

PULTEGROUP INC/MI/
Form 10-Q
July 25, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013

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

Commission File Number 1-9804

PULTEGROUP, INC.

(Exact name of registrant as specified in its charter)

MICHIGAN

(State or other jurisdiction of
incorporation or organization)

38-2766606

(I.R.S. Employer
Identification No.)

100 Bloomfield Hills Parkway, Suite 300
Bloomfield Hills, Michigan 48304
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (248) 647-2750

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 NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES [] NO [X]

Number of shares of common stock outstanding as of July 19, 2013: 388,348,710

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PULTEGROUP, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (\$000's omitted)

	June 30, 2013 (Unaudited)	December 31, 2012 (Note)
ASSETS		
Cash and equivalents	\$1,212,668	\$1,404,760
Restricted cash	66,443	71,950
House and land inventory	4,183,069	4,214,046
Land held for sale	89,765	91,104
Land, not owned, under option agreements	33,751	31,066
Residential mortgage loans available-for-sale	237,595	318,931
Investments in unconsolidated entities	44,378	45,629
Other assets	441,904	407,675
Intangible assets	142,698	149,248
	\$6,452,271	\$6,734,409
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable, including book overdrafts of \$38,234 and \$42,053 in 2013 and 2012, respectively	\$207,750	\$178,274
Customer deposits	167,076	101,183
Accrued and other liabilities	1,406,656	1,418,063
Income tax liabilities	200,646	198,865
Financial Services debt	59,866	138,795
Senior notes	2,082,062	2,509,613
	4,124,056	4,544,793
Shareholders' equity	2,328,215	2,189,616
	\$6,452,271	\$6,734,409

Note: The Condensed Consolidated Balance Sheet at December 31, 2012 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

PULTEGROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(000's omitted, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues:				
Homebuilding				
Home sale revenues	\$1,219,675	\$1,024,405	\$2,319,427	\$1,838,191
Land sale revenues	20,385	8,749	46,516	47,147
	1,240,060	1,033,154	2,365,943	1,885,338
Financial Services	39,362	36,251	76,235	65,103
Total revenues	1,279,422	1,069,405	2,442,178	1,950,441
Homebuilding Cost of Revenues:				
Home sale cost of revenues	990,818	869,379	1,892,288	1,581,545
Land sale cost of revenues	20,710	7,611	42,728	41,008
	1,011,528	876,990	1,935,016	1,622,553
Financial Services expenses	23,035	20,327	45,623	42,336
Selling, general and administrative expenses	150,531	124,186	280,157	247,500
Other expense (income), net	57,339	10,498	62,111	17,117
Interest income	(1,112)	(1,164)	(2,285)	(2,363)
Interest expense	166	198	373	415
Equity in (earnings) loss of unconsolidated entities	(395)	(1,556)	503	(3,552)
Income before income taxes	38,330	39,926	120,680	26,435
Income tax expense (benefit)	1,913	(2,510)	2,501	(4,335)
Net income	\$36,417	\$42,436	\$118,179	\$30,770
Net income per share:				
Basic	\$0.09	\$0.11	\$0.31	\$0.08
Diluted	\$0.09	\$0.11	\$0.30	\$0.08
Number of shares used in calculation:				
Basic	385,389	380,655	384,813	380,579
Effect of dilutive securities	5,791	1,548	5,943	1,446
Diluted	391,180	382,203	390,756	382,025

See accompanying Notes to Condensed Consolidated Financial Statements.

PULTEGROUP, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (000's omitted)
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$ 36,417	\$ 42,436	\$ 118,179	\$ 30,770
Other comprehensive income, net of tax:				
Change in fair value of derivatives	148	58	196	115
Other comprehensive income	148	58	196	115
Comprehensive income	\$ 36,565	\$ 42,494	\$ 118,375	\$ 30,885

See accompanying Notes to Condensed Consolidated Financial Statements.

PULTEGROUP, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(000's omitted, except per share data)

(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total
	Shares	\$				
Shareholders' Equity, January 1, 2013	386,608	\$3,866	\$3,030,889	\$ (992)	\$ (844,147)	\$2,189,616
Stock option exercises	1,357	14	18,530	—	—	18,544
Stock awards, net of cancellations	719	7	(7)	—	—	—
Stock repurchases	(331)	(3)	(2,593)	—	(3,851)	(6,447)
Stock-based compensation	—	—	8,127	—	—	8,127
Net income	—	—	—	—	118,179	118,179
Other comprehensive income	—	—	—	196	—	196
Shareholders' Equity, June 30, 2013	388,353	\$3,884	\$3,054,946	\$ (796)	\$ (729,819)	\$2,328,215
Shareholders' Equity, January 1, 2012	382,608	\$3,826	\$2,986,240	\$ (1,306)	\$ (1,050,145)	\$1,938,615
Stock awards, net of cancellations	1,235	12	(12)	—	—	—
Stock repurchases	(101)	(1)	(785)	—	(122)	(908)
Stock-based compensation	—	—	6,455	—	—	6,455
Net income	—	—	—	—	30,770	30,770
Other comprehensive income	—	—	—	115	—	115
Shareholders' Equity, June 30, 2012	383,742	\$3,837	\$2,991,898	\$ (1,191)	\$ (1,019,497)	\$1,975,047

See accompanying Notes to Condensed Consolidated Financial Statements.

PULTEGROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$000's omitted)
(Unaudited)

	Six Months Ended	
	June 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$118,179	\$30,770
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:		
Write-down of land inventory and deposits and pre-acquisition costs	4,709	9,218
Depreciation and amortization	15,084	14,828
Stock-based compensation expense	15,765	8,886
Equity in (earnings) loss of unconsolidated entities	503	(3,552)
Distributions of earnings from unconsolidated entities	1,298	5,782
Loss on debt retirements	23,072	—
Other non-cash, net	4,277	850
Increase (decrease) in cash due to:		
Restricted cash	1,285	(1,215)
Inventories	32,920	72,222
Residential mortgage loans available-for-sale	81,336	23,768
Other assets	(32,607)	12,020
Accounts payable, accrued and other liabilities	67,463	28,799
Income tax liabilities	1,781	9,164
Net cash provided by (used in) operating activities	335,065	211,540
Cash flows from investing activities:		
Distributions from unconsolidated entities	200	2,696
Investments in unconsolidated entities	(807)	(858)
Net change in loans held for investment	18	627
Change in restricted cash related to letters of credit	4,222	16,280
Proceeds from the sale of property and equipment	9	4,627
Capital expenditures	(11,017)	(6,997)
Net cash provided by (used in) investing activities	(7,375)	16,375
Cash flows from financing activities:		
Financial Services borrowings (repayments)	(78,929)	—
Other borrowings (repayments)	(452,950)	400
Stock option exercises	18,544	—
Stock repurchases	(6,447)	(908)
Net cash provided by (used in) financing activities	(519,782)	(508)
Net increase (decrease) in cash and equivalents	(192,092)	227,407
Cash and equivalents at beginning of period	1,404,760	1,083,071
Cash and equivalents at end of period	\$1,212,668	\$1,310,478
Supplemental Cash Flow Information:		
Interest paid (capitalized), net	\$2,309	\$(5,840)
Income taxes paid (refunded), net	\$(2,471)	\$(11,756)

See accompanying Notes to Condensed Consolidated Financial Statements.

PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Summary of significant accounting policies

Basis of presentation

PulteGroup, Inc. is one of the largest homebuilders in the United States. Our common stock trades on the New York Stock Exchange under the ticker symbol "PHM". Unless the context otherwise requires, the terms "PulteGroup", the "Company", "we", "us", and "our" used herein refer to PulteGroup, Inc. and its subsidiaries. While our subsidiaries engage primarily in the homebuilding business, we also have mortgage banking operations, conducted principally through Pulte Mortgage LLC ("Pulte Mortgage"), and title operations.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. These financial statements should be read in conjunction with our consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification

Certain prior period amounts have been reclassified to conform to the current year presentation.

Subsequent events

We evaluated subsequent events up until the time the financial statements were filed with the Securities and Exchange Commission ("SEC").

Cash and equivalents

Cash and equivalents include institutional money market investments and time deposits with a maturity of three months or less when acquired. Cash and equivalents at June 30, 2013 and December 31, 2012 also included \$8.2 million and \$8.1 million, respectively, of cash from home closings held in escrow for our benefit, typically for less than five days, which are considered deposits in-transit.

Restricted cash

We maintain certain cash balances that are restricted as to their use. Restricted cash consists primarily of deposits maintained with financial institutions under certain cash-collateralized letter of credit agreements (see [Note 9](#)). The remaining balances relate to certain other accounts with restrictions, including customer deposits on home sales that are temporarily restricted by regulatory requirements until title transfers to the homebuyer.

PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Other expense (income), net

Other expense (income), net consists of the following (\$000's omitted):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Write-off of deposits and pre-acquisition costs	\$ 250	\$ 166	\$ 591	\$ 905
Loss on debt retirements (Note 9)	23,072	—	23,072	—
Lease exit and related costs (a)	603	3,801	768	6,160
Amortization of intangible assets	3,275	3,275	6,550	6,550
Miscellaneous expense (income), net (b)	30,139	3,256	31,130	3,502
	\$ 57,339	\$ 10,498	\$ 62,111	\$ 17,117

Excludes \$0.1 million and \$2.5 million of lease exit costs classified within Financial Services expense during the (a) three and six months ended June 30, 2012. There were no such costs during the three and six months ended June 30, 2013.

(b) Includes a charge of \$30.0 million during the three and six months ended June 30, 2013 resulting from a contractual dispute related to a previously completed luxury community (see Note 10).

Notes receivable

In certain instances, we may accept consideration for land sales or other transactions in the form of a note receivable. Such receivables are reported net of allowance for credit losses within other assets. The following represents our notes receivable and related allowance for credit losses (\$000's omitted):

	June 30, 2013	December 31, 2012
Notes receivable, gross	\$ 59,372	\$ 57,841
Allowance for credit losses	(27,059	) (26,865
Notes receivable, net	\$ 32,313	\$ 30,976

We also record receivables from various parties in the normal course of business, including amounts due from municipalities, insurance carriers, and vendors. Such receivables are generally reported within other assets. See Residential mortgage loans available-for-sale in Note 1 for a discussion of receivables related to our mortgage operations.

Earnings per share

Basic earnings per share is computed by dividing income (loss) available to common shareholders (the "numerator") by the weighted-average number of common shares, adjusted for non-vested shares of restricted stock (the "denominator") for the period. Computing diluted earnings per share is similar to computing basic earnings per share, except that the denominator is increased to include the dilutive effects of stock options, non-vested restricted stock, and other potentially dilutive instruments. Any stock options that have an exercise price greater than the average market price are considered to be anti-dilutive and are excluded from the diluted earnings per share calculation. Earnings per share excludes 10.3 million and 10.5 million stock options and other potentially dilutive instruments for the three and six months ended June 30, 2013, respectively, and 21.9 million and 22.2 million for the three and six months ended

June 30, 2012.

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PULTEGROUP, INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

Land option agreements

In the ordinary course of business, we enter into land option agreements in order to procure land for the construction of homes in the future. Pursuant to these land option agreements, we generally provide a deposit to the seller as consideration for the right to purchase land at different times in the future, usually at predetermined prices. Such contracts enable us to defer acquiring portions of properties owned by third parties or unconsolidated entities until we have determined whether and when to exercise our option, which reduces our financial risks associated with long-term land holdings. Option deposits and pre-acquisition costs (such as environmental testing, surveys, engineering, and entitlement costs) are capitalized if the costs are directly identifiable with the land under option, the costs would be capitalized if we owned the land, and acquisition of the property is probable. Such costs are reflected in other assets and are reclassified to inventory upon taking title to the land. We write off deposits and pre-acquisition costs when it becomes probable that we will not go forward with the project or recover the capitalized costs. Such decisions take into consideration changes in local market conditions, the timing of required land purchases, the availability and best use of necessary incremental capital, and other factors. We record these write-offs of deposits and pre-acquisition costs within other expense (income), net. See Note 3.

If the entity holding the land under option is a variable interest entity (“VIE”), our deposit represents a variable interest in that entity. If we are determined to be the primary beneficiary of the VIE, we are required to consolidate the VIE. Certain of our land option agreements are with entities considered VIEs. In evaluating whether we are required to consolidate a VIE, we take into consideration that the VIE is generally protected from the first dollar of loss under our land option agreement due to our deposit. Likewise, the VIE's gains are generally capped based on the purchase price within the land option agreement. However, we generally have little control or influence over the operations of these VIEs due to our lack of an equity interest in them. Additionally, creditors of the VIE have no recourse against us, and we do not provide financial or other support to these VIEs other than as stipulated in the land option agreements. Our maximum exposure to loss related to these VIEs is generally limited to our deposits and pre-acquisition costs under the applicable land option agreements. Historically, cancellations of land option agreements have resulted in write-offs of the related deposits and pre-acquisition costs but did not expose us to the overall risks or losses of the applicable VIEs.

Separately, certain land option agreements represent financing arrangements even though we generally have no obligation to pay these future amounts. As a result, we recorded \$33.8 million and \$31.1 million at June 30, 2013 and December 31, 2012, respectively, to land, not owned, under option agreements with a corresponding increase to accrued and other liabilities. Such amounts represent the remaining purchase price under the land option agreements, some of which are with VIEs, in the event we exercise the purchase rights under the agreements.

The following provides a summary of our interests in land option agreements as of June 30, 2013 and December 31, 2012 (\$000's omitted):

	June 30, 2013			December 31, 2012		
	Deposits and Pre-acquisition Costs	Remaining Purchase Price	Land, Not Owned, Under Option Agreements	Deposits and Pre-acquisition Costs	Remaining Purchase Price	Land, Not Owned, Under Option Agreements
Consolidated VIEs	\$8,523	\$12,908	\$14,526	\$5,216	\$8,590	\$8,590
Unconsolidated VIEs	30,404	629,823	—	24,078	360,495	—

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Other land option agreements	49,572	657,338	19,225	40,822	554,307	22,476
	\$88,499	\$1,300,069	\$33,751	\$70,116	\$923,392	\$31,066

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PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Residential mortgage loans available-for-sale

Substantially all of the loans originated by us are sold in the secondary mortgage market within a short period of time after origination. In accordance with ASC 825, "Financial Instruments" ("ASC 825"), we use the fair value option to record residential mortgage loans available-for-sale. Election of the fair value option for these loans allows a better offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without having to apply complex hedge accounting provisions. We do not designate any derivative instruments as hedges or apply the hedge accounting provisions of ASC 815, "Derivatives and Hedging."

