

PULTE HOMES INC/MI/
Form 10-Q/A
December 22, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A
(Amendment No. 1)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2006

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

Commission File Number 1-9804
PULTE HOMES, 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

Number of shares of common stock outstanding as of July 31, 2006: 255,029,052

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**PULTE HOMES, INC.
FORM 10-Q/A FOR THE QUARTER ENDED JUNE 30, 2006
Explanatory Paragraph**

This Form 10-Q/A for the quarterly period ended June 30, 2006 is filed for the purpose of restating Note 2 in our Notes to Condensed Consolidated Financial Statements in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures About Segments of an Enterprise and Related Information. The restatement has expanded our reportable segment footnote disclosure related to our homebuilding operations and does not affect our condensed consolidated balance sheets at June 30, 2006 and December 31, 2005, consolidated statements of operations and related earnings per share amounts for the three and six months ended June 30, 2006 and 2005, consolidated statements of cash flows or consolidated statements of shareholders equity for the six months ended June 30, 2006 and 2005. Conforming changes have been made to Management s Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-Q/A. See Note 2 in the Notes to Condensed Consolidated Financial Statements for further information relating to the restatement.

For ease of reference, this Form 10-Q/A restates the Form 10-Q for the quarterly period ended June 30, 2006 in its entirety, except for certain exhibits, which have been incorporated by reference. In order to preserve the nature and character of the disclosures set forth in such items as originally filed, no attempt has been made in this amendment to modify or update the disclosures in the original Form 10-Q except to give effect to the restatement discussed in Note 2 in our Notes to Condensed Consolidated Financial Statements and the discussion included within Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations. As a result, this Form 10-Q/A contains forward-looking information which has not yet been updated for events subsequent to the date of the original filing. Accordingly, we direct you to our SEC filings made subsequent to the original filing date for additional information.

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PULTE HOMES, INC
PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PULTE HOMES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(\$000 s omitted)

	June 30, 2006 (Unaudited)	December 31, 2005 (Note)
ASSETS		
Cash and equivalents	\$ 104,459	\$ 1,002,268
Unfunded settlements	54,794	156,663
House and land inventory	10,676,352	8,756,093
Land held for sale	397,818	257,724
Land, not owned, under option agreements	61,526	76,671
Residential mortgage loans available-for-sale	521,508	1,038,506
Investments in unconsolidated entities	222,228	301,613
Goodwill	377,040	307,693
Intangible assets, net	123,079	127,204
Other assets	1,084,889	1,023,739
Total assets	\$ 13,623,693	\$ 13,048,174
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Accounts payable, including book overdrafts of \$416,346 and \$405,411 in 2006 and 2005, respectively	\$ 938,718	\$ 789,399
Customer deposits	423,046	392,041
Accrued and other liabilities	1,157,354	1,402,620
Unsecured short-term borrowings	614,500	
Collateralized short-term debt, recourse solely to applicable non-guarantor subsidiary assets	477,028	893,001
Income taxes	81,721	219,504
Deferred income tax liability	9,479	7,740
Senior notes and unsubordinated notes	3,537,237	3,386,527
Total liabilities	7,239,083	7,090,832
Shareholders equity	6,384,610	5,957,342
	\$ 13,623,693	\$ 13,048,174

Note: The condensed consolidated balance sheet at December 31, 2005, 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.

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PULTE HOMES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(000 s omitted, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Revenues:				
Homebuilding	\$ 3,318,055	\$ 3,213,430	\$ 6,232,807	\$ 5,699,724
Financial services	40,467	36,258	85,324	66,534
Other non-operating	445	1,257	3,412	2,505
Total revenues	3,358,967	3,250,945	6,321,543	5,768,763
Expenses:				
Homebuilding, principally cost of sales	2,935,896	2,737,434	5,474,281	4,877,630
Financial Services	25,536	21,174	52,776	42,692
Other non-operating, net	8,598	30,363	20,948	54,367
Total expenses	2,970,030	2,788,971	5,548,005	4,974,689
Other income:				
Gain on sale of equity investment			31,635	620
Equity income (loss)	(1,212)	23,848	96	38,025
Income from continuing operations before income taxes	387,725	485,822	805,269	832,719
Income taxes	143,873	180,635	298,772	309,985
Income from continuing operations	243,852	305,187	506,497	522,734
Loss from discontinued operations	(833)	(1,476)	(833)	(781)
Net income	\$ 243,019	\$ 303,711	\$ 505,664	\$ 521,953
Per share data:				
Basic:				
Income from continuing operations	\$.97	\$ 1.19	\$ 2.00	\$ 2.05
Loss from discontinued operations		(.01)		

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Net income	\$.96	\$ 1.19	\$ 2.00	\$ 2.04
Assuming dilution:				
Income from continuing operations	\$.94	\$ 1.16	\$ 1.95	\$ 1.99
Loss from discontinued operations		(.01)		
Net income	\$.94	\$ 1.15	\$ 1.95	\$ 1.98
Cash dividends declared	\$.04	\$.025	\$.08	\$.05
Number of shares used in calculation:				
Basic:				
Weighted-average common shares outstanding	252,618	255,874	253,148	255,373
Assuming dilution:				
Effect of dilutive securities stock options and restricted stock grants	6,329	7,803	6,704	7,880
Adjusted weighted-average common shares and effect of dilutive securities	258,947	263,677	259,852	263,253

See accompanying Notes to Condensed Consolidated Financial Statements.

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PULTE HOMES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
(\$000 s omitted)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Shareholders Equity, December 31, 2005	\$ 2,570	\$ 1,209,148	\$	\$ (5,496)	\$ 4,751,120	\$ 5,957,342
Stock option exercise, including tax benefit of \$3,333	2	6,783				6,785
Restricted stock award	7	(7)				
Cash dividends declared \$.08 per share					(20,494)	(20,494)
Stock repurchases	(29)	(13,841)			(85,744)	(99,614)
Stock-based compensation		33,476				33,476
Comprehensive income (loss):						
Net income					505,664	505,664
Change in fair value of derivatives				226		226
Foreign currency translation adjustments				1,225		1,225
Total comprehensive income						507,115
Shareholders Equity, June 30, 2006	\$ 2,550	\$ 1,235,559	\$	\$ (4,045)	\$ 5,150,546	\$ 6,384,610
Shareholders Equity, December 31, 2004	\$ 2,558	\$ 1,114,739	\$ (44)	\$ (14,380)	\$ 3,419,401	\$ 4,522,274
Stock option exercise, including tax benefit of \$24,143	24	47,290				47,314
Restricted stock award	8	(8)				
Cash dividends declared -\$.05 per share					(12,963)	(12,963)
Stock repurchases	(6)	(2,515)			(18,598)	(21,119)
Stock-based compensation		23,144				23,144
Restricted stock award amortization			44			44
Comprehensive income (loss):						
Net income					521,953	521,953

Change in fair value of derivatives				(324)		(324)
Foreign currency translation adjustments				4,163		4,163
Total comprehensive income						525,792

Shareholders Equity,						
June 30, 2005	\$ 2,584	\$ 1,182,650	\$	\$ (10,541)	\$ 3,909,793	\$ 5,084,486

