Interest capitalized	(3,364)	(2,774)	(6,438)	(4,642)
Interest expensed	$ --	$ 3	$ 1	$ 5

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</TABLE>

NOTE 3 - NOTES PAYABLE

Notes payable consists of:

	June 30, 2001	December 31, 2000
	(in thousands)	
$100 million bank revolving construction line of credit, interest payable monthly approximating prime (6.75% at June 30, 2001) or LIBOR (rates varying from 3.79% to 3.835% at June 30, 2001) plus 2.0%, payable at the earlier of close of escrow, maturity date of individual homes and lots within the collateral pool or over a 24-month period beginning June 1, 2003, secured by first deeds of trust on real estate	$ 19,702	$ 50,354
$75 million bank revolving construction line of credit, interest payable monthly approximating prime or LIBOR plus 2.0%, payable at the earlier of close of escrow, maturity date of individual homes and lots within the line or May 31, 2002, secured by first deeds of trust on real estate	9,334	17,269
Acquisition and development seller carry back financing, interest payable monthly at fixed rates of 9% and 10% per annum; payable at the maturity date of the individual projects, secured by first deeds of trust on land	4,433	3,516
Senior unsecured notes, maturing June 1, 2011, annual interest of 9.75% payable semi-annually	165,000	--
Senior unsecured notes, paid in full May 30, 2001	--	15,000
Other	--	13
Total	$198,469	$ 86,152

NOTE 4 - EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
BASIC:				
Earnings before extraordinary item	$ 12,939	$ 8,573	$ 20,329	$ 13,344
Extraordinary item, net of tax benefit	(446)	--	(446)	--
Net earnings	$ 12,493	$ 8,573	$ 19,883	$ 13,344
Weighted average number of shares outstanding	5,303	5,287	5,213	5,287
Basic earnings per share before extraordinary item	$ 2.44	$ 1.62	$ 3.89	$ 2.52
Extraordinary item	(.08)	--	(.08)	--
Basic earnings per share	$ 2.36	$ 1.62	$ 3.81	$ 2.52
DILUTED:				
Earnings before extraordinary item	$ 12,939	$ 8,573	$ 20,329	$ 13,344
Extraordinary item, net of tax benefit	(446)	--	(446)	--

Net earnings	$ 12,493	$ 8,573	$ 19,883	$ 13,344
Weighted average number of shares outstanding	5,303	5,287	5,213	5,287
Effect of dilutive securities:				
Contingent shares and warrants	--	--	--	37
Options to acquire common stock	586	439	561	451
Diluted weighted common shares outstanding	5,889	5,726	5,774	5,775
Diluted earnings per share before extraordinary item	$ 2.20	$ 1.50	$ 3.52	$ 2.31
Extraordinary item	(.08)	--	(.08)	--
Diluted earnings per share	$ 2.12	$ 1.50	$ 3.44	$ 2.31
Antidilutive stock options not included in diluted EPS	15	277	15	278

</TABLE>

NOTE 5 - INCOME TAXES

Total income tax expense for the three and six months ended June 30, 2001 was allocated as follows (in thousands):

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
Income from continuing operations	$ 8,205	$ 12,997
Extraordinary item	(285)	(285)
	$ 7,920	$ 12,712

Income tax expense attributable to income from continuing operations consists of (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Current:				
Federal	$ 7,271	$ 4,520	$ 11,418	$ 6,939
State	879	657	1,638	1,009
	8,150	5,177	13,056	7,948
Deferred:				
Federal	65	(105)	(34)	(122)
State	(10)	(12)	(25)	(14)
	55	(117)	(59)	(136)
Total	$ 8,205	$ 5,060	$ 12,997	$ 7,812

NOTE 6 - SEGMENT INFORMATION

We classify our operations into three primary geographic segments: Texas, Arizona and California. These segments generate revenue 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.