Expected gains and losses from the sale of residential mortgage loans and their related servicing rights are included in the measurement of written loan commitments that are accounted for at fair value through Financial Services revenues at the time of commitment. Subsequent changes in the fair value of these loans are reflected in Financial Services revenues as they occur. At June 30, 2013 and December 31, 2012, residential mortgage loans available-for-sale had an aggregate fair value of \$237.6 million and \$318.9 million, respectively, and an aggregate outstanding principal balance of \$238.2 million and \$305.3 million, respectively. The net gain (loss) resulting from changes in fair value of these loans totaled \$(2.0) million and \$0.2 million for the three months ended June 30, 2013 and 2012, respectively, and \$(1.8) million and \$(0.3) million for the six months ended June 30, 2013 and 2012. These changes in fair value were substantially offset by changes in fair value of the corresponding hedging instruments. Net gains from the sale of mortgages were \$24.4 million and \$24.1 million for the three months ended June 30, 2013 and 2012, respectively, and \$48.3 million and \$43.1 million for the six months ended June 30, 2013 and 2012, respectively, and have been included in Financial Services revenues.

Derivative instruments and hedging activities

We are exposed to market risks from commitments to lend, movements in interest rates, and canceled or modified commitments to lend. A commitment to lend at a specific interest rate (an interest rate lock commitment) is a derivative financial instrument (interest rate is locked to the borrower). In order to reduce these risks, we use other derivative financial instruments, principally cash forward placement contracts on mortgage-backed securities and whole loan investor commitments, to economically hedge the interest rate lock commitment. We enter into these derivative financial instruments based upon our portfolio of interest rate lock commitments and closed loans. We do not use any derivative financial instruments for trading purposes.

At June 30, 2013 and December 31, 2012, we had aggregate interest rate lock commitments of \$279.9 million and \$161.6 million, respectively, which were originated at interest rates prevailing at the date of commitment. Since we can terminate a loan commitment if the borrower does not comply with the terms of the contract, and some loan commitments may expire without being drawn upon, these commitments do not necessarily represent future cash requirements. We evaluate the creditworthiness of these transactions through our normal credit policies.

Forward contracts on mortgage-backed securities are commitments to either purchase or sell a specified financial instrument at a specified future date for a specified price that may be settled in cash, by offsetting the position, or through the delivery of the financial instrument. Forward contracts on mortgage-backed securities are the predominant derivative financial instruments we use to minimize market risk during the period from the time we extend an interest rate lock to a loan applicant until the time the loan is sold to an investor. We also use whole loan investor commitments, which are obligations of the investor to buy loans at a specified price within a specified time period. At June 30, 2013 and December 31, 2012, we had unexpired forward contracts of \$458.3 million and \$428.0 million, respectively, and whole loan investor commitments of \$18.6 million and \$4.7 million, respectively. Changes in the

fair value of interest rate lock commitments and other derivative financial instruments are recognized in Financial Services revenues, and the fair values are reflected in other assets or other liabilities, as applicable.

There are no credit-risk-related contingent features within our derivative agreements, and counterparty risk is considered minimal. Gains and losses on interest rate lock commitments are substantially offset by corresponding gains or losses on forward contracts on mortgage-backed securities and whole loan investor commitments. We are generally not exposed to variability in cash flows of derivative instruments for more than approximately 60 days.

PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The fair values of derivative instruments and their location in the Condensed Consolidated Balance Sheets is summarized below (\$000's omitted):

	June 30, 2013		December 31, 2012	
	Other Assets	Other Liabilities	Other Assets	Other Liabilities
Interest rate lock commitments	\$6,311	\$1,578	\$6,045	\$24
Forward contracts	13,823	696	245	891
Whole loan commitments	289	49	30	85
	\$20,423	\$2,323	\$6,320	\$1,000

New accounting pronouncements

In December 2011, the FASB issued ASU 2011-11, "Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11"), which requires entities to disclose information about offsetting and related arrangements of financial instruments and derivative instruments. The guidance was effective for our fiscal year beginning January 1, 2013 and was applied retrospectively. The adoption of this guidance, which is related to disclosure only, did not have a material impact on our financial statements.

2. Corporate office relocation

On May 31, 2013, we announced our plan to relocate our corporate offices to Atlanta, Georgia, from the current location in Bloomfield Hills, Michigan, in 2014. The decision to relocate reflects long-term growth trends for both us and the homebuilding industry and is intended to bring our corporate offices closer to our customers and a larger portion of our investment portfolio. The relocation of operations will occur in phases over time but is expected to be substantially complete no later than early 2015. We expect to incur the following approximate costs in connection with the relocation, the substantial majority of which represent future cash expenditures (in \$000s):

Employee severance, retention, and relocation costs	\$21,000	to	\$26,000
Asset impairments	355	to	500
Lease termination and other exit costs	27,000	to	32,000

During the three months ended June 30, 2013, we recorded employee severance, retention, and relocation costs of \$13.1 million and asset impairments of \$0.4 million. Severance, retention, and relocation costs are recorded within selling, general, and administrative expense, while lease exit and asset impairments are included in other expense (income), net. We expect to record additional charges of approximately \$1.0 million to \$5.0 million in 2013 related to the relocation with the remaining costs to be recognized primarily in 2014 and early 2015. We will also incur costs at the new location related to the recruitment and onboarding of new employees and certain redundant operating costs. The amount of such costs is not expected to be material.

3. Inventory and land held for sale

Major components of inventory were as follows (\$000's omitted):

	June 30, 2013	December 31, 2012
Homes under construction	\$1,301,808	\$1,116,184
Land under development	2,159,907	2,435,378
Raw land	721,354	662,484

\$4,183,069

\$4,214,046

PULTEGROUP, INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

We capitalize interest cost into inventory during the active development and construction of our communities. Each layer of capitalized interest is amortized over a period that approximates the average life of communities under development. Interest expense is recorded based on the cyclical timing of home closings. Interest expensed to Homebuilding cost of revenues included capitalized interest related to inventory impairments of \$1.7 million and \$2.2 million, for the three months ended June 30, 2013 and 2012, respectively, and \$1.9 million and \$3.0 million for the six months ended June 30, 2013 and 2012, respectively. We capitalized all Homebuilding interest costs into inventory because the level of our active inventory exceeded our debt levels.

Information related to interest capitalized into inventory is as follows (\$000's omitted):

	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Interest in inventory, beginning of period	\$320,859	\$359,205	\$331,880	\$355,068
Interest capitalized	39,909	51,316	82,565	102,639
Interest expensed	(62,193	) (52,070	) (115,870	) (99,256
Interest in inventory, end of period	\$298,575	\$358,451	\$298,575	\$358,451
Interest incurred*	\$39,909	\$51,316	\$82,565	\$102,639

*Homebuilding interest incurred includes interest on senior debt and certain other financing arrangements.

Land valuation adjustments and write-offs

Impairment of inventory

We record valuation adjustments on land inventory and related communities under development when events and circumstances indicate that they may be impaired and when the cash flows estimated to be generated by those assets are less than their carrying amounts. Such indicators include gross margin or sales paces significantly below expectations, construction costs or land development costs significantly in excess of budgeted amounts, significant delays or changes in the planned development for the community, and other known qualitative factors. For communities that are not yet active, an additional consideration includes an evaluation of the probability, timing, and cost of obtaining necessary approvals from municipalities and any potential concessions that may be necessary in order to obtain such approvals. We also consider potential changes to the product offerings in a community and any alternative strategies for the land, such as the sale of the land either in whole or in parcels. Communities that demonstrate potential impairment indicators are tested for impairment. We compare the expected undiscounted cash flows for these communities to their carrying values. For those communities whose carrying values exceed the expected undiscounted cash flows, we estimate the fair value of the community. Impairment charges are recorded if the fair value of the community's inventory is less than its carrying value.

We determine the fair value of a community's inventory using a combination of market comparable land transactions, where available, and discounted cash flow models. These estimated cash flows are significantly impacted by estimates related to expected average selling prices, expected sales paces, expected land development and construction timelines, and anticipated land development, construction, and overhead costs. The assumptions used in the discounted cash flow models are specific to each community tested for impairment. Due to uncertainties in the estimation process, the significant volatility in demand for new housing, and the long life cycles of many communities, actual results could differ significantly from such estimates. Our determination of fair value also

requires discounting the estimated cash flows at a rate commensurate with the inherent risks associated with each of the assets and related estimated cash flow streams. The discount rate used in determining each community's fair value depends on the stage of development of the community and other specific factors that increase or decrease the inherent risks associated with the community's cash flow streams. For example, communities that are entitled and near completion will generally be assigned a lower discount rate than communities that are not entitled and consist of multiple phases spanning several years of development and construction.

During the three and six months ended June 30, 2013 and 2012, we reviewed each of our land positions for potential impairment. As a result of these reviews, we recorded impairments of \$1.7 million and \$2.8 million during the three months ended June 30, 2013 and 2012, respectively, and \$1.9 million and \$7.3 million during the six months ended

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June 30, 2013 and 2012, respectively, which are recorded within Homebuilding home sale cost of revenues. Our evaluations for impairments recorded to date were based on our best estimates of the future cash flows for our communities. However, if conditions in the homebuilding industry or our local markets worsen in the future or if our strategy related to certain communities changes, we may be required to evaluate our assets for further impairments or write-downs, which could result in future charges that might be significant.

Net realizable value adjustments – land held for sale

Land held for sale is valued at the lower of carrying value or fair value less costs to sell. In determining the value of land held for sale, we consider recent offers received, prices for land in recent comparable sales transactions, and other factors. During the three months ended June 30, 2013 and 2012, we recognized net realizable value adjustments related to land held for sale of \$2.1 million and \$0.4 million, respectively. Such adjustments totaled \$2.2 million and \$1.0 million during the six months ended June 30, 2013 and 2012, respectively. We record these net realizable value adjustments within Homebuilding land sale cost of revenues. During 2013, the decrease in the gross land held for sale and net realizable value reserve balances resulted primarily from the sale of a previously impaired land parcel. Land held for sale was as follows (\$000's omitted):

	June 30, 2013	December 31, 2012
Land held for sale, gross	\$98,527	\$135,201
Net realizable value reserves	(8,762	) (44,097
Land held for sale, net	\$89,765	\$91,104

Write-off of deposits and pre-acquisition costs

We wrote off (net of recoveries) deposits and pre-acquisition costs in the amount of \$0.3 million and \$0.2 million during the three months ended June 30, 2013 and 2012, respectively, and \$0.6 million and \$0.9 million during the six months ended June 30, 2013 and 2012, respectively. We record these write-offs of deposits and pre-acquisition costs within other expense (income), net.

4. Segment information

Our Homebuilding operations are engaged in the acquisition and development of land primarily for residential purposes within the U.S. and the construction of housing on such land. For reporting purposes, our Homebuilding operations are aggregated into six reportable segments:

Northeast:	Connecticut, Delaware, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Virginia
Southeast:	Georgia, North Carolina, South Carolina, Tennessee
Florida:	Florida
Texas:	Texas
North:	Illinois, Indiana, Michigan, Minnesota, Missouri, Northern California, Ohio, Oregon, Washington
Southwest:	Arizona, Colorado, Nevada, New Mexico, Southern California

We also have a reportable segment for our Financial Services operations, which consist principally of mortgage banking and title operations. The Financial Services segment operates generally in the same markets as the Homebuilding segments.

Evaluation of segment performance is generally based on income before income taxes. Each reportable segment generally follows the same accounting policies described in Note 1 - "Summary of Significant Accounting Policies" to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

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	Operating Data by Segment (\$000's omitted)			
	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Revenues:				
Northeast	\$ 163,687	\$ 167,747	\$ 296,443	\$ 308,081
Southeast	197,848	168,182	367,774	301,590
Florida	183,393	150,046	335,276	274,044
Texas	214,032	161,876	404,075	292,067
North	256,500	203,005	482,306	389,161
Southwest	224,600	182,298	480,069	320,395
	1,240,060	1,033,154	2,365,943	1,885,338
Financial Services	39,362	36,251	76,235	65,103
Consolidated revenues	\$ 1,279,422	\$ 1,069,405	\$ 2,442,178	\$ 1,950,441
Income (loss) before income taxes:				
Northeast	\$ 16,582	\$ 16,141	\$ 28,654	\$ 22,637
Southeast	22,796	14,484	41,124	19,497
Florida	25,597	17,304	45,877	22,807
Texas	25,694	8,851	46,904	15,897
North	26,077	8,646	46,629	11,787
Southwest	36,609	14,876	70,400	13,935
Other homebuilding (a)	(131,384	) (56,363	) (189,580	) (102,973
	21,971	23,939	90,008	3,587
Financial Services (b)	16,359	15,987	30,672	22,848
Consolidated income (loss) before income taxes	\$ 38,330	\$ 39,926	\$ 120,680	\$ 26,435

Other homebuilding includes the amortization of intangible assets, amortization of capitalized interest, and other items not allocated to the operating segments. During the three and six months ended June 30, 2013, Other (a)homebuilding also included losses on debt retirements totaling \$23.1 million, costs associated with the previously announced relocation of our corporate headquarters totaling \$13.5 million, and a charge resulting from a contractual dispute related to a previously completed luxury community totaling \$30.0 million.

Financial Services income before income taxes includes interest income of \$1.5 million and \$1.3 million for the (b)three months ended June 30, 2013 and 2012, respectively, and \$3.1 million and \$2.6 million for the six months ended June 30, 2013 and 2012, respectively.

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	Land-Related Charges by Segment (\$000's omitted)			
	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Land and community valuation adjustments:				
Northeast	\$—	\$535	\$—	\$535
Southeast	—	—	—	—
Florida	—	—	—	—
Texas	—	—	—	—
North	—	98	—	1,988
Southwest	—	—	—	1,810
Other homebuilding (a)	1,652	2,163	1,935	2,977
	\$1,652	\$2,796	\$1,935	\$7,310
Net realizable value adjustments (NRV) - land held for sale:				
Northeast	\$—	\$—	\$—	\$—
Southeast	—	(4	) —	281
Florida	516	—	567	38
Texas	—	258	4	258
North	1,506	184	1,531	65
Southwest	81	(78	) 81	361
	\$2,103	\$360	\$2,183	\$1,003
Write-off of deposits and pre-acquisition costs:				
Northeast	\$7	\$37	\$109	\$88
Southeast	63	(12	) 88	543
Florida	50	—	82	11
Texas	(4	) 24	(4	) 49
North	75	46	182	143
Southwest	59	71	134	71
	\$250	\$166	\$591	\$905
Total land-related charges	\$4,005	\$3,322	\$4,709	\$9,218

(a) Primarily write-offs of capitalized interest related to land and community valuation adjustments.