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	For The Six Months Ended	
	June 30,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 505,664	\$ 521,953
Adjustments to reconcile net income to net cash flows Provided by (used in) operating activities:		
Write-down of land and deposits and pre-acquisition costs	67,326	6,505
Gain on sale of equity investments	(31,635)	(620)
Amortization and depreciation	37,987	28,698
Stock-based compensation expense	33,476	23,188
Deferred income taxes	(55)	30,834
Distributions in excess of (less than) earnings of affiliates	5,216	(2,760)
Other, net	1,490	1,267
Increase (decrease) in cash due to:		
Inventories	(2,104,010)	(1,308,685)
Residential mortgage loans available-for-sale	516,998	177,527
Other assets	112,491	1,570
Accounts payable, accrued and other liabilities	(63,955)	201,165
Income taxes	(134,451)	(21,577)
 Net cash used in operating activities	 (1,053,458)	 (340,935)
 Cash flows from investing activities:		
Distributions from unconsolidated entities	31,336	123,180
Investments in unconsolidated entities	(20,744)	(92,042)
Investment in subsidiaries, net of cash acquired	(65,779)	(31,172)
Proceeds from sale of subsidiaries		3,000
Proceeds from sale of investments	49,216	8,366
Proceeds from sale of fixed assets	534	3,251
Capital expenditures	(54,393)	(37,666)
 Net cash used in investing activities	 (59,830)	 (23,083)
 Cash flows from financing activities:		
Proceeds from borrowings	764,500	672,011
Repayment of borrowings	(433,492)	(161,608)
Excess tax benefits from share-based awards	1,794	
Issuance of common stock	3,452	23,171
Stock repurchases	(99,614)	(21,119)

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Dividends paid	(20,494)	(12,963)
Net cash provided by financing activities	216,146	499,492
Effect of exchange rate changes on cash and equivalents	(667)	210
Net increase (decrease) in cash and equivalents	(897,809)	135,684
Cash and equivalents at beginning of period	1,002,268	308,118
Cash and equivalents at end of period	\$ 104,459	\$ 443,802
Supplemental disclosure of cash flow information cash paid during the period for:		
Interest, net of amounts capitalized	\$ 6,257	\$ 18,308
Income taxes	\$ 432,183	\$ 301,903

See accompanying Notes to Condensed Consolidated Financial Statements.

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of presentation and significant accounting policies

Basis of presentation

The consolidated financial statements include the accounts of Pulte Homes, Inc. and all of its direct and indirect subsidiaries (the Company) and variable interest entities in which the Company is deemed to be the primary beneficiary. The direct subsidiaries of Pulte Homes, Inc. include Pulte Diversified Companies, Inc., Del Webb Corporation (Del Webb) and other subsidiaries that are engaged in the homebuilding business. Pulte Diversified Companies, Inc.'s operating subsidiaries include Pulte Home Corporation, Pulte International Corporation (International) and other subsidiaries that are engaged in the homebuilding business. Pulte Diversified Companies, Inc.'s former thrift subsidiary, First Heights Holding Corp, LLC (First Heights) is classified as a discontinued operation. The Company also has a mortgage banking company, Pulte Mortgage LLC (Pulte Mortgage), which is a subsidiary of Pulte Home Corporation.

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 accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. These financial statements should be read in conjunction with the Company's consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K/A for the year ended December 31, 2005.

Reclassification

Certain amounts previously reported in the 2005 financial statements and notes thereto were reclassified to conform to the 2006 presentation. The Mexico homebuilding operations, which were sold in December 2005, have been presented as discontinued operations in the Company's Consolidated Statement of Operations. Additionally, all share and per share amounts have been restated to retroactively reflect the Company's two-for-one stock split effected September 1, 2005.

Segment Information (as Restated)

Subsequent to the issuance of the Company's condensed consolidated financial statements for the quarterly period ended June 30, 2006, the Company expanded its disclosure of reportable segments in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures About Segments of an Enterprise and Related Information. The Company had historically aggregated its homebuilding operating segments into a single reportable segment, but has restated its segment disclosure to include seven reportable homebuilding segments for the three and six months ended June 30, 2006 and 2005 (see Note 2). The restatement has no impact on the Company's condensed consolidated balance sheets as of June 30, 2006 and December 31, 2005, or its consolidated statements of operations and related earnings per share amounts for the three and six months ended June 30, 2006 and 2005, consolidated statements of cash flows or its consolidated statements of shareholders' equity for the six months ended June 30, 2006 and 2005.

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of presentation and significant accounting policies (continued)*Land, not owned, under option agreements*

In the ordinary course of business, the Company enters into land option agreements in order to procure land for the construction of homes in the future. Pursuant to these land option agreements, the Company will provide a deposit to the seller as consideration for the right to purchase land at different times in the future, usually at predetermined prices. Under FASB Interpretation No. 46, Consolidation of Variable Interest Entities, as amended by FIN 46-R issued in December 2003 (collectively referred to as FIN 46), if the entity holding the land under option is a variable interest entity, the Company's deposit represents a variable interest in that entity. Creditors of the variable interest entities have no recourse against the Company.

In applying the provisions of FIN 46, the Company evaluated all land option agreements and determined that the Company was subject to a majority of the expected losses or entitled to receive a majority of the expected residual returns under a limited number of these agreements. As the primary beneficiary under these agreements, the Company is required to consolidate variable interest entities at fair value. At June 30, 2006 and December 31, 2005, the Company classified \$61.5 million and \$76.7 million, respectively, as land, not owned, under option agreements on the balance sheet, representing the fair value of land under contract, including deposits of \$10.9 million and \$13.4 million, respectively. The corresponding liability has been classified within accounts payable, accrued and other liabilities on the balance sheet.

Land option agreements that did not require consolidation under FIN 46 at June 30, 2006 and December 31, 2005, had a total purchase price of \$6.8 billion and \$7.5 billion, respectively. In connection with these agreements, the Company had refundable and non-refundable deposits and pre-acquisition costs of \$477.4 million and \$431.4 million, included in other assets at June 30, 2006 and December 31, 2005, respectively.

Allowance for warranties

Home purchasers are provided with warranties against certain building defects. The specific terms and conditions of those warranties vary geographically. Most warranties cover different aspects of the home's construction and operating systems for a period of up to ten years. The Company estimates the costs to be incurred under these warranties and records a liability for the amount of such costs at the time product revenue is recognized. Factors that affect the Company's warranty liability include the number of homes sold, historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Changes to the Company's allowance for warranties are as follows (\$000's omitted):

	Six Months Ended	
	June 30,	
	2006	2005
Allowance for warranties at beginning of period	\$ 112,297	\$ 83,397
Warranty reserves provided	73,152	59,535
Payments and other adjustments	(82,440)	(59,309)
Allowance for warranties at end of period	\$ 103,009	\$ 83,623

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of presentation and significant accounting policies (continued)*Stock-based compensation*

The Company currently has several stock-based compensation plans for its employees (Employee Plans) and nonemployee directors (the Director Plan). At June 30, 2006, the Company had 31.4 million shares authorized for issuing various equity-based incentives including stock options, stock appreciation rights and restricted stock, including 11.6 million shares available for future grants.

Prior to January 1, 2006, the Company accounted for its stock-based awards under the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock Issued to Employees. The Company selected the prospective method of adoption as permitted by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. Under the prospective method, the Company recognized compensation expense on an accelerated basis over the vesting period based on the fair value provisions of SFAS No. 123. Grants made prior to January 1, 2003 were accounted for under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. With the exception of certain variable stock option grants, no stock-based employee compensation cost was reflected in net income for grants made prior to January 1, 2003, as all options granted in those years had an exercise price equal to the market value of the underlying common stock on the date of grant.