Three Months Ended June 30,		Six Months Ended June 30,	
2001	2000	2001	2000
(in thousands)			

HOME SALES REVENUE:				
Texas	$ 67,381	$ 52,281	$ 122,958	$ 101,711
Arizona	67,184	32,257	100,360	54,199
California	39,838	36,264	67,198	56,545
Total	$ 174,403	$ 120,802	$ 290,516	$ 212,455
EBIT:				
Texas	$ 11,532	$ 8,769	$ 21,062	$ 15,779
Arizona	7,220	2,762	9,424	3,757
California	6,161	5,631	9,294	7,942
Corporate and other	(1,112)	(1,389)	(1,837)	(2,615)
Total	$ 23,801	$ 15,773	$ 37,943	$ 24,863
AMORTIZATION OF CAPITALIZED INTEREST:				
Texas	$ 564	$ 656	$ 1,147	$ 1,291
Arizona	1,435	933	2,416	1,511
California	658	548	1,053	900
Total	$ 2,657	$ 2,137	$ 4,616	$ 3,702

	At June 30, 2001	At December 31, 2000
	(in thousands)	
ASSETS:		
Texas	$ 131,622	$ 108,238
Arizona	207,648	102,746
California	71,963	53,723
Corporate	6,119	2,368
Total	$ 417,352	$ 267,075

NOTE 7 - HANCOCK ACQUISITION

On May 30, 2001, we acquired substantially all of the homebuilding and related assets of HC Builders, Inc. and Hancock Communities, L.L.C. (collectively "Hancock"). The purchase price was $65.8 million in cash, plus the assumption of trade payables, accrued liabilities and customer deposit liabilities totaling $8.7 million and a note totaling $1.9 million. In addition, we granted to Greg Hancock, the founder of Hancock Communities, an earn-out, payable over three years, equal to 20% of Hancock's pre-tax net income after a 10.5% charge on capital. Hancock designs, builds and markets a wide range of high-quality homes in the Phoenix, Arizona area with a focus on serving the entry-level and move-up single-family housing markets and is currently developing affordable age-restricted adult communities. During 2000, Hancock closed 1,143 homes at an average selling price of $160,700, resulting in total revenues of $183.7 million and EBITDA of $16.9 million.

This acquisition was accounted for using the purchase method of accounting. Accordingly, the Company recorded goodwill of approximately $11.4 million, which represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed. Such amount is being amortized over a period of 20 years.

The following unaudited pro forma financial data for the three and six months ended June 30, 2001 and 2000 has been prepared as if the acquisition of the assets and liabilities of Hancock on May 30, 2001 had occurred on January 1, 2000. Unaudited pro forma financial data is presented for informational purposes only and is based on historical information. This information may not be indicative of the actual amounts of the Company had the events occurred on the date listed above, nor does it purport to represent future periods (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenue	$209,637	$165,992	$344,824	$292,631
Expenses before extraordinary item	18,484	10,344	26,138	15,640
Net earnings	18,484	10,344	26,138	15,194
Diluted EPS before extraordinary item	3.14	1.81	4.53	2.71

Diluted EPS after extraordinary item	3.14	1.81	4.53	2.63

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 141, BUSINESS COMBINATIONS, and Statement No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. Statement 141 also specifies the criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF.

The Company is required to adopt the provisions of Statement 141 immediately, except with regard to business combinations initiated prior to July 1, 2001, and Statement 142 effective January 1, 2002. Furthermore, any goodwill and any intangible assets determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but will continue to be evaluated for impairment, in accordance with the appropriate pre-Statement 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized until the adoption of Statement 142.

Statement 141 will require, upon adoption of Statement 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in Statement 141 for recognition apart from goodwill. Upon adoption of Statement 142, the Company will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of Statement 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

The Company currently has unamortized goodwill in the amount of approximately $28.8 million, that will be subject to the transition provisions of Statements 141 and 142. Amortization expense related to goodwill was $597,000 and $1,067,000 for the six months ended June 30, 2001 and for the year ended December 31, 2000, respectively. The Company has not determined the impact of the immediate adoption of Statement 141 and the adoption of Statement 142 on January 1, 2002 will not have a material impact on its results of operations.