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Operating Data by Segment

(\$000's omitted)

June 30, 2013

	Homes Under Construction	Land Under Development	Raw Land	Total Inventory	Total Assets
Northeast	\$270,442	\$371,783	\$105,995	\$748,220	\$867,515
Southeast	165,086	257,246	138,410	560,742	597,761
Florida	153,881	296,334	93,257	543,472	626,414
Texas	157,321	231,320	36,704	425,345	489,823
North	287,610	296,818	68,827	653,255	715,486
Southwest	215,284	478,616	213,265	907,165	977,055
Other homebuilding (a)	52,184	227,790	64,896	344,870	1,878,925
	1,301,808	2,159,907	721,354	4,183,069	6,152,979
Financial Services	—	—	—	—	299,292
	\$1,301,808	\$2,159,907	\$721,354	\$4,183,069	\$6,452,271

December 31, 2012

	Homes Under Construction	Land Under Development	Raw Land	Total Inventory	Total Assets
Northeast	\$198,549	\$445,436	\$109,136	\$753,121	\$866,024
Southeast	147,227	286,210	120,193	553,630	590,650
Florida	130,276	310,625	100,633	541,534	620,220
Texas	145,594	256,704	54,556	456,854	523,843
North	219,172	369,144	46,414	634,730	680,447
Southwest	226,204	496,488	167,295	889,987	963,540
Other homebuilding (a)	49,162	270,771	64,257	384,190	2,140,739
	1,116,184	2,435,378	662,484	4,214,046	6,385,463
Financial Services	—	—	—	—	348,946
	\$1,116,184	\$2,435,378	\$662,484	\$4,214,046	\$6,734,409

(a) Other homebuilding primarily includes capitalized interest, cash and equivalents, income taxes receivable, intangibles, and other corporate items that are not allocated to the operating segments.

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5. Investments in unconsolidated entities

We participate in a number of joint ventures with independent third parties. Many of these joint ventures purchase, develop, and/or sell land and homes in the U.S. and Puerto Rico. A summary of our joint ventures is presented below (\$000's omitted):

	June 30, 2013	December 31, 2012
Investments in joint ventures with debt non-recourse to PulteGroup	\$26,117	\$11,155
Investments in other active joint ventures	18,261	34,474
Total investments in unconsolidated entities	\$44,378	\$45,629
Total joint venture debt	\$10,393	\$6,915
PulteGroup proportionate share of joint venture debt:		
Joint venture debt with limited recourse guaranties	\$1,020	\$769
Joint venture debt non-recourse to PulteGroup	2,071	826
PulteGroup's total proportionate share of joint venture debt	\$3,091	\$1,595

We recognized (income) expense from unconsolidated joint ventures of \$(0.4) million and \$(1.6) million during the three months ended June 30, 2013 and 2012, respectively, and \$0.5 million and \$(3.6) million during the six months ended June 30, 2013 and 2012, respectively. During the six months ended June 30, 2013 and 2012 we made capital contributions of \$0.8 million and \$0.9 million, respectively, and received capital and earnings distributions of \$1.5 million and \$8.5 million, respectively.

The timing of cash obligations under the joint venture and any related financing agreements varies by agreement. If additional capital contributions are required and approved, we would need to contribute our pro rata portion of those capital needs in order to not dilute our ownership in the joint ventures. While future capital contributions may be required, we believe the total amount of such contributions will be limited. Our maximum financial loss exposure related to joint ventures is unlikely to exceed the combined investment and limited recourse guaranty totals.

6. Shareholders' equity

On July 24, 2013, we declared a quarterly cash dividend of \$0.05 per common share payable in August 2013. This represents our first dividend declaration since November 2008. We also increased our common share repurchase authorization by \$250.0 million, raising our total available repurchase authorization to \$352.3 million of common shares. There have been no repurchases under our authorized stock repurchase programs since 2006.

Under our stock-based compensation plans, we accept shares as payment under certain conditions related to stock option exercises and vesting of restricted stock, generally related to the payment of minimum tax obligations. During the six months ended June 30, 2013 and 2012, we repurchased \$6.4 million and \$0.9 million, respectively, of shares from employees under these plans. Such repurchases are excluded from the above noted stock repurchase authorization.

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7. Income taxes

Our effective tax rate is affected by a number of factors, the most significant of which are the valuation allowance recorded against our deferred tax assets and changes in our unrecognized tax benefits. Due to the effects of these factors, our effective tax rates in 2013 and 2012 are not correlated to the amount of our income or loss before income taxes.

Other assets include income taxes receivable of \$28.7 million and \$31.9 million at June 30, 2013 and December 31, 2012, respectively, which related primarily to state carryback claims and amended income tax returns.

We evaluate our deferred tax assets to determine if a valuation allowance is required. At both June 30, 2013 and December 31, 2012, we had net deferred tax assets of \$2.5 billion. The ultimate realization of these deferred tax assets is dependent upon the generation of sufficient taxable income during future periods. Changes in existing tax laws could also affect actual tax results and the valuation of deferred tax assets over time. Based on our evaluation, we fully reserved the net deferred tax assets due to the uncertainty of realizing such deferred tax assets. The accounting for deferred taxes is based upon an estimate of future results. Differences between the estimated and actual results could have a material impact on our consolidated results of operations or financial position.

We analyze all available positive and negative evidence in determining the continuing need for a valuation allowance. This evaluation considers, among other factors, historical operating results, forecasts of future profitability, and the duration of statutory carryforward periods. One of the primary pieces of negative evidence we consider is the significant losses we have incurred in recent years, including being in a significant three-year cumulative pre-tax loss position at June 30, 2013. Other negative evidence includes a U.S. macroeconomic environment that continues to face challenges and uncertainties within the cyclical homebuilding industry. However, the amount of negative evidence has lessened in recent periods as a growing amount of positive evidence has developed, including our financial results and the outlook for the homebuilding industry. Significantly, we have had five consecutive quarters with income before income taxes and have experienced increases in revenues, order backlog, and home sale gross margin. If current business trends continue, including continued improvements in the homebuilding industry, and we continue to be profitable, we believe that there could be sufficient positive evidence to support reducing a large portion of the valuation allowance during the second half of 2013.

As a result of our merger with Centex in August 2009, our ability to use certain of Centex's pre-ownership change NOL carryforwards and built-in losses or deductions is limited by Section 382 of the Internal Revenue Code. Our Section 382 limitation is approximately \$67.4 million per year for NOLs, losses realized on built-in loss assets that are sold within 60 months of the ownership change (i.e. before August 2014), and certain deductions. We do not believe that the Section 382 limitation will prevent the Company from using Centex's pre-ownership change NOL carryforwards and built-in losses or deductions.

At June 30, 2013, we had \$169.7 million of gross unrecognized tax benefits and \$32.8 million of accrued interest and penalties. We are currently under examination by the IRS and various state taxing jurisdictions and anticipate finalizing certain of the examinations within the next twelve months. The final outcome of these examinations is not yet determinable. It is reasonably possible, within the next twelve months, that unrecognized tax benefits may decrease by up to \$24.6 million, excluding interest and penalties, primarily due to expirations of certain statutes of limitations and potential settlements. The statute of limitations for our major tax jurisdictions remains open for examination for tax years 2003 to 2013.

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8. Fair value disclosures

ASC 820, "Fair Value Measurements and Disclosures," provides a framework for measuring fair value in generally accepted accounting principles and establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy can be summarized as follows:

- Level 1 Fair value determined based on quoted prices in active markets for identical assets or liabilities.
- Level 2 Fair value determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities or quoted prices in markets that are not active.
- Level 3 Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques.

Our assets and liabilities measured or disclosed at fair value are summarized below (\$000's omitted):

Financial Instrument	Fair Value Hierarchy	Fair Value June 30, 2013	December 31, 2012
Measured at fair value on a recurring basis:			
Residential mortgage loans available-for-sale	Level 2	\$237,595	\$318,931
Interest rate lock commitments	Level 2	4,733	6,021
Forward contracts	Level 2	13,127	(646)
Whole loan commitments	Level 2	240	(55)
Measured at fair value on a non-recurring basis:			
House and land inventory	Level 3	\$—	\$11,243
Disclosed at fair value:			
Cash and equivalents (including restricted cash)	Level 1	\$1,279,111	\$1,476,710
Financial Services debt	Level 2	59,866	138,795
Senior notes	Level 2	2,159,514	2,663,451

Fair values for agency residential mortgage loans available-for-sale are determined based on quoted market prices for comparable instruments. Fair values for non-agency residential mortgage loans available-for-sale are determined based on purchase commitments from whole loan investors and other relevant market information available to management. Fair values for interest rate lock commitments, including the value of servicing rights, are based on market prices for similar instruments. Forward contracts on mortgage-backed securities are valued based on market prices for similar instruments. Fair values for whole loan investor commitments are based on market prices for similar instruments from the specific whole loan investor.

Certain assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value may not be recoverable. The non-recurring fair values included in the table above represent only those assets whose carrying values were adjusted to fair value as of the respective balance sheet dates. See [Note 3](#) for a more detailed discussion of the valuation methods used for inventory.

The carrying amounts of cash and equivalents and Financial Services debt approximate their fair values due to their short-term nature. The fair values of senior notes are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of similar issues. The carrying value of senior notes was \$2.1 billion at June 30, 2013 and \$2.5 billion at December 31, 2012.

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9. Debt

Our senior notes are summarized as follows (\$000's omitted):

	June 30, 2013	December 31, 2012
5.25% unsecured senior notes due January 2014 (a)	\$—	\$187,970
5.70% unsecured senior notes due May 2014 (a)	—	208,274
5.20% unsecured senior notes due February 2015 (a)	95,624	95,615
5.25% unsecured senior notes due June 2015 (a)	231,402	264,058
6.50% unsecured senior notes due May 2016 (a)	458,369	457,154
7.625% unsecured senior notes due October 2017 (b)	149,535	149,481
7.875% unsecured senior notes due June 2032 (a)	299,174	299,152
6.375% unsecured senior notes due May 2033 (a)	398,529	398,492
6.00% unsecured senior notes due February 2035 (a)	299,429	299,417
7.375% unsecured senior notes due June 2046 (a)	150,000	150,000
Total senior notes – carrying value (c)	\$2,082,062	\$2,509,613
Estimated fair value	\$2,159,514	\$2,663,451

- (a) Redeemable prior to maturity; guaranteed on a senior basis by certain wholly-owned subsidiaries.
- (b) Not redeemable prior to maturity; guaranteed on a senior basis by certain wholly-owned subsidiaries.
- (c) The recorded carrying value reflects the impact of various discounts and premiums that are amortized to interest cost over the respective terms of the senior notes.

Debt retirement

In the second quarter of 2013, we retired prior to their stated maturity dates \$434.4 million of senior notes. This included the previously announced redemption of the remaining senior notes due in 2014. We recorded losses related to these transactions totaling \$23.1 million. Losses on these transactions included the write-off of unamortized discounts, premiums, and transaction fees and are reflected in other expense (income), net. There were no debt retirements during the three or six months ended June 30, 2012.

Letter of credit facilities

We maintain separate cash-collateralized letter of credit agreements with a number of financial institutions. Letters of credit totaling \$50.3 million and \$54.5 million were outstanding under these agreements at June 30, 2013 and December 31, 2012, respectively. Under these agreements, we are required to maintain deposits with the respective financial institutions in amounts approximating the letters of credit outstanding. Such deposits are included in restricted cash.

We also maintain an unsecured letter of credit facility with a bank that expires in September 2014. This facility permits the issuance of up to \$150.0 million of letters of credit for general corporate purposes in support of any wholly-owned subsidiary. Letters of credit totaling \$121.3 million and \$124.6 million were outstanding under this facility at June 30, 2013 and December 31, 2012, respectively.

Financial Services

Pulte Mortgage provides mortgage financing for the majority of our home closings utilizing its own funds and funds made available pursuant to credit agreements with third parties or through intercompany borrowings. Pulte Mortgage uses these resources to finance its lending activities until the mortgage loans are sold in the secondary market, which generally occurs within 30 days.

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In September 2012, Pulte Mortgage entered into a Master Repurchase Agreement (the “Repurchase Agreement”) with third party lenders. The Repurchase Agreement provides for loan purchases of up to \$150.0 million, subject to certain sublimits, and expires in September 2013. Borrowings under the Repurchase Agreement are secured by residential mortgage loans available-for-sale. The Repurchase Agreement contains various affirmative and negative covenants applicable to Pulte Mortgage, including quantitative thresholds related to net worth, net income, and liquidity. At June 30, 2013, Pulte Mortgage had \$59.9 million outstanding under the Repurchase Agreement.

10. Commitments and contingencies

Loan origination liabilities

Our mortgage operations may be responsible for losses associated with mortgage loans originated and sold to investors in the event of errors or omissions relating to representations and warranties that the loans sold meet certain requirements, including representations as to underwriting standards, the existence of primary mortgage insurance, and the validity of certain borrower representations in connection with the loan. If determined to be at fault, we either repurchase the loans from the investors or reimburse the investors' losses (a “make-whole” payment).

We sell substantially all of the loans we originate to investors in the secondary market within a short period of time after origination. In recent years, we experienced a significant increase in losses related to repurchase requests as a result of the high level of loan defaults and related losses in the mortgage industry and increasing aggressiveness by investors in presenting such claims to us. To date, the significant majority of these losses relates to loans originated in 2006 and 2007, during which period inherently riskier loan products became more common in the mortgage origination market. In 2006 and 2007, we originated \$39.5 billion of loans, excluding loans originated by Centex's former subprime loan business sold by Centex in 2006. Because we generally do not retain the servicing rights to the loans we originate, information regarding the current and historical performance, credit quality, and outstanding balances of such loans is limited. Estimating these loan origination liabilities is further complicated by uncertainties surrounding numerous external factors, such as various macroeconomic factors (including unemployment rates and changes in home prices), actions taken by third parties, including the parties servicing the loans, and the U.S. federal government in its dual capacity as regulator of the U.S. mortgage industry and conservator of the government-sponsored enterprises commonly known as Fannie Mae and Freddie Mac, which own or guarantee the majority of mortgage loans in the U.S.

Most requests received to date relate to make-whole payments on loans that have been foreclosed. Requests undergo extensive analysis to confirm the exposure, attempt to cure the identified defect, and, when necessary, determine our liability. We establish liabilities for such anticipated losses based upon, among other things, the level of current unresolved repurchase requests, the volume of estimated probable future repurchase requests, our ability to cure the defects identified in the repurchase requests, and the severity of the estimated loss upon repurchase. Determining these estimates and the resulting liability requires a significant level of management judgment. We are generally able to cure or refute over 60% of the requests received from investors such that we do not believe repurchases or make-whole payments will ultimately be required. For those requests that we believe will result in repurchases or make-whole payments, actual loss severities are expected to approximate 50% of the outstanding principal balance.

Our current estimates assume that such requests will continue through 2014. Given the ongoing volatility in the mortgage industry, our lack of visibility into the current status of the review process of loans by investors, the claim volumes we continue to experience, and uncertainties regarding the ultimate resolution of these claims, it is reasonably possible that future losses may exceed our current estimates. Changes in these liabilities were as follows

(\$000's omitted):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Liabilities, beginning of period	\$ 162,468	\$ 123,520	\$ 164,280	\$ 128,330
Reserves provided	—	—	—	—
Payments	(8,047) (2,809) (9,859) (7,619
Liabilities, end of period	\$ 154,421	\$ 120,711	\$ 154,421	\$ 120,711

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We entered into an agreement in conjunction with the wind down of Centex's mortgage operations, which ceased loan origination activities in December 2009, that provides a guaranty for one major investor of loans originated by Centex. This guaranty provides that we will honor the potential repurchase obligations of Centex's mortgage operations related to breaches of representations and warranties in the origination of a certain pool of loans. Other than with respect to this pool of loans, our contractual repurchase obligations are limited to our mortgage subsidiaries, which are included in non-guarantor subsidiaries (see [Note 11](#) for a discussion of non-guarantor subsidiaries).