As of January 1, 2006, the Company adopted SFAS No. 123(R), Share Based Payments, which is a revision of SFAS No. 123 and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends SFAS Statement No. 95, Statement of Cash Flows. The Company adopted SFAS 123(R) using the modified prospective method of transition. Accordingly, prior periods have not been restated. The adoption of SFAS 123(R) was not significant and had no effect on basic and diluted earnings per share for the three and six months ended June 30, 2006.

Prior to the adoption of SFAS No. 123(R), the Company presented all benefits of the tax deductions resulting from the exercise of share-based compensation as operating cash flows in its Consolidated Statements of Cash Flows. SFAS 123(R) requires classification of the benefits of tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) as financing cash flows. As a result, the Company classified \$1.8 million of excess tax benefits as financing cash inflows for the six months ended June 30, 2006.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123(R) to all stock based employee compensation for the three and six months ended June 30, 2005 (000 s omitted, except per share data):

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net income, as reported	\$ 303,711	\$ 521,953
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	2,761	8,016
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects (\$000 s omitted)	(2,930)	(8,313)
Pro forma net income	\$ 303,542	\$ 521,656

Earnings per share:				
Basic-as reported	\$	1.19	\$	2.04
Basic-pro forma	\$	1.19	\$	2.04
Diluted-as reported	\$	1.15	\$	1.98
Diluted-pro forma	\$	1.15	\$	1.98

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

1. Basis of presentation and significant accounting policies (continued)*Stock-based compensation (continued)*

The Company measures compensation cost for its stock options at fair value on the date of grant and recognizes compensation cost on the graded vesting method over the vesting period, generally four years. The graded vesting method provides for vesting of portions of the overall awards at interim dates and results in greater expense in earlier years than the straight-line method. The fair value of the Company's stock options is determined using the Black-Scholes valuation model. The fair value of restricted stock is determined based on the number of shares granted and the quoted price of the Company's common stock. Compensation expense related to the Company's share-based awards is generally included in selling, general and administrative expense within the Company's Consolidated Statements of Operations.

The Company's stock option participant agreements provide continued vesting for certain retirement eligible employees who have achieved a predetermined level of service based on their combined age and years of service. For awards granted prior to January 1, 2006, the Company recognized the related compensation cost ratably over the nominal vesting period. For awards granted after the adoption of SFAS No. 123(R), the Company now records related compensation cost over the period through the date the employee first becomes eligible to retire and is no longer required to provide services to earn the award.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants made during the six months ended June 30, 2006 and 2005.

	Weighted-average assumptions	
	Six Months Ended June 30,	
	2006	2005
Expected life of options in years	5.2	6.1 - 6.2
Expected stock price volatility	34%	35.3% - 36.0%
Expected dividend yield	0.4%	0.23% - 0.27%
Risk-free interest rate	5.1%	3.9% - 4.2%
Fair value per option granted	\$ 14.47 - \$14.85	\$ 12.89 - \$15.95

A summary of the status of the Company's stock options for the six months ended June 30, 2006 is presented below (000's omitted, except per share data):

	Shares	Weighted-Average		Remaining Contractual Term	Aggregate Intrinsic Value
		Per Share	Exercise Price		
Outstanding at December 31, 2005	16,850	\$	19		
Granted	33		39		
Exercised	(242)		(14)		
Forfeited	(264)		(29)		
Outstanding at June 30, 2006	16,377	\$	19	6.6 years	\$ 189,989
Options exercisable at June 30, 2006	9,700	\$	12	5.5 years	\$ 162,564

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PULTE HOMES, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

1. Basis of presentation and significant accounting policies (continued)*Stock-based compensation (continued)*

In connection with stock option awards, the Company recognized compensation expense of \$7.9 million and \$14.3 million for the three and six months ended June 30, 2006, respectively. Total compensation cost related to nonvested stock option awards not yet recognized was \$42.9 million at June 30, 2006. These costs will be expensed over a weighted average period of approximately 3 years. The aggregate intrinsic value of options exercised during the six months ended June 30, 2006 and 2005 was \$5.5 million and \$62.8 million, respectively. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

A summary of the Company's restricted stock activity for the six months ended June 30, 2006, is presented below (000's omitted, except per share data):

	Shares	Weighted-Average Per Share Grant Date Fair Value	
Nonvested at December 31, 2005	3,023	\$	31.44
Granted	759	\$	39.02
Vested	(215)	\$	15.60
Forfeited	(119)	\$	33.32
Nonvested at June 30, 2006	3,448	\$	34.03

In connection with restricted stock awards, of which a majority cliff vest at the end of three years, the Company recognized compensation expense of \$9.7 million and \$5 million for the three months ended June 30, 2006 and 2005 and \$19.1 million and \$9.1 million for the six months ended June 30, 2006 and 2005, respectively. Total compensation cost related to restricted stock awards not yet recognized was \$75.6 million at June 30, 2006. These costs will be expensed over a weighted average period of approximately 2.3 years.

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

1. Basis of presentation and significant accounting policies (continued)

New accounting pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48, An Interpretation of FASB Statement No. 109, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 reflects the benefit recognition approach, where a tax benefit is recognized when it is more likely than not to be sustained based on the technical merits of the position. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company is evaluating the impact of FIN No. 48 on its consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets, which provides an approach to simplify efforts to obtain hedge-like (offset) accounting. This new Statement amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 is effective for all separately recognized servicing assets and liabilities as of the beginning of an entity's fiscal year that begins after September 15, 2006, with earlier adoption permitted in certain circumstances. Due to the short period of time the Company's servicing rights are held, generally less than four months, the Company does not expect SFAS No. 156 will have a significant impact on its consolidated financial statements.

The FASB has revised its guidance on SFAS No. 133 Implementation Issues as of March 2006. Several Implementation Issues were revised to reflect the issuance of SFAS No. 155, Accounting for Certain Hybrid Financial Instruments—An Amendment of FASB Statements No. 133 and 140, in February 2006. SFAS No. 155 allows any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, to be carried at fair value in its entirety, with changes in fair value recognized in earnings. In addition, SFAS No. 155 requires that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or contain an embedded derivative. SFAS No. 155 also eliminates a prior restriction on the types of passive derivatives that a qualifying special purpose entity is permitted to hold. SFAS No. 155 is applicable to new or modified financial instruments in fiscal years beginning after September 15, 2006, though the provisions related to fair value accounting for hybrid financial instruments can also be applied to existing instruments. The Company does not expect SFAS No. 155 will have a significant impact on its consolidated financial statements.

In December 2004, the FASB issued Staff Position 109-1, Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004 (FSP 109-1). The American Jobs Creation Act, which was signed into law in October 2004, provides a 3% tax deduction on qualified domestic production activities income for 2005 and 2006. When fully phased-in, the deduction will be 9% of the lesser of qualified production activities income or taxable income. Based on the guidance provided by FSP 109-1, this deduction was accounted for as a special deduction under SFAS No. 109 and reduced tax expense. Tax benefits resulting from this deduction have resulted in a reduction in the Company's federal income tax rate.