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

This Quarterly Report on Form 10-Q contains forward-looking statements. The words "believe," "expect," "anticipate," and "project" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Such forward-looking statements are within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. Such statements include the expected benefits of the Hancock acquisition, including future closings and Hancock's contribution to our revenues and earnings, projections of revenue, income or loss, capital expenditures, backlog, plans for future operations, financing needs or plans and liquidity, and plans relating to our housing products or services, as well as assumptions relating to the foregoing. Our past performance or past or present economic conditions in our housing markets may not be indicative of future performance and conditions.

Actual results may differ materially from those expressed in forward-looking statements. 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, 2000, including "Business", "Market for the Registrant's Common Stock and Related Stockholder Matters", in the Notes to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Factors That May Affect Our Future Results and Financial Condition," and "Special Note of Caution Regarding Forward-Looking

Statements" describe factors, among others, that could contribute to or cause such differences. These factors may also affect our business generally. Additional factors that could cause actual results to differ materially from those expressed in such forward-looking statements and that could affect our business generally, are described in our Form S-4 filed with the SEC on July 18, 2001. As a result of these factors, the Company's stock and bond prices may fluctuate dramatically.

RESULTS OF OPERATIONS

The following discussion and analysis provides information regarding our results of operations for the three and six month periods ended June 30, 2001 and 2000. All material balances and transactions between us and our subsidiaries have been eliminated in consolidation. 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 in accordance with accounting principles generally accepted in the United States of America. The results of operations for any interim period are not necessarily indicative of results expected for a full fiscal year.

HOME SALES REVENUE, SALES CONTRACTS AND NET SALES BACKLOG

The data provided below shows operating and financial data regarding our homebuilding activities (in thousands).

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Percentage Increase	Six Months Ended June 30,		Percentage Increase
Home Sales Revenue	2001	2000	(Decrease)	2001	2000	(Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total						
Dollars	$174,403	$120,802	44%	$290,516	$212,455	37%
Homes closed	773	525	47%	1,289	965	34%
Average sales price	$ 225.6	$ 230.1	(2)%	$ 225.4	$ 220.2	2%
Texas						
Dollars	$ 67,381	$ 52,281	29%	$122,958	$101,711	21%
Homes closed	400	303	32%	720	605	19%
Average sales price	$ 168.5	$ 172.5	(2)%	$ 170.8	$ 168.1	2%
Arizona						
Dollars	$ 67,184	$ 32,257	108%	$100,360	$ 54,199	85%
Homes closed	268	117	129%	394	196	101%
Average sales price	$ 250.7	$ 275.7	(9)%	$ 254.7	$ 276.5	(8)%
California						
Dollars	$ 39,838	$ 36,264	10%	$ 67,198	$ 56,545	19%
Homes closed	105	105	--	175	164	7%
Average sales price	$ 379.4	$ 345.4	10%	$ 384.0	$ 344.8	11%

	Three Months Ended June 30,		Percentage Increase	Six Months Ended June 30,		Percentage Increase
Sales Contracts	2001	2000	(Decrease)	2001	2000	(Decrease)
Total						
Dollars	$174,858	$147,770	18%	$351,752	$296,670	19%
Homes ordered	757	590	28%	1,497	1,219	23%
Average sales price	$ 231.0	$ 250.5	(8)%	$ 235.0	$ 243.4	(3)%
Texas						
Dollars	$ 69,324	$ 57,561	20%	$142,832	$118,481	21%
Homes ordered	422	317	33%	859	672	28%
Average sales price	$ 164.3	$ 181.6	(10)%	$ 166.3	$ 176.3	(6)%
Arizona						
Dollars	$ 68,513	$ 44,922	53%	$135,828	$ 88,859	53%
Homes ordered	242	143	69%	455	280	63%
Average sales price	$ 283.1	$ 314.1	(10)%	$ 298.5	$ 317.4	(6)%
California						
Dollars	$ 37,021	$ 45,287	(18)%	$ 73,092	$ 89,330	(18)%
Homes ordered	93	130	(28)%	183	267	(31)%
Average sales price	$ 398.1	$ 348.4	14%	$ 399.4	$ 334.6	19%