The mortgage subsidiary of Centex also sold loans to a bank for inclusion in residential mortgage-backed securities ("RMBSs") issued by the bank. In connection with these sales, Centex's mortgage subsidiary entered into agreements pursuant to which it may be required to indemnify the bank for losses incurred by investors in the RMBSs arising out of material errors or omissions in certain information provided by the mortgage subsidiary relating to the loans and loan origination process. In 2011, the bank notified us that it has been named defendant in two lawsuits alleging various violations of federal and state securities laws asserting that untrue statements of material fact were included in the registration statements used to market the sale of two RMBS transactions which included \$162 million of loans originated by Centex's mortgage subsidiary. The plaintiffs seek unspecified compensatory and/or rescissory damages on behalf of persons who purchased the securities. Neither Centex's mortgage subsidiary nor the Company is named as a defendant in these actions. These actions are in their preliminary stage, and we cannot yet quantify Centex's mortgage subsidiary's potential liability as a result of these indemnification obligations. We do not believe, however, that these matters will have a material adverse impact on the results of operations, financial position, or cash flows of the Company. We are aware of six other RMBS transactions with such indemnity provisions that include an aggregate \$116 million of loans, and we are not aware of any current or threatened legal proceedings regarding those transactions.

Letters of credit and surety bonds

In the normal course of business, we post letters of credit and surety bonds pursuant to certain performance-related obligations, as security for certain land option agreements, and under various insurance programs. The majority of these letters of credit and surety bonds are in support of our land development and construction obligations to various municipalities, other government agencies, and utility companies related to the construction of roads, sewers, and other infrastructure. We had outstanding letters of credit and surety bonds totaling \$171.6 million and \$1.0 billion at June 30, 2013, respectively, and \$179.2 million and \$1.0 billion at December 31, 2012, respectively. In the event any such letter of credit or surety bonds are called, we would be obligated to reimburse the issuer of the letter of credit or surety bond. We do not believe that a material amount, if any, of the letters of credit or surety bonds will be called. Our surety bonds generally do not have stated expiration dates; rather we are released from the surety bonds as the underlying contractual performance is completed. Because significant construction and development work has been performed related to the applicable projects but has not yet received final acceptance by the respective counterparties, the aggregate amount of surety bonds outstanding is in excess of the projected cost of the remaining work to be performed.

Litigation and regulatory matters

We are involved in various litigation and legal claims in the normal course of our business operations, including actions brought on behalf of various classes of claimants. We are also subject to a variety of local, state, and federal laws and regulations related to land development activities, house construction standards, sales practices, mortgage lending operations, employment practices, and protection of the environment. As a result, we are subject to periodic examination or inquiry by various governmental agencies that administer these laws and regulations.

We establish liabilities for legal claims and regulatory matters when such matters are both probable of occurring and any potential loss is reasonably estimable. We accrue for such matters based on the facts and circumstances specific to each matter and revise these estimates as the matters evolve. In such cases, there may exist an exposure to loss in excess of any amounts currently accrued. In view of the inherent difficulty of predicting the outcome of these legal and regulatory matters, we generally cannot predict the ultimate resolution of the pending matters, the related timing, or the eventual loss. While the outcome of such contingencies cannot be predicted with certainty, we do not believe that the resolution of such matters will have a material adverse impact on our results of operations, financial position, or cash flows. However, to the extent the liability arising from the ultimate resolution of any matter exceeds the estimates reflected in the recorded reserves relating to such matter, we could incur additional charges that could be significant.

PULTEGROUP, INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

We are engaged in arbitration related to a previously completed luxury community in a market we have since exited. The arbitration relates to a variety of claims involving a contractual dispute with certain homeowners. Based on the various stages of these claims, we anticipate most, if not all, of these claims being resolved during 2013, though the resolution of certain claims could extend into future years. As the result of various rulings by the arbitrator and ongoing settlement discussions, we recorded a charge of \$30.0 million during the three months ended June 30, 2013. While we believe we have meritorious defenses against the claims as well as potential future claims, it is reasonably possible that the ultimate resolution of these matters could result in losses of up to \$40.0 million in excess of amounts previously accrued.

Allowance for warranties

Home purchasers are provided with a limited warranty against certain building defects, including a one-year comprehensive limited warranty and coverage for certain other aspects of the home's construction and operating systems for periods of up to 10 years. We estimate the costs to be incurred under these warranties and record liabilities in the amount of such costs at the time product revenue is recognized. Factors that affect our warranty liabilities include the number of homes sold, historical and anticipated rates of warranty claims, and the cost per claim. We periodically assess the adequacy of the warranty liabilities for each geographic market in which we operate and adjust the amounts as necessary. Actual warranty costs in the future could differ from the current estimates. Changes to warranty liabilities were as follows (\$000's omitted):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Warranty liabilities, beginning of period	63,152	64,420	64,098	68,025
Reserves provided	10,687	11,570	20,757	19,421
Payments	(10,744	) (11,839	) (21,780	) (23,360
Other adjustments	(1,181	) 213	(1,161	) 278
Warranty liabilities, end of period	61,914	64,364	61,914	64,364

Self-insured risks

We maintain, and require our subcontractors to maintain, general liability insurance coverage. We also maintain builders' risk, property, errors and omissions, workers compensation, and other business insurance coverage. These insurance policies protect us against a portion of the risk of loss from claims. However, we retain a significant portion of the overall risk for such claims either through policies issued by our captive insurance subsidiaries or through our own self-insured per occurrence and aggregate retentions, deductibles, and claims in excess of available insurance policy limits.

Our general liability insurance includes coverage for certain construction defects. While construction defect claims can relate to a variety of circumstances, the majority of our claims relate to alleged problems with siding, plumbing, foundations and other concrete work, windows, roofing, and heating, ventilation and air conditioning systems. The availability of general liability insurance for the homebuilding industry and its subcontractors has become increasingly limited, and the insurance policies available require companies to maintain significant per occurrence and aggregate retention levels. In certain instances, we may offer our subcontractors the opportunity to purchase insurance through one of our captive insurance subsidiaries or to participate in a project-specific insurance program provided by the Company. Policies issued by the captive insurance subsidiaries represent self-insurance of these risks by the

Company. This self-insured exposure is limited by reinsurance policies that we purchase. General liability coverage for the homebuilding industry is complex, and our coverage varies from policy year to policy year. Our insurance coverage requires a per occurrence deductible up to an overall aggregate retention level. Beginning with the first dollar, amounts paid on insured claims satisfy our per occurrence and aggregate retention obligations. Any amounts incurred in excess of the occurrence or aggregate retention levels are covered by insurance up to our purchased coverage levels. Our insurance policies, including the captive insurance subsidiaries' reinsurance policies, are maintained with highly-rated underwriters for whom we believe counterparty default risk is not significant.

PULTEGROUP, INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

At any point in time, we are managing over 1,000 individual claims related to general liability, property, errors and omission, workers compensation, and other business insurance coverage. We reserve for costs associated with such claims (including expected claims management expenses relating to legal fees, expert fees, and claims handling expenses) on an undiscounted basis at the time revenue is recognized for each home closing and evaluate the recorded liabilities based on actuarial analyses of our historical claims. The actuarial analyses calculate estimates of the ultimate net cost of all unpaid losses, including estimates for incurred but not reported losses ("IBNR"). IBNR represents losses related to claims incurred but not yet reported plus development on reported claims. These estimates comprise a significant portion of our liability and are subject to a high degree of uncertainty due to a variety of factors, including changes in claims reporting and resolution patterns, third party recoveries, insurance industry practices, the regulatory environment, and legal precedent. State regulations vary, but construction defect claims are reported and resolved over an extended period often exceeding ten years. In certain instances, we have the ability to recover a portion of our costs under various insurance policies or from subcontractors or other third parties. Estimates of such amounts are recorded when recovery is considered probable.

Our recorded reserves for all such claims totaled \$708.1 million at June 30, 2013, the vast majority of which relates to general liability claims. The recorded reserves include loss estimates related to both (i) existing claims and related claim expenses and (ii) IBNR and related claim expenses. Liabilities related to IBNR and related claim expenses represented approximately 75% of the total general liability reserves at June 30, 2013. The actuarial analyses that determine the IBNR portion of reserves consider a variety of factors, including the frequency and severity of losses, which are based on our historical claims experience supplemented by industry data. The actuarial analyses of the reserves also consider historical third party recovery rates and claims management expenses.

Adjustments to reserves are recorded in the period in which the change in estimate occurs. Because the majority of our reserves relates to IBNR, adjustments to reserve amounts for individual existing claims generally do not impact the recorded reserves materially. However, changes in the frequency and timing of reported claims and estimates of specific claim values can impact the underlying inputs and trends utilized in the actuarial analyses, which could have a material impact on the recorded reserves. Because of the inherent uncertainty in estimating future losses related to these claims, actual costs could differ significantly from estimated costs. Costs associated with our insurance programs are classified within selling, general, and administrative expenses. Changes in these liabilities were as follows (\$000's omitted):

	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Balance, beginning of period	\$717,024	\$736,130	\$721,284	\$739,029
Reserves provided	16,357	10,920	30,827	22,215
Payments	(25,239	) (14,008	) (43,969	) (28,202
Balance, end of period	\$708,142	\$733,042	\$708,142	\$733,042

11. Supplemental Guarantor information

All of our senior notes are guaranteed jointly and severally on a senior basis by each of the Company's wholly-owned Homebuilding subsidiaries and certain other wholly-owned subsidiaries (collectively, the "Guarantors"). Such guaranties are full and unconditional. Supplemental consolidating financial information of the Company, including such information for the Guarantors, is presented below. Investments in subsidiaries are presented using the equity method of accounting. Separate financial statements of the Guarantors are not provided as the consolidating financial information contained herein provides a more meaningful disclosure to allow investors to determine the nature of the

assets held by, and the operations of, the combined groups.

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PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET
JUNE 30, 2013
(\$000's omitted)

	Unconsolidated PulteGroup, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated PulteGroup, Inc.
ASSETS					
Cash and equivalents	\$191,387	\$935,954	\$85,327	\$—	\$1,212,668
Restricted cash	50,324	4,737	11,382	—	66,443
House and land inventory	—	4,179,223	3,846	—	4,183,069
Land held for sale	—	89,765	—	—	89,765
Land, not owned, under option agreements	—	33,751	—	—	33,751
Residential mortgage loans available- for-sale	—	—	237,595	—	237,595
Investments in unconsolidated entities	68	40,571	3,739	—	44,378
Other assets	21,860	349,099	70,945	—	441,904
Intangible assets	—	142,698	—	—	142,698
Investments in subsidiaries and intercompany accounts, net	4,393,741	4,109,137	4,938,979	(13,441,857)	—
	\$4,657,380	\$9,884,935	\$5,351,813	\$(13,441,857)	\$6,452,271
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities:					
Accounts payable, customer deposits, accrued and other liabilities	\$46,457	\$1,458,845	\$276,180	\$—	\$1,781,482
Income tax liabilities	200,646	—	—	—	200,646
Financial Services debt	—	—	59,866	—	59,866
Senior notes	2,082,062	—	—	—	2,082,062
Total liabilities	2,329,165	1,458,845	336,046	—	4,124,056
Total shareholders' equity	2,328,215	8,426,090	5,015,767	(13,441,857)	2,328,215
	\$4,657,380	\$9,884,935	\$5,351,813	\$(13,441,857)	\$6,452,271

PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2012
(\$000's omitted)

	Unconsolidated PulteGroup, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated PulteGroup, Inc.
ASSETS					
Cash and equivalents	\$ 146,168	\$ 1,063,943	\$ 194,649	\$—	\$ 1,404,760
Restricted cash	54,546	3,365	14,039	—	71,950
House and land inventory	—	4,210,201	3,845	—	4,214,046
Land held for sale	—	91,104	—	—	91,104
Land, not owned, under option agreements	—	31,066	—	—	31,066
Residential mortgage loans available- for-sale	—	—	318,931	—	318,931
Investments in unconsolidated entities	1,528	40,973	3,128	—	45,629
Other assets	28,951	324,109	54,615	—	407,675
Intangible assets	—	149,248	—	—	149,248
Investments in subsidiaries and intercompany accounts, net	4,723,466	7,198,710	6,296,915	(18,219,091)	—
	\$ 4,954,659	\$ 13,112,719	\$ 6,886,122	\$(18,219,091)	\$ 6,734,409
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities:					
Accounts payable, customer deposits, accrued and other liabilities	\$ 56,565	\$ 1,343,653	\$ 297,302	\$—	\$ 1,697,520
Income tax liabilities	198,865	—	—	—	198,865
Financial Services debt	—	—	138,795	—	138,795
Senior notes	2,509,613	—	—	—	2,509,613
Total liabilities	2,765,043	1,343,653	436,097	—	4,544,793
Total shareholders' equity	2,189,616	11,769,066	6,450,025	(18,219,091)	2,189,616
	\$ 4,954,659	\$ 13,112,719	\$ 6,886,122	\$(18,219,091)	\$ 6,734,409

PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the three months ended June 30, 2013

(\$000's omitted)

	Unconsolidated				Consolidated	
	PulteGroup, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	PulteGroup, Inc.	
Revenues:						
Homebuilding						
Home sale revenues	\$—	\$1,219,675	\$—	\$—	\$1,219,675	
Land sale revenues	—	20,385	—	—	20,385	
	—	1,240,060	—	—	1,240,060	
Financial Services	—	492	38,870	—	39,362	
	—	1,240,552	38,870	—	1,279,422	
Homebuilding Cost of Revenues:						
Home sale cost of revenues	—	990,818	—	—	990,818	
Land sale cost of revenues	—	20,710	—	—	20,710	
	—	1,011,528	—	—	1,011,528	
Financial Services expenses	208	80	22,747	—	23,035	
Selling, general and administrative expenses	—	149,975	556	—	150,531	
Other expense (income), net	23,057	33,118	1,164	—	57,339	
Interest income	(88) (1,003) (21) —	(1,112)
Interest expense	166	—	—	—	166	
Intercompany interest	415	1	(416) —	—	
Equity in (earnings) loss of unconsolidated entities	—	(319) (76) —	(395)
Income (loss) before income taxes and equity in income (loss) of subsidiaries	(23,758	) 47,172	14,916	—	38,330
Income tax expense (benefit)	(24	) (3,572	) 5,509	—	1,913
Income (loss) before equity in income (loss) of subsidiaries	(23,734	) 50,744	9,407	—	36,417
Equity in income (loss) of subsidiaries	60,151	10,555	26,502	(97,208) —	
Net income (loss)	36,417	61,299	35,909	(97,208	) 36,417
Other comprehensive income	148	—	—	—	148	
Comprehensive income	\$36,565	\$61,299	\$35,909	\$(97,208	) \$36,565

PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the three months ended June 30, 2012

(\$000's omitted)

	Unconsolidated PulteGroup, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated PulteGroup, Inc.	
Revenues:						
Homebuilding						
Home sale revenues	\$—	\$1,024,405	\$—	\$—	\$1,024,405	
Land sale revenues	—	8,749	—	—	8,749	
	—	1,033,154	—	—	1,033,154	
Financial Services	—	457	35,794	—	36,251	
	—	1,033,611	35,794	—	1,069,405	
Homebuilding Cost of Revenues:						
Home sale cost of revenues	—	869,379	—	—	869,379	
Land sale cost of revenues	—	7,611	—	—	7,611	
	—	876,990	—	—	876,990	
Financial Services expenses	104	160	20,063	—	20,327	
Selling, general and administrative expenses	—	123,259	927	—	124,186	
Other expense (income), net	—	8,167	2,331	—	10,498	
Interest income	(61) (1,081) (22) —	(1,164)
Interest expense	198	—	—	—	198	
Intercompany interest	153,332	(149,938	) (3,394) —	—	
Equity in (earnings) loss of unconsolidated entities	—	(1,246) (310) —	(1,556)
Income (loss) before income taxes and equity in income (loss) of subsidiaries	(153,573	) 177,300	16,199	—	39,926
Income tax expense (benefit)	(9,935) 1,550	5,875	—	(2,510)
Income (loss) before equity in income (loss) of subsidiaries	(143,638	) 175,750	10,324	—	42,436
Equity in income (loss) of subsidiaries	186,074	10,254	95,463	(291,791) —	
Net income (loss)	42,436	186,004	105,787	(291,791	) 42,436
Other comprehensive income	58	—	—	—	58	
Comprehensive income (loss)	\$42,494	\$186,004	\$105,787	\$(291,791	) \$42,494

PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the six months ended June 30, 2013

(\$000's omitted)

	Unconsolidated PulteGroup, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated PulteGroup, Inc.	
Revenues:						
Homebuilding						
Home sale revenues	\$—	\$2,319,427	\$—	\$—	\$2,319,427	
Land sale revenues	—	46,516	—	—	46,516	
	—	2,365,943	—	—	2,365,943	
Financial Services	—	1,111	75,124	—	76,235	
	—	2,367,054	75,124	—	2,442,178	
Homebuilding Cost of Revenues:						
Home sale cost of revenues	—	1,892,288	—	—	1,892,288	
Land sale cost of revenues	—	42,728	—	—	42,728	
	—	1,935,016	—	—	1,935,016	
Financial Services expenses	416	224	44,983	—	45,623	
Selling, general and administrative expenses	—	278,866	1,291	—	280,157	
Other expense (income), net	23,041	37,521	1,549	—	62,111	
Interest income	(165) (2,058) (62) —	(2,285)
Interest expense	373	—	—	—	373	
Intercompany interest	175,280	(172,398	) (2,882) —	—	
Equity in (earnings) loss of unconsolidated entities	1,460	(346	) (611	) —	503
Income (loss) before income taxes and						
equity in income (loss) of subsidiaries	(200,405	) 290,229	30,856	—	120,680
Income tax expense (benefit)	129	(7,966	) 10,338	—	2,501
Income (loss) before equity in income	(200,534	) 298,195	20,518	—	118,179
(loss) of subsidiaries						
Equity in income (loss) of subsidiaries	318,713	21,976	201,461	(542,150) —	
Net income (loss)	118,179	320,171	221,979	(542,150	) 118,179
Other comprehensive income	196	—	—	—	196	
Comprehensive income	\$118,375	\$320,171	\$221,979	\$(542,150	) \$118,375

PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the six months ended June 30, 2012

(\$000's omitted)

	Unconsolidated PulteGroup, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated PulteGroup, Inc.	
Revenues:						
Homebuilding						
Home sale revenues	\$—	\$1,838,191	\$—	\$—	\$1,838,191	
Land sale revenues	—	47,147	—	—	47,147	
	—	1,885,338	—	—	1,885,338	
Financial Services	—	830	64,273	—	65,103	
	—	1,886,168	64,273	—	1,950,441	
Homebuilding Cost of Revenues:						
Home sale cost of revenues	—	1,581,545	—	—	1,581,545	
Land sale cost of revenues	—	41,008	—	—	41,008	
	—	1,622,553	—	—	1,622,553	
Financial Services expenses	170	273	41,893	—	42,336	
Selling, general and administrative expenses	—	245,666	1,834	—	247,500	
Other expense (income), net	(20	) 14,459	2,678	—	17,117
Interest income	(123) (2,194) (46) —	(2,363)
Interest expense	415	—	—	—	415	
Intercompany interest	262,466	(255,830	) (6,636) —	—	
Equity in (earnings) loss of unconsolidated entities	(2) (3,162) (388) —	(3,552)
Income (loss) before income taxes and						
equity in income (loss) of subsidiaries	(262,906	) 264,403	24,938	—	26,435
Income tax expense (benefit)	19,256	(4,194) (19,397) —	(4,335)
Income (loss) before equity in income	(282,162	) 268,597	44,335	—	30,770
(loss) of subsidiaries						
Equity in income (loss) of subsidiaries	312,932	44,736	145,594	(503,262) —	
Net income (loss)	30,770	313,333	189,929	(503,262	) 30,770
Other comprehensive income	115	—	—	—	115	
Comprehensive income	\$30,885	\$313,333	\$189,929	\$(503,262	) \$30,885

PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONSOLIDATING STATEMENT OF CASH FLOWS

For the six months ended June 30, 2013

(\$000's omitted)

	Unconsolidated			Eliminating Entries	Consolidated PulteGroup, Inc.
	PulteGroup, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries		
Net cash provided by (used in) operating activities	\$(167,506)	\$429,101	\$73,470	\$—	\$ 335,065
Cash flows from investing activities:					
Distributions from unconsolidated entities	—	200	—	—	200
Investments in unconsolidated entities	—	(807)	—	—	(807)
Net change in loans held for investment	—	—	18	—	18
Change in restricted cash related to letters of credit	4,222	—	—	—	4,222
Proceeds from the sale of property and equipment	—	9	—	—	9
Capital expenditures	—	(10,029)	(988)	—	(11,017)
Net cash provided by (used in) investing activities	4,222	(10,627)	(970)	—	(7,375)
Cash flows from financing activities:					
Financial Services borrowings (repayments)	—	—	(78,929)	—	(78,929)
Other borrowings (repayments)	(454,335)	1,385	—	—	(452,950)
Stock option exercises	18,544	—	—	—	18,544
Stock repurchases	(6,447)	—	—	—	(6,447)
Intercompany activities, net	650,741	(547,848)	(102,893)	—	—
Net cash provided by (used in) financing activities	208,503	(546,463)	(181,822)	—	(519,782)
Net increase (decrease) in cash and equivalents	45,219	(127,989)	(109,322)	—	(192,092)
Cash and equivalents at beginning of period	146,168	1,063,943	194,649	—	1,404,760
Cash and equivalents at end of period	\$ 191,387	\$935,954	\$85,327	\$—	\$ 1,212,668

PULTEGROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONSOLIDATING STATEMENT OF CASH FLOWS

For the six months ended June 30, 2012

(\$000's omitted)

	Unconsolidated PulteGroup, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated PulteGroup, Inc.
Net cash provided by (used in) operating activities	\$ (272,489)	\$ 420,574	\$ 63,455	\$ —	\$ 211,540
Cash flows from investing activities:					
Distributions from unconsolidated entities	—	2,696	—	—	2,696
Investments in unconsolidated entities	—	(858)	—	—	(858)
Net change in loans held for investment	—	—	627	—	627
Change in restricted cash related to letters of credit	16,280	—	—	—	16,280
Proceeds from the sale of property and equipment	—	4,627	—	—	4,627
Capital expenditures	—	(5,451)	(1,546)	—	(6,997)
Net cash provided by (used in) investing activities	16,280	1,014	(919)	—	16,375
Cash flows from financing activities:					
Other borrowings (repayments)	—	400	—	—	400
Stock repurchases	(908)	—	—	—	(908)
Intercompany activities, net	271,521	(200,543)	(70,978)	—	—
Net cash provided by (used in) financing activities	270,613	(200,143)	(70,978)	—	(508)
Net increase (decrease) in cash and equivalents	14,404	221,445	(8,442)	—	227,407
Cash and equivalents at beginning of period	119,287	875,561	88,223	—	1,083,071
Cash and equivalents at end of period	\$ 133,691	\$ 1,097,006	\$ 79,781	\$ —	\$ 1,310,478

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The overall housing market continues to gain strength as the combination of low interest rates and affordable home prices have kept monthly mortgage payments very affordable relative to the rental market. In addition to increasing sales volumes in many parts of the U.S., house prices have also been increasing as the result of increased demand and low supply of existing and new home inventory in many markets. Despite a recent moderate rise in interest rates, we have experienced increased traffic and have been able to raise prices in the majority of our communities. While we believe higher interest rates are inevitable and may have a moderating effect on demand and pricing, we believe this impact will be outweighed by the other factors driving increased demand as overall new home sales in the U.S. remain low compared to historical levels.

These factors combined to result in our fifth consecutive quarter with income before income taxes. Closings, revenues, gross margin, and backlog all improved in the second quarter of 2013 over the prior year second quarter. The improved demand conditions also contributed to increased net new orders per community over the prior year. Consistent with our land investment strategy, our overall net new orders decreased 12% compared to the prior year as the result of 16% fewer active communities. We will continue to calibrate sales pace in each community to improve our gross margins and maximize returns on invested capital, in certain cases purposefully slowing sales pace in exchange for better pricing and / or better matching of our sales cadence with our production cycle. We expect that this approach will continue to result in a moderation in our net new order growth relative to overall growth in the U.S. homebuilding industry.

For the remainder of 2013, we will continue to focus on improving our operating margins while facing rising house cost pressures from material and labor prices, using our existing land assets more effectively, allocating capital more effectively, and aggressively controlling unsold "spec" inventory to enhance our balance sheet and position the Company to deliver improved long-term returns. We generated significant positive cash flow from operations in the first half of 2013, which has provided additional flexibility to retire debt early and increase our planned future investments in new communities while also reinstating a dividend and increasing our authorization for share repurchases.

In planning for the longer term, each passing quarter provides more confidence that we are at the beginning of a broad, sustainable recovery in the U.S. new home market. While the U.S. macroeconomic environment continues to face challenges and each local market will experience varying results, we are continuing to pursue strategic land positions that meet our underwriting requirements in well-positioned submarkets and believe that sustained execution of our strategy will continue to result in increased profits and improved returns on invested capital.

The following is a summary of our operating results by line of business (\$000's omitted, except per share data):

	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Income before income taxes:				
Homebuilding	\$21,971	\$23,939	\$90,008	\$3,587
Financial Services	16,359	15,987	30,672	22,848
Income before income taxes	38,330	39,926	120,680	26,435
Income tax expense (benefit)	1,913	(2,510)	2,501	(4,335)
Net income	\$36,417	\$42,436	\$118,179	\$30,770
Per share data - assuming dilution:				
Net income	\$0.09	\$0.11	\$0.30	\$0.08

The income before income taxes generated by Homebuilding for the three and six months ended June 30, 2013 improved compared to the prior year periods primarily as the result of higher revenues and increased gross margins. Partially offsetting these improved results in the second quarter of 2013 were charges totaling \$66.6 million consisting

of losses on debt retirements totaling \$23.1 million, costs associated with the previously announced relocation of our corporate headquarters totaling \$13.5 million, and a charge resulting from a contractual dispute related to a previously completed luxury community totaling \$30.0 million.

The increased Financial Services income in 2013 compared to the prior year resulted primarily from higher origination volume and average loan size partially offset by lower loan pricing due to increased competition.

Homebuilding Operations

The following is a summary of income before income taxes for our Homebuilding operations (\$000's omitted):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2013 vs. 2012	2012	2013	2013 vs. 2012	2012
Home sale revenues	\$1,219,675	19 %	\$1,024,405	\$2,319,427	26 %	\$1,838,191
Land sale revenues	20,385	133 %	8,749	46,516	(1) %	47,147
Total Homebuilding revenues	1,240,060	20 %	1,033,154	2,365,943	25 %	1,885,338
Home sale cost of revenues (a)	990,818	14 %	869,379	1,892,288	20 %	1,581,545
Land sale cost of revenues (b)	20,710	172 %	7,611	42,728	4 %	41,008
Selling, general and administrative expenses ("SG&A") (c)	150,531	21 %	124,186	280,157	13 %	247,500
Equity in (earnings) loss of unconsolidated entities	(363)	(76) %	(1,493)	563	(116) %	(3,471)
Other expense (income), net (d)	57,339	446 %	10,498	62,111	263 %	17,117
Interest income, net	(946)	(2) %	(966)	(1,912)	(2) %	(1,948)
Income before income taxes	\$21,971	(8) %	\$23,939	\$90,008	2,409 %	\$3,587
Supplemental data:						
Gross margin from home sales	18.8	% 370 bps	15.1	% 18.4	% 440 bps	14.0 %
SG&A as a percentage of home sale revenues	12.3	% 20 bps	12.1	% 12.1	% (140) bps	13.5 %
Closings (units)	4,152	9 %	3,816	7,985	15 %	6,933
Average selling price	\$294	9 %	\$268	\$290	10 %	\$265
Net new orders:						
Units	4,885	(12) %	5,578	10,085	(5) %	10,569
Dollars (e)	\$1,519,656	(5) %	\$1,605,073	\$3,101,621	5 %	\$2,945,050
Cancellation rate	14	%	14	% 13	%	14 %
Active communities at June 30				626	(16) %	744
Backlog at June 30:						
Units				8,558	13 %	7,560
Dollars				\$2,713,733	25 %	\$2,166,508

Includes the amortization of capitalized interest. Home sale cost of revenues also includes land and community (a) valuation adjustments of \$1.7 million and \$2.8 million for the three months ended June 30, 2013 and 2012, respectively, and \$1.9 million and \$7.3 million for the six months ended June 30, 2013 and 2012.

(b) Includes net realizable value adjustments for land held for sale of \$2.1 million and \$0.4 million for the three months ended June 30, 2013 and 2012, respectively, and \$2.2 million and \$1.0 million for the six months ended June 30, 2013 and 2012.

(c) Includes costs associated with the relocation of our corporate headquarters totaling \$13.1 million for the three and six months ended June 30, 2013. Related asset impairments totaling \$0.4 million for the three and six months

ended June 30, 2013 are reflected in other expense (income), net).