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

2. Segment information (as restated)

Subsequent to the issuance of the Company's condensed consolidated financial statements for the quarterly period ended June 30, 2006, the Company expanded its disclosure of reportable segments in accordance with the provisions of SFAS 131. The Company had historically aggregated its homebuilding operating segments into a single reportable segment, but has restated its segment disclosure to include seven reportable homebuilding segments for the three and six months ended June 30, 2006 and 2005. The restatement has no impact on the Company's condensed consolidated balance sheets as of June 30, 2006 and December 31, 2005, consolidated statements of operations and related earnings per share amounts for the three and six months ended June 30, 2006 and 2005, consolidated statements of cash flows or its consolidated statements of shareholders' equity for the six months ended June 30, 2006 and 2005.

The Company's homebuilding operating segments are engaged in the acquisition and development of land primarily for residential purposes within the continental United States and the construction of housing on such land targeted for first-time, first and second move-up, and active adult home buyers. The Company has determined that its operating segments are its Areas, which are aggregated into seven reportable segments based on similarities in the economic and geographic characteristics of its homebuilding operations. Accordingly, the Company's reportable homebuilding segments are as follows:

Northeast: Northeast and Mid-Atlantic Areas include the following states:
Connecticut, Delaware, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Virginia

Southeast: Southeast Area includes the following states:
Georgia, North Carolina, South Carolina, Tennessee

Florida: Florida Area includes the following state:
Florida

Midwest: Great Lakes Area includes the following states:
Illinois, Indiana, Michigan, Ohio, Minnesota

Central: Rocky Mountain and Texas Areas include the following states:
Colorado, Kansas, Missouri, Texas

Southwest: Arizona and Nevada Areas include the following states:
Arizona, Nevada, New Mexico

*California: Northern California and Southern California Areas include the following state:
California

* *Our homebuilding operations located in Reno, Nevada are reported in the California segment, while*

*our remaining
Nevada
homebuilding
operations are
reported in the
Southwest
segment.*

The Company also has one reportable segment for its financial services operations which consists principally of mortgage banking and title operations conducted through Pulte Mortgage and other Company subsidiaries. The Company's financial services segment operates generally in the same markets as the Company's homebuilding segments.

Evaluation of segment performance is based on operating earnings from continuing operations before provision for income taxes which is defined as home sales (settlements) and land sale revenues less home cost of sales, land cost of sales and certain selling, general and administrative and other expenses, plus equity income from unconsolidated entities, which are incurred by or allocated to our homebuilding segments. Operating earnings for the financial services segment is defined as revenues less costs associated with our mortgage operations and certain selling, general and administrative expenses incurred by or allocated to the financial services segment.

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

2. Segment information (as restated) (continued)

Each reportable segment follows the same accounting policies described in Note 1 Summary of Significant Accounting Policies to the consolidated financial statements in the Company's 2005 Annual Report on Form 10-K/A.

	Operating Data by Segment (\$000's omitted)			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Revenues:				
Northeast	\$ 391,373	\$ 384,543	\$ 745,161	\$ 642,309
Southeast	299,201	234,744	523,664	422,998
Florida	577,178	522,514	1,083,053	905,681
Midwest	275,003	326,134	504,466	572,988
Central	330,781	250,818	599,692	397,507
Southwest	842,789	766,265	1,535,649	1,455,173
California	601,730	728,412	1,241,122	1,303,068
Financial Services	40,467	36,258	85,324	66,534
Total segment revenues	3,358,522	3,249,688	6,318,131	5,766,258
Corporate and unallocated (a)	445	1,257	3,412	2,505
Consolidated revenues	\$ 3,358,967	\$ 3,250,945	\$ 6,321,543	\$ 5,768,763
Income (loss) from continuing operations before income taxes:				
Northeast	\$ 46,733	\$ 58,771	\$ 82,416	\$ 87,150
Southeast	22,477	19,791	34,352	32,283
Florida	132,062	100,786	246,272	167,350
Midwest	(7,265)	19,332	(7,747)	23,920
Central	(9,312)	6,123	(2,725)	204
Southwest	180,390	184,403	325,701	338,168
California	72,837	149,544	170,085	266,634
Financial Services	15,056	15,526	64,400	25,610
Total segment income before income taxes	452,978	554,276	912,754	941,319
Corporate and unallocated (b)	(65,253)	(68,454)	(107,485)	(108,600)
Consolidated income from continuing operations before income taxes	\$ 387,725	\$ 485,822	\$ 805,269	\$ 832,719

- (a) *Corporate and unallocated includes interest income earned from short-term investments of cash and equivalents.*
- (b) *Corporate and unallocated includes amortization of capitalized interest of \$55.9 million and \$41.1 million for the three months ended June 30, 2006 and 2005 and \$97.1 million and \$71.6 million for the six months ended June 30, 2006 and 2005 and shared services that benefit all operating segments, the costs of which are not allocated to the operating segments reported above.*

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

2. Segment information (as restated) (continued)

	Valuation Adjustments and Write-Offs by Segment (\$000's omitted)			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Land and community valuation adjustments:				
Northeast	\$	\$	\$	\$
Southeast				
Florida				
Midwest	8,014		8,072	
Central	1,306	164	1,306	608
Southwest				
California				
Corporate and unallocated				
Total valuation adjustments (a)	\$ 9,320	\$ 164	\$ 9,378	\$ 608
Net realizable value adjustments (NRV) land held for sale:				
Northeast	\$	\$	\$	\$
Southeast		14		14
Florida				
Midwest	5,660		5,660	
Central	16,253	159	16,265	159
Southwest	125		125	
California				
Corporate and unallocated				
Total NRV adjustments land held for sale (a)	\$ 22,038	\$ 173	\$ 22,050	\$ 173
Write-off of deposits and pre-acquisition costs:				
Northeast	\$ 3,474	\$ 524	\$ 4,205	\$ 1,555
Southeast	1,400	763	1,451	1,049
Florida	1,123	143	1,330	179
Midwest	6,047	370	8,465	1,155
Central	2,991	206	3,129	360
Southwest	6,983	597	7,393	1,141
California	9,162	365	9,851	741
Corporate and unallocated	(370)	(384)	74	(456)
Total write-off of deposits and pre-acquisition costs (a)	\$ 30,810	\$ 2,584	\$ 35,898	\$ 5,724

- (a) *During the second quarter of 2006, the Company recorded \$62.2 million of valuation adjustments to land inventory (\$9.3 million) and land held for sale (\$22 million) and charges for the write-off of deposits and pre-acquisition costs (\$30.8 million). For the six months ended June 30, 2006, the Company recorded \$67.3 million of valuation adjustments to land inventory (\$9.4 million) and land held for sale (\$22.1 million) and charges for the write-off of deposits and pre-acquisition costs (\$35.9 million).*

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

2. Segment information (as restated) (continued)

	Assets	Inventory
As of June 30, 2006:		
Northeast	\$ 1,818,838	\$ 1,355,890
Southeast	810,298	731,000
Florida	1,872,462	1,664,448
Midwest	1,138,640	1,040,671
Central	1,132,637	909,293
Southwest	2,944,511	2,630,827
California	2,376,821	2,085,121
Financial Services	591,893	
Total segment	12,686,100	10,417,250
Corporate and unallocated (a)	937,593	259,102
Consolidated	\$ 13,623,693	\$ 10,676,352
 As of December 31, 2005:		
Northeast	\$ 1,676,368	\$ 1,252,923
Southeast	651,306	572,948
Florida	1,522,628	1,305,645
Midwest	1,030,659	923,893
Central	1,018,036	801,674
Southwest	2,192,893	1,961,703
California	2,126,576	1,721,746
Financial Services	1,052,578	
Total segment	11,271,044	8,540,532
Corporate and unallocated (a)	1,777,130	215,561
Consolidated	\$ 13,048,174	\$ 8,756,093

(a) Corporate and unallocated primarily includes cash and equivalents; goodwill and intangibles; land, not owned, under option agreements;

*capitalized
interest and
other corporate
items that are
not allocated to
the operating
segments.*

3. Inventory

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

	June 30, 2006	December 31, 2005
Homes under construction	\$ 4,464,413	3,136,708
Land under development	5,532,265	4,844,913
Land held for future development	679,674	774,472
 Total	 \$ 10,676,352	 \$ 8,756,093

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

4. Investments in unconsolidated entities

The Company participates 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 United States and Puerto Rico. If additional capital infusions are required and approved, the Company would need to contribute its pro-rata portion of those capital needs in order not to dilute its ownership in the joint ventures.