</TABLE>

	At June 30,		Percentage Increase
Net Sales Backlog	2001	2000	(Decrease)

Total			
Dollars	$478,658	$305,100	57%
Homes in backlog	2,064	1,247	66%
Average sales price	$ 231.9	$ 244.7	(5)%
Texas			
Dollars	$139,439	$110,753	26%
Homes in backlog	834	633	32%
Average sales price	$ 167.2	$ 175.0	(4)%
Arizona			
Dollars	$258,199	$128,978	100%
Homes in backlog	1,015	408	149%
Average sales price	$ 254.4	$ 316.1	(20)%
California			
Dollars	$ 81,020	$ 65,369	24%
Homes in backlog	215	206	4%
Average sales price	$ 376.8	$ 317.3	19%

HOME SALES REVENUE. The increases in total home sales revenue and number of homes closed in the second quarter and first six months of 2001 compared to the same periods of 2000 resulted mainly from good performances in all of our divisions, continued growth in our mid-priced home closings in Arizona and the addition of Hancock Communities to our operations in Phoenix, Arizona. In June 2001 Hancock contributed 70 home closings with home sales revenue of $12.1 million.

SALES CONTRACTS. Sales contracts for any period represent the aggregate sales price of all homes ordered by customers, net of cancellations. We do not include sales contingent upon the sale of a customer's existing home as a sales contract until the contingency is removed. Historically, we have experienced a cancellation rate approximating 23% of gross sales, which we believe is consistent with industry standards. Total sales contracts increased in the second quarter and first six months of 2001 compared to the same periods of 2000 due mainly to sales growth in Dallas/Ft. Worth, the continued expansion of our mid-priced Meritage Phoenix division in Arizona, and the addition of Hancock Communities to our operations. During the month of June, 2001, Hancock received 70 home contracts. The decrease in sales contracts in our Northern California region for the second quarter and first six months of 2001 reflects the lack of available lot inventory caused by the early sellout of communities late in 2000.

NET SALES BACKLOG. Backlog represents net sales contracts that have not closed. Total dollar backlog at June 30, 2001 increased 57% over the June 30, 2000 amount due to an increase in the number of homes in backlog. The number of homes in backlog at June 30, 2001 increased 66% over the same date in the prior year. These increases resulted from expansion of our operations in our mid-priced Meritage Phoenix division in Arizona and the Hancock acquisition. We have included in our June 30, 2001 backlog 610 pre-sold Hancock homes with an aggregate dollar value of approximately $107.5 million. The beginning balance of the purchased Hancock homes were not included as sales contracts received during the three and six months ended June 30, 2001.

OTHER OPERATING INFORMATION

<TABLE>
<CAPTION>

	Three Months Ended June 30,			Six Months Ended June 30,		
	2001	2000	Percentage Increase (Decrease)	2001	2000	Percentage Increase (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
HOME SALES GROSS PROFIT						
Dollars	$37,574	$24,276	55%	$61,108	$40,973	49%
Percentage of home sales revenues	21.5%	20.1%	1.4%	21.0%	19.3%	1.7%
COMMISSIONS AND OTHER SALES COSTS						
Dollars	$ 9,435	$6,458	46%	$16,448	$12,237	34%
Percent of home sales revenue	5.4%	5.3%	*	5.7%	5.8%	*
GENERAL AND ADMINISTRATIVE COSTS						
Dollars	$ 7,884	$4,850	63%	$12,819	$ 8,854	45%
Percent of total revenue	4.5%	4.0%	*	4.4%	4.1%	*
INCOME TAXES						
Dollars	$ 8,205	$5,060	62%	$12,997	$ 7,812	66%
Percent of income before taxes and extraordinary item	38.8%	37.1%	1.7%	39.0%	36.9%	2.1%

</TABLE>

- ----------

* - Less than 1%

HOME SALES GROSS PROFIT. Gross profit equals home sales revenue, net of housing cost of sales, which include developed lot costs, home construction costs, amortization of common community costs (such as the cost of model complex and architectural, legal and zoning costs), interest, sales tax, warranty, construction overhead and closing costs. The dollar increases in gross profit for the three and six months ended June 30, 2001 are attributable to the increase in the number of homes closed and to continued strength in our markets, allowing increases in sales prices which expanded gross margins.