Includes losses on debt retirements totaling \$23.1 million and a charge resulting from a contractual dispute related to a previously completed luxury community totaling \$30.0 million for the three and six months ended June 30, (d)2013. Additionally, includes the write-off of deposits and pre-acquisition costs for land option contracts we elected not to pursue of \$0.3 million and \$0.2 million for the three months ended June 30, 2013 and 2012, respectively, and \$0.6 million and \$0.9 million for the six months ended June 30, 2013 and 2012.

(e) Net new order dollars represent a composite of new order dollars combined with other movements of the dollars in backlog related to cancellations and change orders.

Home sale revenues

Home sale revenues for the three months ended June 30, 2013 were higher than the prior year period by \$195.3 million, or 19%. The increase was attributable to a 9% increase in average selling price, combined with a 9% increase in closings. Home sale revenues for the six months ended June 30, 2013 were higher than the prior year period by \$481.2 million or 26%. The increase was attributable to a 10% increase in average selling price, combined with a 15% increase in closings. The increase in closings for the three and six months ended June 30, 2013 reflected improved consumer demand in the majority of our local markets. The increase in average selling price occurred in substantially all of our local markets and reflects an ongoing shift in our revenue mix toward move-up buyers and improved market conditions that have allowed for increased sale prices as well as higher levels of house options and lot premiums. In select communities across the country, demand has been so strong that we have taken actions to purposefully slow our overall sales pace by limiting lot releases or raising prices.

Home sale gross margins

Home sale gross margins were 18.8% and 18.4% for the three and six months ended June 30, 2013, respectively, compared to 15.1% and 14.0% for the three and six months ended June 30, 2012, respectively. Excluding the impact of land and community valuation adjustments and capitalized interest amortization, adjusted home sale gross margins improved to 23.9% and 23.4% for the three and six months ended June 30, 2013, respectively, compared to 20.3% and 19.6% for the three and six months ended June 30, 2012, respectively (see the Non-GAAP Financial Measures section for a reconciliation of adjusted home sale gross margins). The gross margin improvement was broad-based as substantially all of our operating divisions experienced higher gross margins in the three and six months ended June 30, 2013 compared with the prior year periods. These improved gross margins reflect a combination of factors, including an improved pricing environment, shifts in the product mix of homes closed toward move-up buyers, better alignment of our product offering with consumer demand, and contributions from our strategic pricing and house cost reduction objectives.

Land sales

We periodically elect to sell parcels of land to third parties in the event such assets no longer fit into our strategic operating plans or are zoned for commercial or other development. Land sale revenues and their related gains or losses vary between periods, depending on the timing of land sales and our strategic operating decisions. Land sales had margin contributions of \$(0.3) million and \$3.8 million for the three and six months ended June 30, 2013, respectively, compared to \$1.1 million and \$6.1 million for the three and six months ended June 30, 2012, respectively. These margin contributions included net realizable value adjustments related to land held for sale totaling \$2.1 million and \$2.2 million for the three and six months ended June 30, 2013, respectively, and \$0.4 million and \$1.0 million for the three and six months ended June 30, 2012, respectively.

SG&A

SG&A as a percentage of home sale revenues was 12.3% and 12.1% for the three and six months ended June 30, 2013, respectively, compared with 12.1% and 13.5% for the three and six months ended June 30, 2012, respectively. The gross dollar amount of our SG&A increased \$26.3 million, or 21%, for the three months ended June 30, 2013 compared to the prior year, and \$32.7 million or 13% for the six months ended June 30, 2013. SG&A for the three and six months ended June 30, 2013 includes \$13.1 million (110 bps and 60 bps, respectively) of employee severance, retention, and relocation costs attributable to our previously announced relocation of our corporate headquarters. Excluding such costs, our overhead leverage improved over the prior year periods. The remaining increases in gross overhead dollars were primarily due to variable costs related to the higher revenue volume combined with higher incentive compensation accruals resulting from the Company's improved operating performance.

Equity in (earnings) loss of unconsolidated entities

Equity in (earnings) loss of unconsolidated entities was \$(0.4) million and \$0.6 million for the three and six months ended June 30, 2013, respectively, compared with \$(1.5) million and \$(3.5) million for the three and six months ended June 30, 2012, respectively. The majority of our unconsolidated entities represent land development joint ventures. As a result, the timing of income and losses varies between periods depending on the timing of transactions and circumstances specific to each entity.

Other expense (income), net

Other expense (income), net includes the following (\$000's omitted):

	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Write-offs of deposits and pre-acquisition costs (<u>Note 3</u>)	\$250	\$166	\$591	\$905
Loss on debt retirements (<u>Note 9</u>)	23,072	—	23,072	—
Lease exit and related costs	603	3,801	768	6,160
Amortization of intangible assets	3,275	3,275	6,550	6,550
Miscellaneous expense (income), net	30,139	3,256	31,130	3,502
	\$57,339	\$10,498	\$62,111	\$17,117

For additional information on each of the above, see the applicable Notes to the Consolidated Financial Statements. Miscellaneous expense (income), net for the three and six months ended June 30, 2013 includes a charge of \$30.0 million resulting from a contractual dispute related to a previously completed luxury community (see Note 10).

Interest income, net

The level of interest income, net for the three and six months ended June 30, 2013 was essentially flat with the prior year based on the level of invested cash balances and low returns on invested cash available in the current interest rate environment.

Net new orders

Net new orders decreased 12% and 5% for the three and six months ended June 30, 2013, respectively, compared with the three and six months ended June 30, 2012 primarily due to selling from 16% fewer active communities in 2013 (626 at June 30, 2013). Reflecting improved demand in the market, net new orders per community increased 4% and 12% for the three and six months ended June 30, 2013, respectively, over the prior year periods. The cancellation rate (canceled orders for the period divided by gross new orders for the period) was 14% and 13% for the three and six months ended June 30, 2013, respectively, compared to 14% for both of the comparable prior year periods. Ending backlog units, which represent orders for homes that have not yet closed, increased 13% at June 30, 2013 compared with June 30, 2012, reflecting the improved demand environment we have experienced in recent quarters.

Homes in production

The following is a summary of our homes in production at June 30, 2013 and June 30, 2012:

	June 30, 2013	June 30, 2012
Sold	5,672	4,820
Unsold		
Under construction	596	967
Completed	271	598
	867	1,565
Models	1,065	1,215
Total	7,604	7,600

The number of homes in production at June 30, 2013 was comparable to the number at June 30, 2012. Our increased backlog, which resulted in a significant increase in our sold homes in production, was offset by a significant reduction

in homes unsold to customers ("spec homes") and models. Reducing our reliance on sales of spec homes is a component of our strategic pricing and inventory turns objectives, so we have focused on reducing the level of our spec home inventory, especially our completed specs ("final specs"). As a result, our unsold homes in production at June 30, 2013 was 45% lower than at June 30, 2012.

Controlled lots

The following is a summary of our lots under control at June 30, 2013 and December 31, 2012:

	June 30, 2013			December 31, 2012			
	Owned	Optioned	Controlled	Owned	Optioned	Controlled	
Northeast	8,555	2,693	11,248	9,211	2,655	11,866	
Southeast	13,102	3,950	17,052	13,372	2,756	16,128	
Florida	22,670	5,146	27,816	23,906	3,689	27,595	
Texas	10,871	4,769	15,640	12,218	3,685	15,903	
North	11,881	6,152	18,033	12,946	2,603	15,549	
Southwest	31,007	3,075	34,082	31,407	1,427	32,834	
Total	98,086	25,785	123,871	103,060	16,815	119,875	
Developed (%)	27	% 23	% 26	% 27	% 34	% 28	%

Of our controlled lots, 98,086 and 103,060 were owned and 11,849 and 9,634 were under option agreements approved for purchase at June 30, 2013 and December 31, 2012, respectively. In addition, there were 13,936 and 7,181 lots under option agreements pending approval at June 30, 2013 and December 31, 2012, respectively. While competition for well-positioned land has increased in recent quarters, we continue to pursue strategic land positions that meet our underwriting requirements while also using our existing land assets more effectively.

The remaining purchase price related to land under option for use by our Homebuilding operations at future dates totaled \$1.3 billion at June 30, 2013. These land option agreements, which generally may be canceled at our discretion and in certain cases extend over several years, are secured by deposits and pre-acquisition costs totaling \$88.5 million, of which only \$6.6 million is refundable.

Non-GAAP Financial Measures

This report contains information about our home sale gross margins reflecting certain adjustments. This measure is considered a non-GAAP financial measure under the SEC's rules and should be considered in addition to, rather than as a substitute for, the comparable GAAP financial measure as a measure of our operating performance. Management and our local divisions use this measure in evaluating the operating performance of each community and in making strategic decisions regarding sales pricing, construction and development pace, product mix, and other daily operating decisions. We believe it is a relevant and useful measure to investors for evaluating our performance through gross profit generated on homes delivered during a given period and for comparing our operating performance to other companies in the homebuilding industry. Although other companies in the homebuilding industry report similar information, the methods used may differ. We urge investors to understand the methods used by other companies in the homebuilding industry to calculate gross margins and any adjustments thereto before comparing our measure to that of such other companies.

The following table sets forth a reconciliation of this non-GAAP financial measure to the GAAP financial measure that management believes to be most directly comparable (\$000's omitted):

Home sale gross margin

	Three Months Ended		Six Months Ended		
	June 30, 2013	2012	June 30, 2013	2012	
Home sale revenues	\$1,219,675	\$1,024,405	\$2,319,427	\$1,838,191	
Home sale cost of revenues	990,818	869,379	1,892,288	1,581,545	
Home sale gross margin	228,857	155,026	427,139	256,646	
Add:					
Land and community valuation adjustments (a)	—	633	—	4,333	
Capitalized interest amortization (a)	62,193	52,070	115,870	99,256	
Adjusted home sale gross margin	\$291,050	\$207,729	\$543,009	\$360,235	
Home sale gross margin as a percentage of home sale revenues	18.8	% 15.1	% 18.4	% 14.0	%
Adjusted home sale gross margin as a percentage of home sale revenues	23.9	% 20.3	% 23.4	% 19.6	%

(a) Write-offs of capitalized interest related to land and community valuation adjustments are reflected in capitalized interest amortization.

Homebuilding Segment Operations

Our homebuilding operations represent our core business. Homebuilding offers a broad product line to meet the needs of homebuyers in our targeted markets. As of June 30, 2013, we conducted our operations in approximately 50 markets located throughout 28 states. For reporting purposes, our Homebuilding operations are aggregated into six reportable segments:

Northeast:	Connecticut, Delaware, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Virginia
Southeast:	Georgia, North Carolina, South Carolina, Tennessee
Florida:	Florida
Texas:	Texas
North:	Illinois, Indiana, Michigan, Minnesota, Missouri, Northern California, Ohio, Oregon, Washington
Southwest:	Arizona, Colorado, Nevada, New Mexico, Southern California

We also have a reportable segment for our financial services operations, which consist principally of mortgage banking and title operations. The Financial Services segment operates generally in the same markets as the Homebuilding segments.

The following tables present selected financial information for our reportable Homebuilding segments:

Operating Data by Segment (\$000's omitted)									
	Three Months Ended			Six Months Ended					
	June 30,			June 30,					
	2013	2013 vs. 2012	2012	2013	2013 vs. 2012	2012			
Home sale revenues:									
Northeast	\$ 162,812	(3	)%	\$ 167,747	\$ 295,385	(4	)%	\$ 307,676
Southeast	197,826	19	%	166,722	367,717	23	%	300,122	
Florida	182,463	22	%	149,986	333,600	24	%	268,868	
Texas	199,649	24	%	160,559	383,426	32	%	289,850	
North	255,578	26	%	202,584	481,180	34	%	358,542	
Southwest	221,347	25	%	176,807	458,119	46	%	313,133	
	\$ 1,219,675	19	%	\$ 1,024,405	\$ 2,319,427	26	%	\$ 1,838,191	
Income (loss) before income taxes:									
Northeast	\$ 16,582	3	%	\$ 16,141	\$ 28,654	27	%	\$ 22,637	
Southeast	22,796	57	%	14,484	41,124	111	%	19,497	
Florida	25,597	48	%	17,304	45,877	101	%	22,807	
Texas	25,694	190	%	8,851	46,904	195	%	15,897	
North	26,077	202	%	8,646	46,629	296	%	11,787	
Southwest	36,609	146	%	14,876	70,400	405	%	13,935	
Other homebuilding (a)	(131,384) (133)%	(56,363) (189,580) (84)%	(102,973)
	\$ 21,971	(8	)%	\$ 23,939	\$ 90,008	(b)		\$ 3,587
Closings (units):									
Northeast	378	(9	)%	416	680	(11	)%	768
Southeast	735	9	%	673	1,386	15	%	1,208	
Florida	649	14	%	569	1,232	18	%	1,045	
Texas	960	11	%	862	1,857	19	%	1,561	
North	741	12	%	663	1,407	18	%	1,194	
Southwest	689	9	%	633	1,423	23	%	1,157	
	4,152	9	%	3,816	7,985	15	%	6,933	
Average selling price:									
Northeast	\$ 431	7	%	\$ 403	\$ 434	8	%	\$ 401	
Southeast	269	9	%	248	265	7	%	248	
Florida	281	7	%	264	271	5	%	257	
Texas	208	12	%	186	206	11	%	186	
North	345	13	%	306	342	14	%	300	
Southwest	321	15	%	279	322	19	%	271	
	\$ 294	9	%	\$ 268	\$ 290	10	%	\$ 265	

Other homebuilding includes the amortization of intangible assets, amortization of capitalized interest, and other items not allocated to the operating segments. During the three and six months ended June 30, 2013, Other (a) homebuilding also included losses on debt retirements totaling \$23.1 million, costs associated with the previously announced relocation of our corporate headquarters totaling \$13.5 million, and a charge resulting from a contractual dispute related to a previously completed luxury community totaling \$30.0 million.

(b) Percentage not meaningful.