At June 30, 2006 and December 31, 2005, aggregate outstanding debt of unconsolidated joint ventures was \$908.5 million and \$882.2 million, respectively. At June 30, 2006 and December 31, 2005, the Company's proportionate share of its joint venture debt was approximately \$307.2 million and \$293.8 million, respectively. At June 30, 2006, the Company provided limited recourse guarantees for its proportionate share of joint venture debt of \$307.2 million while the Company provided limited recourse debt guarantees of approximately \$288.2 million at December 31, 2005. Accordingly, the Company may be liable, on a contingent basis, through limited guarantees with respect to a portion of the secured land acquisition and development debt. However, the Company would not be liable other than in instances of fraud, misrepresentation or other bad faith actions by the Company, unless the joint venture was unable to perform its contractual borrowing obligations. As of June 30, 2006, the Company does not anticipate the Company will incur any significant costs under these guarantees.

For the six months ended June 30, 2006, the Company made additional capital contributions to these joint ventures totaling approximately \$20.7 million and received capital and earnings distributions from these entities totaling approximately \$36.6 million. At June 30, 2006 and December 31, 2005, the Company had approximately \$222.2 million and \$301.6 million, respectively, invested in these joint ventures. These investments are included in the assets of the Company's Homebuilding segment and are primarily accounted for under the equity method.

5. Acquisitions and divestitures

In February 2006, Pulte Mortgage sold its investment in Hipotecaria Su Casita (Su Casita), a Mexico-based mortgage banking company. Remaining shareholders of Su Casita, who exercised their right of first refusal to acquire the shares, purchased Pulte Mortgage's 16.7% interest for net proceeds of approximately \$49.2 million. As a result of this transaction, the Company recognized a pre-tax gain of approximately \$31.6 million (\$19.9 million after-tax) for the three months ended March 31, 2006. During February 2005, 25% of the Company's investment in the capital stock of Su Casita was redeemed for a pre-tax gain of approximately \$620 thousand.

In January 2006, the Company exercised its option and acquired the remaining 50% interest in an entity that supplies and installs basic building components and operating systems. The Company's initial investment was made in January 2004 to secure a dedicated building supply trade base for its construction activities in Arizona and Nevada. The aggregate stepped purchase price exceeded the preliminary estimated fair value of the underlying assets acquired and liabilities assumed by approximately \$69 million, which was recorded as goodwill. The Company accounted for its initial 50% investment under the equity method. Since January 2006, the Company has consolidated this wholly-owned subsidiary in its financial statements.

In December 2005, the Company sold substantially all of its Mexico homebuilding operations. For the three and six months ended June 30, 2005, the Mexico operations have been presented as discontinued operations.

In January 2005, the Company sold all of its Argentina operations, as reflected in the Company's consolidated statements of cash flows for the six months ended June 30, 2005. The Argentina operations were presented as discontinued operations in 2004.

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

6. Senior notes and unsubordinated notes

In May 2006, the Company sold \$150 million of 7.375% senior notes, which mature on June 1, 2046, and are guaranteed by Pulte Homes, Inc. and certain of its 100%-owned subsidiaries. These notes are unsecured and rank equally with all of the Company's other unsecured and unsubordinated indebtedness. The notes are redeemable at any time on or after June 1, 2011, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest thereon to the redemption date. Proceeds from the sale were used to repay the indebtedness of the Company's revolving credit facility and for general corporate purposes, including continued investment in the company's business.

7. Shareholders equity

Pursuant to the two \$100 million stock repurchase programs authorized by our Board of Directors in October 2002 and 2005, and the \$200 million stock repurchase authorization in February 2006 (for a total stock repurchase authorization of \$400 million), the Company has repurchased a total of 8,987,600 shares for a total of \$277.8 million. At June 30, 2006, the Company had remaining authorization to purchase common stock aggregating \$122.2 million.

Accumulated other comprehensive income (loss)

The accumulated balances related to each component of other comprehensive income (loss) are as follows (\$000's omitted):

	June 30, 2006	December 31, 2005
Foreign currency translation adjustments:		
Mexico	\$ (361)	\$ (1,586)
Fair value of derivatives, net of income taxes of \$2,258 in 2006 and \$2,397 in 2005	(3,684)	(3,910)
	\$ (4,045)	\$ (5,496)

8. Supplemental Guarantor information

At June 30, 2006, Pulte Homes, Inc. had the following outstanding senior note obligations: (1) \$400 million, 4.875% due 2009, (2) \$200 million, 8.125%, due 2011, (3) \$499 million, 7.875%, due 2011, (4) \$300 million, 6.25%, due 2013, (5) \$500 million, 5.25%, due 2014, (6) \$350 million, 5.2%, due 2015, (7) \$150 million, 7.625%, due 2017, (8) \$300 million, 7.875%, due 2032, (9) \$400 million, 6.375%, due 2033, (10) \$300 million, 6%, due 2035, and (11) \$150 million, 7.375%, due 2046. Such obligations to pay principal, premium (if any), and interest are guaranteed jointly and severally on a senior basis by Pulte Homes, Inc.'s 100%-owned Homebuilding subsidiaries (collectively, the Guarantors). Such guarantees 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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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

8. Supplemental Guarantor information (continued)**CONDENSED CONSOLIDATING BALANCE SHEET****June 30, 2006****(\$000 s omitted)**

	Pulte	Unconsolidated		Eliminating	Consolidated
	Homes, Inc.	Guarantor	Non-Guarantor	Entries	Pulte Homes, Inc.
		Subsidiaries	Subsidiaries		
ASSETS					
Cash and equivalents	\$	\$ 65,157	\$ 39,302	\$	\$ 104,459
Unfunded settlements		51,954	2,840		54,794
House and land inventory		10,664,216	12,136		10,676,352
Land held for sale		397,818			397,818
Land, not owned, under option agreements		61,526			61,526
Residential mortgage loans available-for-sale			521,508		521,508
Investments in unconsolidated entities	1,448	202,933	17,847		222,228
Goodwill		376,340	700		377,040
Intangible assets, net		123,079			123,079
Other assets	47,903	951,478	85,508		1,084,889
Investment in subsidiaries	11,991,124	77,356	3,639,517	(15,707,997)	
	\$ 12,040,475	\$ 12,971,857	\$ 4,319,358	\$ (15,707,997)	\$ 13,623,693
LIABILITIES AND SHAREHOLDERS EQUITY					
Liabilities:					
Accounts payable, accrued and other liabilities	\$ 192,809	\$ 2,114,249	\$ 221,539	\$	\$ 2,528,597
Unsecured short-term borrowings	614,500				614,500
Collateralized short-term debt, recourse solely to applicable non-guarantor subsidiary assets			477,028		477,028
Income taxes	81,721				81,721
Senior notes and unsubordinated notes	3,537,237				3,537,237
Advances (receivable) payable subsidiaries	1,229,598	(1,168,116)	(61,482)		