COMMISSIONS AND OTHER SALES COSTS. Commissions and other sales costs, such as advertising and sales office expenses, were approximately $9.4 million, or 5.4% of home sales revenue, in the three months ended June 30, 2001, as compared to approximately $6.5 million, or 5.3% of home sales revenue in the second quarter of 2000. For the first six months of 2001, commissions and other sales costs were approximately $16.4 million or 5.7% of home sales revenue, compared with $12.2 million, or 5.8%, of home sales revenue for the first half of 2000.

GENERAL AND ADMINISTRATIVE COSTS. General and administrative costs were approximately $7.9 million, or 4.5% of total revenue in the second quarter of 2001, as compared to approximately $4.9 million, or 4.0% of total revenue in 2000. General and administrative costs were approximately $12.8 million, or 4.4% of total revenue in the first six months of 2001, as compared to approximately $8.9 million, or 4.2% of total revenue in the same period for the same period of 2000. General and administrative costs in 2001 were higher as a percentage of revenue in comparison to the prior year due mainly to the strong performance of our Northern California region which resulted in a larger-than-typical earn-out per the term of the purchase contract when we acquired the division.

INCOME TAXES. The increases in income taxes for the quarter and six months ended June 30, 2001 from the prior year resulted from an increase in pre-tax income, along with a slightly higher effective tax rate.

LIQUIDITY AND CAPITAL RESOURCES

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

At June 30, 2001, we had short-term secured revolving construction loan and acquisition and development facilities totaling $175.0 million, of which approximately $29.0 million was outstanding. An additional $120.6 million of unborrowed funds supported by approved collateral were available under our credit facilities at that date, subject to compliance with the financial and other covenants in our loan agreements. This additional borrowing is limited to approximately $56 million under such loan covenants.

On May 30, 2001, we issued $165 million in principal amount of 9.75% senior notes due June 1, 2011. Approximately $66 million of the proceeds of this offering were used to complete the acquisition of the assets and liabilities of Hancock, approximately $78 million were used to pay down existing bank debt and approximately $15.9 million was used to repay existing senior notes. This early repayment of debt resulted in prepayment penalty fees of approximately $731,000, which net of the related income tax benefit, is recorded as an extraordinary loss of $446,000 in the second quarter of 2001.

The 9.75% unsecured senior notes require us to comply with a number of covenants including:

1) Limitations on additional indebtedness,
2) Limitations on the payment of dividends, redemption of equity interests and certain investments,
3) Maintenance of a minimum level of consolidated tangible net worth,
4) Limitations on liens securing certain obligations, and
5) Limitations on the sale of assets, mergers and consolidations and transactions with affiliates.

Management believes that the Company's current borrowing capacity, cash on hand at June 30, 2001 and anticipated cash flows from operations are sufficient to meet liquidity needs for the foreseeable future. There is no assurance, however, that future amounts available from our 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 notes and by the terms of our other credit agreements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not enter into derivative financial instruments for trading purposes, though we do have other financial instruments in the form of notes payable and senior debt. Our lines of credit and credit facilities are at variable interest rates and are subject to market risk in the form of interest rate fluctuations. The interest rate on our senior debt is at a fixed rate.