The following tables present additional selected financial information for our reportable Homebuilding segments:

Operating Data by Segment (\$000's omitted)							
	Three Months Ended June 30,			Six Months Ended June 30,			
	2013	2013 vs. 2012	2012	2013	2013 vs. 2012	2012	
Net new orders - units:							
Northeast	543	(12)%	614	1,114	(5)%	1,167	
Southeast	887	8 %	823	1,846	16 %	1,597	
Florida	701	— %	700	1,505	3 %	1,468	
Texas	988	(12)%	1,125	2,068	(7)%	2,234	
North	976	(8)%	1,064	1,945	1 %	1,933	
Southwest	790	(37)%	1,252	1,607	(26)%	2,170	
	4,885	(12)%	5,578	10,085	(5)%	10,569	
Net new orders - dollars:							
Northeast	\$226,683	(11)%	\$255,328	\$469,738	(1)%	\$475,636	
Southeast	249,115	21 %	205,868	513,124	28 %	399,819	
Florida	220,751	17 %	189,214	456,272	15 %	396,588	
Texas	216,584	(2)%	221,126	449,934	5 %	426,921	
North	347,949	(3)%	360,214	692,496	11 %	625,433	
Southwest	258,574	(31)%	373,323	520,057	(16)%	620,653	
	\$1,519,656	(5)%	\$1,605,073	\$3,101,621	5 %	\$2,945,050	
Cancellation rates:							
Northeast	11	%	9	% 10	%	9	%
Southeast	10	%	11	% 10	%	12	%
Florida	14	%	12	% 13	%	12	%
Texas	21	%	20	% 20	%	21	%
North	9	%	13	% 9	%	14	%
Southwest	16	%	14	% 15	%	13	%
	14	%	14	% 13	%	14	%
Unit backlog:							
Northeast				1,056	28	% 824	
Southeast				1,371	38	% 991	
Florida				1,338	24	% 1,081	
Texas				1,666	11	% 1,498	
North				1,805	25	% 1,448	
Southwest				1,322	(23)%	1,718	
				8,558	13	% 7,560	
Backlog dollars:							
Northeast				\$451,205	30	% \$346,895	
Southeast				398,063	57	% 254,229	
Florida				411,805	36	% 301,758	
Texas				361,131	24	% 290,999	
North				658,057	39	% 474,397	
Southwest				433,472	(13)%	498,230	
				\$2,713,733	25	% \$2,166,508	

The following table presents additional selected financial information for our reportable Homebuilding segments:

	Operating Data by Segment (\$000's omitted)					
	Three Months Ended			Six Months Ended		
	June 30,	2013 vs.	2012	June 30,	2013 vs.	2012
	2013	2012		2013	2012	
Land-related charges*:						
Northeast	\$ 7	(99)%	\$ 572	\$ 109	(83)%	\$ 623
Southeast	63	(494)%	(16)	88	(89)%	824
Florida	566	(a)	—	649	(a)	49
Texas	(4)	(101)%	282	—	(100)%	307
North	1,581	382 %	328	1,713	(22)%	2,196
Southwest	140	(a)	(7)	215	(90)%	2,242
Other homebuilding	1,652	(24)%	2,163	1,935	(35)%	2,977
	\$ 4,005	21 %	\$ 3,322	\$ 4,709	(49)%	\$ 9,218

Land-related charges include land and community valuation adjustments, net realizable value adjustments for land *held for sale, and write-offs of deposits and pre-acquisition costs for land option contracts we elected not to pursue.

See and to the Consolidated Financial Statements for additional discussion of these charges.

(a) Percentage not meaningful.

Northeast

For the second quarter of 2013, Northeast home sale revenues decreased 3% compared with the prior year period due to a 9% decrease in closings partially offset by a 7% increase in the average selling price. The decrease in closings was concentrated in the Mid-Atlantic and resulted from a decrease in active communities. The increase in average selling price occurred primarily in New England and the Mid-Atlantic. The increased income before income taxes was due to improved gross margins and overhead leverage. Net new orders decreased 12%, mainly due lower order levels in the Mid-Atlantic due to fewer active communities.

For the six months ended June 30, 2013, Northeast home sale revenues decreased 4% compared with the prior year period due to an 11% decrease in closings partially offset by an 8% increase in the average selling price. The decrease in closings was concentrated in the Northeast Corridor and Mid-Atlantic due to a decrease in active community count. The increase in average selling price occurred primarily in New England and the Mid-Atlantic. The increased income before income taxes was due to improved gross margins and overhead leverage. Net new orders decreased 5%, mainly due to lower order levels in the Mid-Atlantic due to fewer active communities, offset in part by an increase in orders in New England.

Southeast

For the second quarter of 2013, Southeast home sale revenues increased 19% compared with the prior year period due to a 9% increase in closings and a 9% increase in the average selling price. The increase in closing volumes was concentrated in South Carolina. The increase in average selling price was most apparent in Raleigh and South Carolina. The increased income before income taxes resulted from the higher revenues combined with improved gross margins and overhead leverage. Net new orders increased 8%, led by our operations in Raleigh.

For the six months ended June 30, 2013, Southeast home sale revenues increased 23% compared with the prior year period due to a 15% increase in closings and a 7% increase in the average selling price. The increase in closings was due to increases in Raleigh, Tennessee, and South Carolina. The increase in average selling price was mainly due to increases in Raleigh and South Carolina. The increased income before income taxes resulted from the higher revenues

combined with improved gross margins and overhead leverage. Net new orders increased 16%, led by our operations in Raleigh.

Florida

Florida home sale revenues increased 22% during the second quarter of 2013 compared with the prior year period due to a 14% increase in closings and a 7% increase in the average selling price. The increase in closings was concentrated in North Florida while the increase in average selling price occurred in both North and South Florida. The increased income before income taxes resulted from the higher revenues combined with improved gross margins and overhead leverage. Net new orders were flat with the prior year period despite a reduction in active communities.

For the six months ended June 30, 2013, Florida home sale revenues increased 24% compared with the prior year period due to an 18% increase in closings and a 5% increase in the average selling price. The increase in closings was concentrated in North Florida while the increase in average selling price occurred in both North and South Florida. The increased income before income taxes resulted from the higher revenues combined with improved gross margins and overhead leverage. Net new orders increased 3%, led by our operations in North Florida.

Texas

For the second quarter of 2013, Texas home sale revenues increased 24% compared with the prior year period due to a 12% increase in the average selling price combined with an 11% increase in closings. The increase in average selling price and closings occurred across all local divisions, but was driven by our operations in Central Texas and Dallas. The increased income before income taxes for the quarter resulted from the higher revenues combined with improved gross margins and overhead leverage. Net new orders decreased by 12%, driven mainly by a decrease in active communities.

For the six months ended June 30, 2013, Texas home sale revenues increased 32% compared with the prior year period due to a 19% increase in closings and an 11% increase in average selling price. The increase in closings was most significant in Houston and Dallas, while the increase in average selling price was led by our operations in Central Texas and Dallas. The increased income before income taxes for the quarter resulted from the higher revenues combined with improved gross margins and overhead leverage. Net new orders decreased by 7%, driven mainly by a decrease in active communities.

North

For the second quarter of 2013, North home sale revenues increased 26% compared with the prior year period due to a 12% increase in closings combined with a 13% increase in average selling price. The increase in closing volumes was primarily due to significant increases in Michigan and Northern California. The increase in average selling price was due to increases across all divisions. The increase in income before income taxes resulted from the increased revenues combined with improved gross margins in every division and overall improved overhead leverage. Net new orders decreased by 8% compared with the prior year period mainly due to a decrease in Northern California, as we purposely slowed sales pace in a number of communities by raising prices and limiting lot releases.

For the six months ended June 30, 2013, North home sale revenues increased 34% compared with the prior year period due to an 18% increase in closings and a 14% increase in average selling price. The increase in closing volumes was primarily due to significant increases in Michigan and Northern California. The increase in average selling price was due to increases across all divisions. The increase in income before income taxes resulted from the increased revenues combined with improved gross margins in every division and overall improved overhead leverage. Net new orders increased by 1% as increases in Michigan, Illinois, and St. Louis were mostly offset by a decrease in Northern California, as we purposely slowed sales pace in a number of communities by raising prices and limiting lot releases.

Southwest

Southwest home sale revenues increased 25% during the second quarter of 2013 compared with the prior year period due to a 9% increase in closings and a 15% increase in average selling price. The increase in closings was mainly due to increases in Southern California and Las Vegas. The increase in average selling price occurred across all divisions, but was most significant in Arizona. The increase in income before income taxes resulted from the higher revenues combined with improved gross margins and overhead leverage. However, net new orders decreased by 37% compared with the prior year period, primarily due to fewer active communities in Arizona, Southern California, and Las Vegas, along with purposefully slowing the sales pace in a number of communities by raising prices and limiting lot releases.

For the six months ended June 30, 2013, Southwest home sale revenues increased 46% compared with the prior year period due to a 23% increase in closings combined with a 19% increase in average selling price. The increase in closings was

mainly due to increases in Southern California, Las Vegas, and Arizona. The increase in average selling price occurred across all divisions, but was most significant in Arizona and New Mexico. The increase in income before income taxes resulted from the higher revenues combined with improved gross margins and overhead leverage. However, net new orders decreased by 26% compared with the prior year period, primarily due to fewer active communities in Arizona, Southern California, and Las Vegas, along with purposefully slowing the sales pace in a number of communities by raising prices and limiting lot releases.

Financial Services Operations

We conduct our Financial Services operations, which include mortgage and title operations, through Pulte Mortgage and other subsidiaries. In originating mortgage loans, we initially use our own funds, including funds available pursuant to credit agreements with either third parties or with the Company. Substantially all of the loans we originate are sold in the secondary market within a short period of time after origination, generally within 30 days. We sell the servicing rights for the loans we originate through fixed price servicing sales contracts to reduce the risks and costs inherent in servicing loans. This strategy results in owning the servicing rights for only a short period of time. Operating as a captive business model primarily targeted to supporting our Homebuilding operations, the operating results of our Financial Services operations are highly correlated to Homebuilding. Our Homebuilding customers continue to account for substantially all loan production. We believe that our capture rate, which represents loan originations from our Homebuilding operations as a percentage of total loan opportunities from our Homebuilding operations, excluding cash closings, is an important metric in evaluating the effectiveness of our captive mortgage business model. The following table presents selected financial information for our Financial Services operations (\$000's omitted):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2013 vs. 2012	2012	2013	2013 vs. 2012	2012
Mortgage operations revenues	\$32,779	7 %	\$30,665	\$63,790	16 %	\$55,113
Title services revenues	6,583	18 %	5,586	12,445	25 %	9,990
Total Financial Services revenues	39,362	9 %	36,251	76,235	17 %	65,103
Expenses	23,035	13 %	20,327	45,623	8 %	42,336
Equity in (earnings) loss of unconsolidated entities	(32)	(49)%	(63)	(60)	(26)%	(81)
Income before income taxes	\$16,359	2 %	\$15,987	\$30,672	34 %	\$22,848
Total originations:						
Loans	2,812	8 %	2,603	5,534	20 %	4,624
Principal	\$643,267	13 %	\$566,856	\$1,265,264	27 %	\$996,321
Supplemental data:						
Capture rate				81.0 %		80.5 %
Average FICO score				745		749
Loan application backlog				\$1,540,964	84 %	\$835,684
Agency production for funded originations				97 %		99 %
FHA agency production				19 %		25 %

Revenues

Total Financial Services revenues for the three and six months ended June 30, 2013 increased 9% and 17%, respectively, compared to the respective prior year periods as the result of higher loan origination volumes and an increase in average loan size. The increase in loan origination volumes was due to a higher capture rate, higher Homebuilding closing volumes, and fewer cash sales.

In recent years, the mortgage industry has experienced a significant overall tightening of lending standards and a shift toward agency production and fixed rate loans versus adjustable rate mortgages (“ARMs”) and unconventional loans. The substantial majority of loan production during the three and six months ended June 30, 2013 and 2012 consisted of fixed rate loans, the majority of which are prime, conforming loans. The shift toward agency fixed-rate loans has contributed to profitability as such loans generally result in higher profitability due to higher servicing values and structured guidelines that allow for expense efficiencies when processing the loan. Additionally, historically low interest rates and the challenging regulatory environment in recent periods has contributed to profitability by reducing the overall level of pricing competition in the market. Recently, however, competition has increased in the industry, partially as the result of lower refinancing volume. While we expect loan margins to continue to be strong, the increased competition has reduced, and will most likely continue to reduce, loan margins relative to our results in 2012.

Loan origination liabilities

Our mortgage operations may be responsible for losses associated with mortgage loans originated and sold to investors in the event of errors or omissions relating to representations and warranties that the loans sold meet certain requirements, including representations as to underwriting standards, the existence of primary mortgage insurance, and the validity of certain borrower representations in connection with the loan. If determined to be at fault, we either repurchase the loans from the investors or reimburse the investors' losses (a “make-whole” payment).

In recent years, we experienced a significant increase in losses related to repurchase requests as a result of the high level of loan defaults and related losses in the mortgage industry and increasing aggressiveness by investors in presenting such claims to us. To date, the significant majority of these losses relates to loans originated in 2006 and 2007, during which period inherently riskier loan products became more common in the mortgage origination market. Given the volatility in the mortgage industry and the uncertainty regarding the ultimate resolution of these claims, it is reasonably possible that future losses may exceed our current estimates. See Note 10 to the Condensed Consolidated Financial Statements for additional discussion.

We entered into an agreement in conjunction with the wind down of Centex's mortgage operations, which ceased loan origination activities in December 2009, that provides a guaranty for one major investor of loans originated by Centex. This guaranty provides that we will honor the potential repurchase obligations of Centex's mortgage operations related to breaches of representations and warranties in the origination of a certain pool of loans. Other than with respect to this pool of loans, our contractual repurchase obligations are limited to our mortgage subsidiaries, which are included in non-guarantor subsidiaries (see Note 11 for a discussion of non-guarantor subsidiaries).

The mortgage subsidiary of Centex also sold loans to a bank for inclusion in residential mortgage-backed securities (“RMBSs”) issued by the bank. In connection with these sales, Centex's mortgage subsidiary entered into agreements pursuant to which it may be required to indemnify the bank for losses incurred by investors in the RMBSs arising out of material errors or omissions in certain information provided by the mortgage subsidiary relating to the loans and loan origination process. In 2011, the bank notified us that it has been named defendant in two lawsuits alleging various violations of federal and state securities laws asserting that untrue statements of material fact were included in the registration statements used to market the sale of two RMBS transactions, which included \$162 million of loans originated by Centex's mortgage subsidiary. Neither Centex's mortgage subsidiary nor the Company is named as a

defendant in these actions. These actions are in their preliminary stage, and we cannot yet quantify Centex's mortgage subsidiary's potential liability as a result of these indemnification obligations. We do not believe, however, that these matters will have a material adverse impact on the results of operations, financial position, or cash flows of the Company. We are aware of six other RMBS transactions with such indemnity provisions that include an aggregate \$116 million of loans, and we are not aware of any current or threatened legal proceedings regarding those transactions.

Income Taxes

Our effective tax rate is affected by a number of factors, the most significant of which are the valuation allowance recorded against our deferred tax assets and changes in our unrecognized tax benefits. Due to the effects of these factors, our effective tax rates for the three and six months ended June 30, 2013 and 2012 are not correlated to the amount of our pretax income or loss. Our effective tax rates were 5.0% and (6.3)% for the three months ended June 30, 2013 and 2012, respectively, and 2.1% and (16.4)% for the six months ended June 30, 2013 and 2012, respectively.

Liquidity and Capital Resources

We finance our land acquisition, development, and construction activities and financial services operations by using internally-generated funds supplemented by credit arrangements with third parties and capital market financing. We routinely monitor current and expected operational requirements and financial market conditions to evaluate accessing other available financing sources, including revolving bank credit and securities offerings. Based on our current financial condition and credit relationships, we believe that our operations and borrowing resources are sufficient to provide for our current and foreseeable capital requirements. However, we continue to evaluate the impact of market conditions on our liquidity and may determine that modifications are appropriate if market conditions deteriorate, if significant growth returns to the homebuilding industry, or if favorable capital market opportunities become available.