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Total liabilities	5,655,865	946,133	637,085		7,239,083
Shareholders equity	6,384,610	12,025,724	3,682,273	(15,707,997)	6,384,610
	\$ 12,040,475	\$ 12,971,857	\$ 4,319,358	\$ (15,707,997)	\$ 13,623,693

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

8. Supplemental Guarantor information (continued)

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2005
(\$000 s omitted)

	Pulte	Unconsolidated			
	Homes, Inc.	Guarantor	Non-Guarantor	Eliminating	Consolidated
		Subsidiaries	Subsidiaries	Entries	Pulte Homes, Inc.
ASSETS					
Cash and equivalents	\$	\$ 839,764	\$ 162,504	\$	\$ 1,002,268
Unfunded settlements		226,417	(69,754)		156,663
House and land inventory		8,742,573	13,520		8,756,093
Land held for sale		257,724			257,724
Land, not owned, under option agreements		76,671			76,671
Residential mortgage loans available-for- sale			1,038,506		1,038,506
Investments in unconsolidated entities	1,448	264,257	35,908		301,613
Goodwill		306,993	700		307,693
Intangible assets, net		127,204			127,204
Other assets	41,873	870,238	111,628		1,023,739
Investment in subsidiaries	11,154,107	88,972	3,142,458	(14,385,537)	
	\$ 11,197,428	\$ 11,800,813	\$ 4,435,470	\$ (14,385,537)	\$ 13,048,174
LIABILITIES AND SHAREHOLDERS EQUITY					
Liabilities:					
Accounts payable, accrued and other liabilities	\$ 190,640	\$ 2,161,257	\$ 239,903	\$	\$ 2,591,800
Collateralized short-term debt, recourse solely to applicable non-guarantor subsidiary assets			893,001		893,001
Income taxes	219,504				219,504
Senior notes and unsubordinated notes	3,386,527				3,386,527
Advances (receivable) payable - subsidiaries	1,443,415	(1,550,745)	107,330		
Total liabilities	5,240,086	610,512	1,240,234		7,090,832

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Shareholders equity	5,957,342	11,190,301	3,195,236	(14,385,537)	5,957,342
	\$ 11,197,428	\$ 11,800,813	\$ 4,435,470	\$ (14,385,537)	\$ 13,048,174

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

8. Supplemental Guarantor information (continued)**CONSOLIDATING STATEMENT OF OPERATIONS****For the three months ended June 30, 2006****(\$000 s omitted)**

	Unconsolidated				Consolidated
	Pulte Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Pulte Homes, Inc.
Revenues:					
Homebuilding	\$	\$ 3,318,055	\$	\$	\$ 3,318,055
Financial services		6,826	33,641		40,467
Other non-operating	37	(42)	450		445
Total revenues	37	3,324,839	34,091		3,358,967
Expenses:					
Homebuilding:					
Cost of sales		2,640,503			2,640,503
Selling, general and administrative and other expense	8,344	287,315	(266)		295,393
Financial Services, principally interest	761	2,306	22,469		25,536
Other non-operating expenses, net	20,009	(8,447)	(2,964)		8,598
Intercompany interest	40,623	(40,623)			
Total expenses	69,737	2,881,054	19,239		2,970,030
Other Income:					
Equity income		(1,773)	561		(1,212)
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(69,700)	442,012	15,413		387,725
Income taxes (benefit)	(24,790)	163,564	5,099		143,873
Income (loss) from continuing operations before equity in income of subsidiaries	(44,910)	278,448	10,314		243,852

Income (loss) from discontinued operations			(833)		(833)
Income (loss) before equity in income of subsidiaries	(44,910)	278,448	9,481		243,019
Equity in income (loss) of subsidiaries:					
Continuing operations	288,762	6,959	98,298	(394,019)	
Discontinued operations	(833)			833	
	287,929	6,959	98,298	(393,186)	
Net income	\$ 243,019	\$ 285,407	\$ 107,779	\$ (393,186)	\$ 243,019

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

8. Supplemental Guarantor information (continued)**CONSOLIDATING STATEMENT OF OPERATIONS**

For the six months ended June 30, 2006

(\$000 s omitted)

	Unconsolidated				Consolidated
	Pulte Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Pulte Homes, Inc.
Revenues:					
Homebuilding	\$	\$ 6,232,807	\$	\$	\$ 6,232,807
Financial services		12,681	72,643		85,324
Other non-operating	76	1,948	1,388		3,412
Total revenues	76	6,247,436	74,031		6,321,543
Expenses:					
Homebuilding:					
Cost of sales		4,887,612			4,887,612
Selling, general and administrative and other expense	16,117	572,337	(1,785)		586,669
Financial Services, principally interest	1,520	4,650	46,606		52,776
Other non-operating expenses, net	40,465	(15,262)	(4,255)		20,948
Intercompany interest	80,307	(80,307)			
Total expenses	138,409	5,369,030	40,566		5,548,005
Other Income:					
Gain on sale of equity investment			31,635		31,635
Equity income		(801)	897		96
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(138,333)	877,605	65,997		805,269
Income taxes (benefit)	(51,315)	325,627	24,460		298,772
	(87,018)	551,978	41,537		506,497

Income (loss) from continuing operations before equity in income of subsidiaries					
Income (loss) from discontinued operations			(833)		(833)
Income (loss) before equity in income of subsidiaries	(87,018)	551,978	40,704		505,664
Equity in income (loss) of subsidiaries:					
Continuing operations	593,515	35,827	195,136	(824,478)	
Discontinued operations	(833)			833	
	592,682	35,827	195,136	(823,645)	
Net income	\$ 505,664	\$ 587,805	\$ 235,840	\$ (823,645)	\$ 505,664

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

8. Supplemental Guarantor information (continued)**CONSOLIDATING STATEMENT OF OPERATIONS****For the three months ended June 30, 2005****(\$000 s omitted)**

	Unconsolidated				Consolidated
	Pulte Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Pulte Homes, Inc.
Revenues:					
Homebuilding	\$	\$ 3,213,430	\$	\$	\$ 3,213,430
Financial services		6,404	29,854		36,258
Other non-operating	12	1,198	47		1,257
Total revenues	12	3,221,032	29,901		3,250,945
Expenses:					
Homebuilding:					
Cost of sales		2,458,880			2,458,880
Selling, general and administrative and other expense	4,660	275,278	(1,384)		278,554
Financial Services, principally interest	(258)	2,251	19,181		21,174
Other non-operating expenses, net	35,208	(2,128)	(2,717)		30,363
Intercompany interest	44,499	(44,499)			
Total expenses	84,109	2,689,782	15,080		2,788,971
Other Income:					
Equity income (loss)		21,999	1,849		23,848
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(84,097)	553,249	16,670		485,822
Income taxes (benefit)	(31,811)	207,143	5,303		180,635
Income (loss) from continuing operations before equity in income of subsidiaries	(52,286)	346,106	11,367		305,187