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 $65,000,000 Line of Credit	Filed herewith
99	Private Securities Litigation Reform Act of 1995 Safe Harbor Compliance Statement for Forward-Looking Statements	Filed herewith

(b) REPORTS ON FORM 8-K

On May 10, 2001, we filed a report on Form 8-K describing our anticipated acquisition of the homebuilding assets of Hancock Communities and our intent to issue 9.75% senior notes due 2011 in a private placement. On May 11, 2001, we filed an amendment to our Form 8-K updating certain information relating to the Hancock acquisition.

On June 6, 2001, we filed a report on Form 8-K describing the completion of our private placement of $165 million in principal amount of 9.75% senior notes due 2011 and the completion of the Hancock acquisition.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly cause this report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, this 14th day of August 2001.

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

May 29, 2001

Guaranty Bank
8333 Douglas Avenue
Dallas, Texas 75225

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

Gentlemen:

Reference is made to that certain Master Loan Agreement dated as of January 31, 1993 (and all amendments thereto, if any) (the "Loan Agreement ") between Lender and Borrower governing a $65,000,000.00 loan (as decreased) (the "Loan") for the acquisition and/or refinancing of residential lots located in certain counties in the State of Texas as described therein, and the construction of single-family residences thereon. Unless otherwise expressly defined herein, each term used herein with its initial letter capitalized shall have the meaning given to such term in the Loan Agreement. As used in this letter agreement, the term "Loan Instruments" shall mean and include (i) the "Loan Instruments" as defined in the Loan Agreement, (ii) the Seventh Modification Agreement 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, 2002, when the entire unpaid principal balance of the Note, together with all accrued and unpaid interest shall be due and payable; provided, however, such date may be extended as set forth in Paragraph 9 of the Loan Agreement (as amended hereby).

2. Paragraph 2 (b) of the Loan Agreement is hereby modified by deleting such paragraph in its entirety and replacing it with the following:

(b) With respect to any Property located in the State of Texas, Mortgagee Title Policy Binder on Interim Construction Loan, or with respect to Property located in any other state, an ALTA Lender's extended policy of Title Insurance (either form being referred to as the "Policy"), issued by a company or companies acceptable to Lender, agreeing to insure Lender, in the aggregate amount of the Loan Allocation (as hereinafter defined) for each Property covered by such Mortgage (the "Aggregate Loan Allocation"), that such Mortgage and any other liens securing the payment of the Note and Loan have the priority required by Lender. If required by Lender, the Policy shall be extended to cover each and every advance at the time such advance is made; provided, however, the maximum title insurance for title insurance underwriters must be acceptable to Lender, and if required by Lender, from time to time, Borrower shall cause to be issued to Lender an additional Policy or Policies, in such amounts and from such title insurance underwriters, as are acceptable to Lender.

3. Paragraph 2(l) of the Loan Agreement is hereby modified by deleting such paragraph in its entirety and replacing it with the following:

(l) Lender may require as a condition to each advance, a bills-paid affidavit from each original contractor and subcontractor, to be submitted with each draw request, together with any other information required or permitted, as determined by Lender, under applicable law in the state in which the Property is located (including, without limitation, requests for information, notices of contract, notices of payments, interim waivers and release upon payment or lien subordination agreements).

4. Paragraph 6 (a) of the Loan Agreement is hereby modified by deleting such paragraph in its entirety and replacing it with the following paragraph:

(a) Prior to the recordation of any Mortgage, no work (as that term may be defined under applicable law for the state in which the particular Property is located) of any kind (including the destruction or removal of any existing improvements, site work, clearing, grubbing, draining, erection of temporary utilities or fencing of the Property) pertaining to the construction of any of the Residences, has been or will be commenced or performed upon the Property and no material (as that term may be defined under applicable law for the state in which the particular Property is located) or equipment has been or will be delivered to or upon the Property, and no construction contract for the construction of erection of any of the Residences has been or will be let (and if required by Lender, prior to commencement of such work or delivery of such materials, Borrower shall execute and deliver to Lender any notice of commencement [in form and content satisfactory to Lender] as may be required or permitted, in the determination of Lender, under applicable law).