At June 30, 2013, we had unrestricted cash and equivalents of \$1.2 billion and senior notes of \$2.1 billion. We also had restricted cash balances of \$66.4 million, the substantial majority of which related to cash serving as collateral under certain letter of credit facilities. Other financing sources include various letter of credit facilities and surety bond arrangements.

We follow a diversified investment approach for our cash and equivalents by maintaining such funds with a diversified portfolio of banks within our group of relationship banks in high quality, highly liquid, short-term investments, generally money market funds and federal government or agency securities. We monitor our investments with each bank and do not believe our cash and equivalents are exposed to any material risk of loss. However, there can be no assurances that losses of the principal balance of our cash and equivalents will not occur.

Our ratio of debt to total capitalization, excluding our Financial Services borrowings, was 47.2% at June 30, 2013, and 25.6% net of cash and equivalents, including restricted cash. We continue to pursue strategies to reduce our leverage through a combination of cash-generating activities, reducing debt, and returning to consistent profitability. Additionally, any reversal of the valuation allowance recorded against our deferred tax assets would have a favorable impact on our debt to capitalization ratios (see Note 7 to the Condensed Consolidated Financial Statements).

In the second quarter of 2013, we retired prior to their stated maturity dates \$434.4 million of senior notes. This included the previously announced redemption of the remaining senior notes due in 2014. We recorded losses related to these transactions totaling \$23.1 million during the three and six months ended June 30, 2013. There were no debt retirements during the three or six months ended June 30, 2012.

Credit agreements

We maintain separate cash-collateralized letter of credit agreements with a number of financial institutions. Letters of credit totaling \$50.3 million were outstanding under these agreements at June 30, 2013. Under these agreements, we are required to maintain deposits with these financial institutions in amounts approximating the letters of credit outstanding. Such deposits are included in restricted cash.

We also maintain an unsecured letter of credit facility that expires in September 2014. This facility permits the issuance of up to \$150.0 million of letters of credit for general corporate purposes in support of any wholly-owned subsidiary. Letters of credit totaling \$121.3 million were outstanding under this facility at June 30, 2013.

Pulte Mortgage

Pulte Mortgage provides mortgage financing for the majority of our home closings by utilizing its own funds and funds made available pursuant to credit agreements with third parties or through intercompany borrowings. Pulte Mortgage uses these resources to finance its lending activities until the mortgage loans are sold in the secondary market, which generally occurs within 30 days. In September 2012, Pulte Mortgage entered into a Master Repurchase Agreement (the “Repurchase

Agreement”) with third party lenders. The Repurchase Agreement provides for loan purchases of up to \$150.0 million, subject to certain sublimits, and borrowings under the Repurchase Agreement are secured by residential mortgage loans available-for-sale. At June 30, 2013, Pulte Mortgage had \$59.9 million outstanding under the Repurchase Agreement, which expires in September 2013. While there can be no assurances that the Repurchase Agreement can be renewed or replaced on commercially reasonable terms upon its expiration, we believe we have adequate liquidity to meet Pulte Mortgage's anticipated financing needs.

Dividends and share repurchase programs

On July 24, 2013, we declared a quarterly cash dividend of \$0.05 per common share payable in August 2013. This represents our first dividend declaration since the end of 2008. We also increased our common share repurchase authorization by \$250.0 million, raising our total available repurchase authorization to \$352.3 million of common shares. There have been no repurchases under our authorized stock repurchase programs since 2006.

Cash flows

Operating activities

Our net cash provided by operating activities for the six months ended June 30, 2013 was \$335.1 million, compared with net cash provided by operating activities of \$211.5 million for the six months ended June 30, 2012. Generally, the primary drivers of our cash flow from operations are profitability and changes in inventory levels. Our positive cash flow from operations for the six months ended June 30, 2013 was primarily due to our net income of \$118.2 million combined with a net decrease in inventories of \$32.9 million, a seasonal reduction of \$81.3 million in residential mortgage loans available-for-sale, and a \$67.5 million increase in accrued and other liabilities. The inventory decrease resulted primarily from a significant reduction in spec homes in production, partially offset by a seasonal increase in sold homes in production. The increase in accrued and other liabilities was due primarily to increased customer deposits related to our higher backlog levels. Our positive cash flow from operations for the six months ended June 30, 2012 was mainly due to changes in working capital, including a net decrease in inventory, a seasonal reduction in residential mortgage loans available-for-sale, and an increase in accrued and other liabilities.

Investing activities

Investing activities are generally not a significant source or use of cash for us. Net cash used by investing activities for the six months ended June 30, 2013 was \$7.4 million, compared with net cash provided by investing activities of \$16.4 million for the six months ended June 30, 2012. The negative cash flow from investing activities for the six months ended June 30, 2013 was primarily due to capital expenditures exceeding the decrease in restricted cash we are required to maintain related to our letter of credit facilities, which resulted from a reduction in letters of credit outstanding. The positive cash flow from investing activities for the six months ended June 30, 2012 was mainly due to the reduction in restricted cash we are required to maintain related to our letter of credit facilities.

Financing activities

Net cash used by financing activities for the six months ended June 30, 2013 totaled \$519.8 million, compared with net cash used by financing activities of \$0.5 million for the six months ended June 30, 2012. The negative cash flow from financing activities for the six months ended June 30, 2013 was due to the early retirement of senior notes, which used \$454.3 million of cash, and net repayments of \$78.9 million of borrowings under the Repurchase Agreement. The repayments offset the favorable cash impact of the seasonal reduction in residential mortgage loans available-for-sale reflected in operating cash flows.

Inflation

We, and the homebuilding industry in general, may be adversely affected during periods of inflation because of higher land and construction costs. Inflation may also increase our financing costs. In addition, higher mortgage interest rates affect the affordability of our products to prospective homebuyers. While we attempt to pass on to our customers increases in our costs through increased sales prices, market forces may limit our ability to do so. If we are unable to raise sales prices enough to compensate for higher costs, or if mortgage interest rates increase significantly, our revenues, gross margins, and net income would be adversely affected.

Seasonality

We experience variability in our quarterly results from operations due to the seasonal nature of the homebuilding industry. Historically, we have experienced increases in revenues and cash flow from operations during the fourth quarter based on the timing of home closings.

Contractual Obligations and Commercial Commitments

There have been no material changes to our contractual obligations from those disclosed in our "Contractual Obligations" contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2012 except for the aforementioned early retirement of senior notes.

Off-Balance Sheet Arrangements

We use letters of credit and surety bonds to guarantee our performance under various contracts, principally in connection with the development of our projects. The expiration dates of the letter of credit contracts coincide with the expected completion date of the related homebuilding projects. If the obligations related to a project are ongoing, annual extensions of the letters of credit are typically granted on a year-to-year basis. At June 30, 2013, we had outstanding letters of credit of \$171.6 million. Surety bonds generally do not have stated expiration dates; rather, we are released from the bonds as the contractual performance is completed. These bonds, which approximated \$1.0 billion at June 30, 2013, are typically outstanding over a period of approximately three to five years. Because significant construction and development work has been performed related to the applicable projects but has not yet received final acceptance by the respective counterparties, the aggregate amount of surety bonds outstanding is in excess of the projected cost of the remaining work to be performed.

In the ordinary course of business, we enter into land option agreements in order to procure land for the construction of houses in the future. At June 30, 2013, these agreements had an aggregate remaining purchase price of \$1.3 billion. Pursuant to these land option agreements, we provide a deposit to the seller as consideration for the right to purchase land at different times in the future, usually at predetermined prices. In certain instances, we are required to record the land under option as if we own it. At June 30, 2013, we consolidated certain land option agreements and recorded assets of \$33.8 million as land, not owned, under option agreements.

At June 30, 2013, aggregate outstanding debt of unconsolidated joint ventures was \$10.4 million, of which our proportionate share of such joint venture debt was \$3.1 million. See [Note 5](#) to the Condensed Consolidated Financial Statements for additional information.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates during the six months ended June 30, 2013 compared with those contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative disclosure

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The following tables set forth, as of June 30, 2013, our rate-sensitive financing obligations, principal cash flows by scheduled maturity, weighted-average interest rates, and estimated fair value (\$000's omitted).

As of June 30, 2013 for the
Years ending December 31,

	2013	2014	2015	2016	2017	Thereafter	Total	Fair Value
Rate-sensitive liabilities:								
Fixed interest rate debt:								
Senior notes	\$—	\$—	\$333,647	\$465,245	\$150,000	\$1,150,000	\$2,098,892	\$2,159,514
Average interest rate	— %	— %	5.24 %	6.50 %	7.63 %	6.80 %	6.54 %	%

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Qualitative disclosure

There have been no material changes to the qualitative disclosure found in Item 7A, Quantitative and Qualitative Disclosures about Market Risk, of our Annual Report on Form 10-K for the year ended December 31, 2012.

SPECIAL NOTES CONCERNING FORWARD-LOOKING STATEMENTS

As a cautionary note, except for the historical information contained herein, certain matters discussed in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 3, Quantitative and Qualitative Disclosures About Market Risk, are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities, as well as those of the markets we serve or intend to serve, to differ materially from those expressed in, or implied by, these statements. You can identify these statements by the fact that they do not relate to matters of a strictly factual or historical nature and generally discuss or relate to forecasts, estimates or other expectations regarding future events. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "may," "can," "could," "might," "will" expressions identify forward-looking statements, including statements related to expected operating and performing results, planned transactions, planned objectives of management, future developments or conditions in the industries in which we participate and other trends, developments and uncertainties that may affect our business in the future.

Such risks, uncertainties and other factors include, among other things: interest rate changes and the availability of mortgage financing; continued volatility in the debt and equity markets; competition within the industries in which PulteGroup operates; the availability and cost of land and other raw materials used by PulteGroup in its homebuilding operations; the impact of any changes to our strategy in responding to the cyclical nature of the industry, including any changes regarding our land positions; the availability and cost of insurance covering risks associated with PulteGroup's businesses; shortages and the cost of labor; weather related slowdowns; slow growth initiatives and/or local building moratoria; governmental regulation directed at or affecting the housing market, the homebuilding industry or construction activities; uncertainty in the mortgage lending industry, including revisions to underwriting standards and repurchase requirements associated with the sale of mortgage loans; the interpretation of or changes to tax, labor and environmental laws; economic changes nationally or in PulteGroup's local markets, including inflation, deflation, changes in consumer confidence and preferences and the state of the market for homes in general; legal or regulatory proceedings or claims; our ability to successfully implement our share repurchase plan; required accounting changes; terrorist acts and other acts of war; and other factors of national, regional and global scale, including those of a political, economic, business and competitive nature. See PulteGroup's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, and other public filings with the Securities and Exchange Commission (the "SEC") for a further discussion of these and other risks and uncertainties applicable to our businesses. PulteGroup undertakes no duty to update any forward-looking statement, whether as a result of new information, future events or changes in PulteGroup's expectations.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Management, including our Chairman, President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2013. Based upon, and as of the date of, that evaluation, our Chairman, President and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of June 30, 2013.

Management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). There was no change in our internal control over financial reporting during the quarter ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

	Total number of shares purchased (1)	Average price paid per share (1)	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (\$000's omitted)	
April 1, 2013 to April 30, 2013	—	\$—	—	\$102,342	(2)
May 1, 2013 to May 31, 2013	899	\$23.22	—	\$102,342	(2)
June 1, 2013 to June 30, 2013	—	\$—	—	\$102,342	(2)
Total	899	\$23.22	—		

During the second quarter of 2013, a total of 899 shares were surrendered by employees for payment of minimum (1) tax obligations upon the vesting or exercise of previously granted stock-based compensation awards. Such shares were not repurchased as part of our publicly-announced stock repurchase programs.

Pursuant to the two \$100 million share repurchase programs authorized and announced by our Board of Directors in October 2002 and October 2005, the \$200 million share repurchase authorized and announced in February 2006, (2) and the \$250 million share repurchase authorization announced in July 2013 (for a total share repurchase authorization of \$650 million), we have repurchased a total of 9,688,900 shares for a total of \$297.7 million. There are no expiration dates for the programs.

Item 6. Exhibits

Exhibit Number and Description

- | | |
|----|---|
| 3 | <p>(a) Restated Articles of Incorporation, of PulteGroup, Inc. (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K, filed with the SEC on August 18, 2009)</p> <p>(b) Certificate of Amendment to the Articles of Incorporation, dated March 18, 2010 (Incorporated by reference to Exhibit 3(b) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010)</p> <p>(c) Certificate of Amendment to the Articles of Incorporation, dated May 21, 2010 (Incorporated by reference to Exhibit 3(c) of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010)</p> <p>(d) By-laws, as amended, of PulteGroup, Inc. (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K, filed with the SEC on April 8, 2009)</p> <p>(e) Certificate of Designation of Series A Junior Participating Preferred Shares, dated August 6, 2009 (Incorporated by reference to Exhibit 3(b) of our Registration Statement on Form 8-A, filed with the SEC on August 18, 2009)</p> |
| 4 | <p>(a) Any instrument with respect to long-term debt, where the securities authorized thereunder do not exceed 10% of the total assets of PulteGroup, Inc. and its subsidiaries, has not been filed. The Company agrees to furnish a copy of such instruments to the SEC upon request.</p> <p>(b) Amended and Restated Section 382 Rights Agreement, dated as of March 18, 2010, between PulteGroup, Inc. and Computershare Trust Company, N.A., as rights agent, which includes the Form of Rights Certificate as Exhibit B thereto (Incorporated by reference to Exhibit 4 of PulteGroup, Inc.'s Registration Statement on Form 8-A/A filed with the SEC on March 23, 2010)</p> <p>(c) First Amendment, dated as of March 14, 2013, to the Amended and Restated Section 382 Rights Agreement, dated as of March 18, 2010, between the Company and Computershare Trust Company, N.A., as rights agent (Incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed with the SEC on March 15, 2013)</p> |
| 10 | <p>(a) 2013 Stock Incentive Plan (Incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed with the SEC on May 13, 2013)</p> <p>(b) 2013 Senior Management Incentive Plan (Incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K, filed with the SEC on May 13, 2013)</p> |
| 31 | <p>(a) Rule 13a-14(a) Certification by Richard J. Dugas, Jr., Chairman, President, and Chief Executive Officer (Filed herewith)</p> <p>(b) Rule 13a-14(a) Certification by Robert T. O'Shaughnessy, Executive Vice President and Chief Financial Officer (Filed herewith)</p> |
| 32 | <p>Certification Pursuant to 18 United States Code § 1350 and Rule 13a-14(b) of the Securities Exchange Act of 1934 (Filed herewith)</p> |

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

PULTEGROUP, INC.

/s/ Robert T. O'Shaughnessy
Robert T. O'Shaughnessy
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and duly authorized officer)
Date: July 25, 2013