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Income (loss) from discontinued operations	(42)		(1,434)		(1,476)
Income (loss) before equity in income of subsidiaries	(52,328)	346,106	9,933		303,711
Equity in income (loss) of subsidiaries:					
Continuing operations	357,473	7,244	110,609	(475,326)	
Discontinued operations	(1,434)			1,434	
	356,039	7,244	110,609	(473,892)	
Net income	\$ 303,711	\$ 353,350	\$ 120,542	\$ (473,892)	\$ 303,711

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

8. Supplemental Guarantor information (continued)**CONSOLIDATING STATEMENT OF OPERATIONS**

For the six months ended June 30, 2005

(\$000 s omitted)

	Unconsolidated				Consolidated
	Pulte Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Pulte Homes, Inc.
Revenues:					
Homebuilding	\$	\$ 5,699,724	\$	\$	\$ 5,699,724
Financial services		12,143	54,391		66,534
Other non-operating	70	2,255	180		2,505
Total revenues	70	5,714,122	54,571		5,768,763
Expenses:					
Homebuilding:					
Cost of sales		4,336,107			4,336,107
Selling, general and administrative and other expense	8,843	533,258	(578)		541,523
Financial services	1,039	4,185	37,468		42,692
Other non-operating expenses, net	66,275	(7,044)	(4,864)		54,367
Intercompany interest	87,289	(87,289)			
Total expenses	163,446	4,779,217	32,026		4,974,689
Other Income:					
Gain on sale of equity investment			620		620
Equity income		34,651	3,374		38,025
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(163,376)	969,556	26,539		832,719
Income taxes (benefit)	(61,129)	361,676	9,438		309,985
Income (loss) from continuing operations before equity in	(102,247)	607,880	17,101		522,734

income of subsidiaries					
Income (loss) from discontinued operations	(106)		(675)		(781)
Income (loss) before equity in income of subsidiaries	(102,353)	607,880	16,426		521,953
Equity in income (loss) of subsidiaries:					
Continuing operations	624,981	11,025	161,291	(797,297)	
Discontinued operations	(675)			675	
	624,306	11,025	161,291	(796,622)	
Net income	\$ 521,953	\$ 618,905	\$ 177,717	\$ (796,622)	\$ 521,953

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

8. Supplemental Guarantor information (continued)**CONSOLIDATING STATEMENT OF CASH FLOWS****For the six months ended June 30, 2006****(\$000 s omitted)**

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Cash flows from operating activities:					
Net income	\$ 505,664	\$ 587,805	\$ 235,840	\$ (823,645)	\$ 505,664
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:					
Equity in income of subsidiaries	(592,682)	(35,827)	(195,136)	823,645	
Write-down of land and deposits and pre-acquisition costs		67,326			67,326
Gain on sale of equity investments			(31,635)		(31,635)
Amortization and depreciation		33,791	4,196		37,987
Stock-based compensation expense	33,476				33,476
Deferred income taxes	3,481		(3,536)		(55)
Distributions in excess of earnings of affiliates		2,382	2,834		5,216
Other, net	710	983	(203)		1,490
Increase (decrease) in cash due to:					
Inventory		(2,105,395)	1,385		(2,104,010)
Residential mortgage loans available-for-sale			516,998		516,998
Other assets	(6,029)	164,736	(46,216)		112,491
Accounts payable, accrued and other liabilities	(1,999)	(43,343)	(18,613)		(63,955)
Income taxes	(301,819)	163,564	3,804		(134,451)
Net cash provided by (used in) operating activities	(359,198)	(1,163,978)	469,718		(1,053,458)
Cash flows from investing activities:					
Distributions from unconsolidated entities		31,336			31,336

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Investments in unconsolidated entities		(20,744)			(20,744)
Dividends received from subsidiaries		51,000	28	(51,028)	
Investment in subsidiaries	(247,066)	(68,739)	(224,303)	474,329	(65,779)
Proceeds from sale of investments			49,216		49,216
Proceeds from sale of fixed assets		533	1		534
Capital expenditures		(50,069)	(4,324)		(54,393)
Net cash provided by (used in) investing activities	(247,066)	(56,683)	(179,382)	423,301	(59,830)

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

8. Supplemental Guarantor information (continued)**CONSOLIDATING STATEMENT OF CASH FLOWS (continued)**

For the six months ended June 30, 2006

(\$000 s omitted)

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Cash flows from financing activities:					
Proceeds from borrowings	764,500				764,500
Repayment of borrowings		(17,519)	(415,973)		(433,492)
Capital contributions from parent		246,828	227,501	(474,329)	
Advances (to) from affiliates	(43,374)	216,745	(173,371)		
Excess tax benefits from share-based awards	1,794				1,794
Issuance of common stock	3,452				3,452
Stock repurchases	(99,614)				(99,614)
Dividends paid	(20,494)		(51,028)	51,028	(20,494)
Net cash provided by (used in) financing activities	606,264	446,054	(412,871)	(423,301)	216,146
Effect of exchange rate changes on cash and equivalents			(667)		(667)
Net increase (decrease) in cash and equivalents		(774,607)	(123,202)		(897,809)
Cash and equivalents at beginning of period		839,764	162,504		1,002,268
Cash and equivalents at end of period	\$	\$ 65,157	\$ 39,302	\$	\$ 104,459

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

8. Supplemental Guarantor information (continued)**CONSOLIDATING STATEMENT OF CASH FLOWS****For the six months ended June 30, 2005****(\$000 s omitted)**

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Cash flows from operating activities:					
Net income	\$ 521,953	\$ 618,905	\$ 177,717	\$ (796,622)	\$ 521,953
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:					
Equity in income of subsidiaries	(624,306)	(11,025)	(161,291)	796,622	
Write-down of land and deposits of pre-acquisition costs		6,505			6,505
Gain on sale of equity investments			(620)		(620)
Amortization and depreciation		24,469	4,229		28,698
Stock-based compensation expense	23,188				23,188
Deferred income taxes	34,028	(3)	(3,191)		30,834
Distributions in excess of (less than) earnings of affiliates		147	(2,907)		(2,760)
Other, net	705	240	322		1,267
Increase (decrease) in cash due to:					
Inventory		(1,310,099)	1,414		(1,308,685)
Residential mortgage loans available-for-sale			177,527		177,527
Other assets	(11,522)	15,405	(2,313)		1,570
Accounts payable, accrued and other liabilities	15,098	189,974	(3,907)		201,165
Income taxes	(235,578)	207,279	6,722		(21,577)
Net cash provided by (used in) operating activities	(276,434)	(258,203)	193,702		(340,935)
Cash flows from investing activities:					
Distributions from unconsolidated entities		122,480	700		123,180

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Investments in unconsolidated entities		(92,042)			(92,042)
Dividends received from subsidiaries	1,362	18,000		(19,362)	
Investment in subsidiaries	(36,217)	(1,106)	(31,172)	37,323	(31,172)
Proceeds from the sale of subsidiaries			3,000		3,000
Proceeds from sales of investments			8,366		8,366
Proceeds from sales of fixed assets		3,033	218		3,251
Capital expenditures		(32,037)	(5,629)		(37,666)
Net cash provided by (used in) investing activities	(34,855)	18,328	(24,517)	17,961	(23,083)

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PULTE HOMES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

8. Supplemental Guarantor information (continued)**CONSOLIDATING STATEMENT OF CASH FLOWS (continued)**

For the six months ended June 30, 2005

(\$000 s omitted)

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Cash flows from financing activities:					
Proceeds from borrowings	648,557	23,454			672,011
Repayment of borrowings			(161,608)		(161,608)
Capital contributions from parent		7,943	29,380	(37,323)	
Advances (to) from affiliates	(326,357)	441,254	(114,897)		
Issuance of common stock	23,171				23,171
Stock repurchases	(21,119)				(21,119)
Dividends paid	(12,963)	(1,362)	(18,000)	19,362	(12,963)
Net cash provided by (used in) financing activities	311,289	471,289	(265,125)	(17,961)	499,492
Effect of exchange rate changes on cash and equivalents			210		210
Net increase (decrease) in cash and equivalents		231,414	(95,730)		135,684
Cash and equivalents at beginning of period		185,375	122,743		308,118
Cash and equivalents at end of period	\$	\$ 416,789	\$ 27,013	\$	\$ 443,802

Table of Contents**Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and accompanying notes included in Item 1 of this Form 10-Q/A and our audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K/A for our fiscal year ended December 31, 2005.