5. Paragraph 8 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

8. REVOLVING LOAN. All or any portion of the principal of the Loan may be borrowed, paid, prepaid, repaid and reborrowed from time to time prior to maturity in accordance with the provisions of the Loan Instruments. The excess of borrowing (advances and re-advances) over repayments shall evidence the principal balance of the Loan from time to time and at any time. The aggregate amount of all advances under the Loan may exceed the Loan Amount, but neither the outstanding principal balance of the Loan nor the outstanding aggregate amount of the Loan Allocations shall ever exceed the Loan Amount. The Loan shall not be governed by or be subject to Chapter 15 of the Texas Credit Code Title 79, Revised Civil Statutes of Texas, 1925, as amended.

The maximum total Loan Allocations and Letters of Credit under the Loan at any time shall be limited to $125,000,000.00, which sum shall consist of the following:

(a) the total of all Loan Allocations for Property (Texas and Arizona) secured by Mortgages, plus;

(b) the amount of any Letters of Credit (when issued, if any);

provided, however, that the $125,000,000.00 Loan Allocation limitation set forth in this sentence shall be increased by an amount equal to any cash deposits made by Borrower with Lender as security for the Loan and as a Borrower's Deposit under Paragraph 5 of the Loan Agreement (with each such deposit to be advanced by Lender to Borrower prior to the disbursement of loan proceeds upon the satisfaction of conditions for advances under this Loan Agreement). Borrower shall execute and deliver to Lender such documents as may be necessary to establish such account and to grant Lender a security interest in the same.

Notwithstanding any provision in the Loan Instruments to the contrary, in no event shall the sum of (i) the aggregate amounts advanced under the Note, and (ii) the amount of any Letters of Credit (when issued, if any) exceed a total of $75,000,000.00, notwithstanding that the maximum total Loan Allocations and Letters of Credit under the Loan may exceed such $75,000,000.00 total; and consequently, Lender shall have no obligation to disburse additional funds in the event the sum of (i) the aggregate amounts advanced or to be advanced (including all Loan Allocations) under the Note, and (ii) the amount of any Letters of Credit (when issued, if any) exceed a total of $75,000,000.00.

Notwithstanding any provisions in the Loan Instruments to the contrary, if at anytime the aggregate disbursed and unpaid principal balance of the Loan (together with the aggregate amount of any Letters of Credit under the Loan) exceed $75,000,000.00, then Borrower shall immediately (following written demand by Lender) deliver to Lender a cash amount equal to such excess, which cash amount shall be applied to the principal balance of the Loan in order that such aggregate amount shall be reduced to $75,000,000.00.

6. Paragraph 13 of the Loan Agreement is hereby modified by deleting such paragraph in its entirety and replacing it with the following paragraph:

13. CHOICE OF LAW. THE LOAN INSTRUMENTS ARE EXECUTED AND DELIVERED IN THE STATE OF TEXAS AND THE LOAN IS PAYABLE THERE. EXCEPT WHERE FEDERAL LAW IS APPLICABLE (INCLUDING, WITHOUT LIMITATION, ANY FEDERAL USURY CEILING OR OTHER FEDERAL LAW WHICH, FROM TIME TO TIME, IS APPLICABLE TO THE INDEBTEDNESS HEREIN AND WHICH PREEMPTS STATE USURY LAWS), THIS LOAN AGREEMENT, THE NOTE, THE MORTGAGES AND THE OTHER LOAN INSTRUMENTS SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCEPT TO THE EXTENT THE LAW OF THE STATE IN WHICH THE MORTGAGED PROPERTY IS LOCATED GOVERNS THE PERFECTION AND DETERMINATION OF LIEN RIGHTS AND PRIORITY, AND THE ENFORCEMENT OF REMEDIES AND THE DISPOSITION OF THE PROPERTY.

7. Loan Agreement is hereby modified by deleting Paragraph 20 of the Loan Agreement in its entirety and replacing it with the following:

20. LETTERS OF CREDIT: At Lender's sole and absolute discretion, Lender shall issue letters of credit (the "Letters of Credit") for the benefit of Borrower for the purposes set forth below; provided, that during the term of the Loan, the aggregate amount of any outstanding Letters of Credit and the amount of any Letters of Credit funded by Lender shall never exceed the lesser of (a) a sum derived by subtracting the total aggregate sum of all Loan Allocations from $75,000,000.00, or (b) $10,000,000.00. Furthermore, the amount of the Letters of Credit (when issued, if any) shall reduce the Borrowing Base. In addition to any other requirements of Lender, and as a condition to the issuance of any Letters of Credit, Borrower shall execute and deliver to Lender a Letter of Credit Application, Reimbursement and Loan Agreement, in the same form and substance of the document attached hereto as Exhibit D. Concurrently with the issuance of, or renewal of, any Letters of Credit, Borrower shall pay to Lender a

fee equal to the greater of (a) $250.00, or (b) one-half of one percent (1/2%) of the amount of each such Letters of Credit.

8. Exhibit A to the Loan Agreement is hereby modified by deleting such exhibit in its entirety and replacing it with Exhibit A attached hereto.

9. 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.

10. 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.

11. 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.

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

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

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

Very truly yours,

BORROWER:

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

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

By: /s/ Rick Morgan

Name: Rick Morgan
Title: Vice-President

GUARANTOR:

MERITAGE CORPORATION,
a Maryland corporation

By: /s/ John R. Landon

Name: John R. Landon
Title: Co-Chief Executive Officer

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

By: /s/ Rick Morgan

Name: Rick Morgan
Title: Vice President

MTH-TEXAS LP, INC.,
an Arizona corporation

By: /s/ Rick Morgan

Name: Rick Morgan
Title: Vice President

ACCEPTED AND AGREED TO:

LENDER:

GUARANTY BANK,
a federal savings bank

By: /s/ Sam A. Meade

Name: Sam A. Meade
Title: Senior Vice President

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:

Subdivision	County
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
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, 2002) (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 $40,000,000.00.

    (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 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.

The words "believe," "expect," "anticipate," and "project" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Such forward-looking statements are within the meaning of that term in Section 27A of the Securities Act of 1993, as amended, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this Form 10-Q include statements concerning the demand for and the pricing of our homes, the expectation of continued positive operating results in the remainder of 2001 and beyond, and the expected benefits of the Hancock acquisition, including projected future home closings and Hancock's future contribution to our revenues and earnings. Such statements are subject to significant risks and uncertainties.

Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements, and that could affect the Company's business include, but are not limited to, the following: (i) changes in national and local economic financial results and other conditions, such as employment levels, availability of mortgage financing, interest rates, consumer confidence, and housing demand; (ii) risks inherent in homebuilding activities, including delays in construction schedules, cost overruns, changes in government regulation, increases in real estate taxes and other local fees; (iii) changes in costs or availability of land, materials, and labor; (iv) fluctuations in real estate values; (v) the timing of home closings and land sales; (vi) Meritage's ability to continue to acquire additional land or options to acquire additional land on acceptable terms; (vii) a relative lack of geographic diversification of Meritage's operations, especially when real estate analysts are predicting that new home sales in certain markets may slow during or after 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; (xiv) Meritage's significant level of indebtedness and the diversion of cash flow to make debt payments; (xv) restrictions on our business activities imposed by the agreements governing our indebtedness; and (xvi) our inability to repay our indebtedness.

With respect to our acquisition of Hancock, these uncertainties include: (1) the risk that the Hancock business will not be integrated with our existing business successfully; (2) that the market and financial synergies will not be achieved in the time frame anticipated, or at all; (3) that the acquisition will not be accretive to earnings due to unexpected expenses, contingencies or liabilities or due to the financial performance of the Hancock business; (4) that the combined companies will lose key employees, management, suppliers or subcontractors; (5) increased competition; (6) and our ability to successfully manage new housing lines that were previously managed by Hancock or new lines planned for the future.

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. As a result of these and other factors, the Company's stock and bond prices may fluctuate dramatically.