As discussed in Note 2 to the condensed consolidated financial statements, subsequent to the issuance of our condensed consolidated financial statements for the quarterly period ended June 30, 2006, we expanded our disclosure of reportable segments in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures About Segments of an Enterprise and Related Information. We had historically aggregated our homebuilding operating segments into a single reportable segment, but have restated our segment disclosure to include seven homebuilding reportable segments for the three and six months ended June 30, 2006 and 2005 (see Note 2). The restatement has no impact on our condensed consolidated balance sheets as of June 30, 2006 and December 31, 2005, consolidated statements of operations and related earnings per share amounts for the three and six months ended June 30, 2006 and 2005, consolidated statements of cash flows or consolidated statements of shareholders' equity for the six months ended June 30, 2006 and 2005. Our Homebuilding Segment Operations section of Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to this restatement. We have amended our Annual Report on Form 10-K for the year ended December 31, 2005 for the related impact of this restatement.

Overview

The following is a summary of our operating results for the three and six months ended June 30, 2006 (\$000's omitted):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Pre-tax income (loss):				
Homebuilding operations	\$ 380,822	\$ 499,402	\$ 758,405	\$ 858,971
Financial services operations	15,056	15,526	64,400	25,610
Other non-operating	(8,153)	(29,106)	(17,536)	(51,862)
Income from continuing operations before income taxes	387,725	485,822	805,269	832,719
Income taxes	143,873	180,635	298,772	309,985
Income from continuing operations	243,852	305,187	506,497	522,734
Loss from discontinued operations	(833)	(1,476)	(833)	(781)
Net income	\$ 243,019	\$ 303,711	\$ 505,664	\$ 521,953
Per share data assuming dilution:				
Income from continuing operations	\$ 0.94	\$ 1.16	\$ 1.95	\$ 1.99
Loss from discontinued operations		(.01)		
Net income	\$ 0.94	\$ 1.15	1.95	\$ 1.98

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Overview (continued)

The following is a comparison of pre-tax income for the three and six months ended June 30, 2006 and 2005:

Homebuilding pre-tax income decreased 24% and 12% for the three and six months ended June 30, 2006, respectively, compared with the same periods in the prior year. Homebuilding settlement revenues increased 5% and 10%, respectively, for the three and six months ended June 30, 2006 compared with the same periods in the prior year. The decrease in pre-tax income is due to lower gross margins from geographic and product mix shifts, increased selling incentives and increased construction, land and land development costs. Pre-tax income also declined due to \$62 million of charges resulting from adjustments to land inventory (\$9.3 million), land held for sale (\$22 million), and the write-off of deposits and pre-acquisition costs associated with land transactions we no longer plan to pursue (\$30.8 million). These decreases were offset partially by improvements in selling, general and administrative expenses as a percent of home settlement revenues.

Pre-tax income from our financial services business segment decreased 3% for the three months ended June 30, 2006 compared with the prior year period. Pre-tax income increased \$38.8 million for the six months ended June 30, 2006 compared with the prior year period, as we recognized a one-time gain of \$31.6 million related to the sale of our investment in Su Casita, a Mexican mortgage banking company, during the first quarter of 2006. The capture rates were 91.0% and 88.0% for the three months ended June 30, 2006 and 2005, respectively, and 90.2% and 88.3% for the six months ended June 30, 2006 and 2005, respectively.

The decrease in non-operating expenses for the three and six months ended June 30, 2006, compared with the same period in the prior year, was due primarily to an increase in the amount of interest capitalized into homebuilding inventory.

Loss from discontinued operations included a provision of \$800 thousand, net of taxes, for the three and six months ended June 30, 2006 resulting from a contractual adjustment related to the December 2005 disposition of our Mexico homebuilding operations. Loss from discontinued operations for the three and six months ended June 30, 2005 primarily relates to our Mexico homebuilding operations.

Table of Contents**Homebuilding Operations**

The following table presents a summary of pre-tax income for our Homebuilding operations for the three and six months ended June 30, 2006 and 2005 (\$000 s omitted):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Home sale revenue (settlements)	\$ 3,304,960	\$ 3,155,898	\$ 6,193,794	\$ 5,618,007
Land sale revenue	13,095	57,532	39,013	81,717
Home cost of sales (a)	(2,608,042)	(2,405,353)	(4,834,008)	(4,261,821)
Land cost of sales	(32,461)	(53,527)	(53,604)	(74,286)
Selling, general and administrative expense	(265,404)	(267,327)	(550,153)	(521,758)
Equity income (expense)	(1,337)	23,406	(121)	36,877
Other income (expense), net	(29,989)	(11,227)	(36,516)	(19,765)
Pre-tax income	\$ 380,822	\$ 499,402	\$ 758,405	\$ 858,971
Unit settlements	9,879	10,194	18,481	18,213
Average selling price	\$ 335	\$ 310	\$ 335	\$ 308
Net new orders :				
Units	9,455	13,581	20,180	25,648
Dollars	\$ 3,121,000	\$ 4,406,000	\$ 6,804,000	\$ 8,239,000
Backlog at June 30:				
Units			19,516	23,351
Dollars			\$ 6,911,000	\$ 7,775,000

(a) *Homebuilding interest expense, which represents the amortization of capitalized interest, of \$55.9 million and \$41.1 million for the three months ended June 30, 2006 and 2005 and \$97.1 million and \$71.6 million for the six months ended June 30, 2006 and 2005, has*

*been included
as part of
homebuilding
cost of sales.*

Homebuilding gross profit margins from home settlements decreased 270 basis points to 21.1% for the three months ended June 30, 2006, compared with 23.8% for the same period in the prior year. For the six months ended June 30, 2006, homebuilding gross profit margins decreased 210 basis points to 22.0%, compared with 24.1% for the same period in 2005. The decrease in gross profit margins is attributable to an unfavorable shift in geographic and product mix, increased selling incentives and higher material, labor, land and land development costs. In addition, a \$9.3 million charge was taken during the second quarter of 2006 related to land and community impairments primarily as a result of development cost overruns in certain Midwest markets. The overall decrease in gross profit margins was partially offset by margin improvements of 75 basis points for the three months ended June 30, 2006 and 64 basis points for the six months ended June 30, 2006, respectively, compared with the same periods in 2005, from our January 2006 acquisition of the remaining 50% interest in an entity that supplies and installs basic building components and operating systems. During 2005, income from this entity was recorded as equity income and had no impact on homebuilding gross profit margins.

We consider land acquisition and entitlement among our core competencies. We acquire land primarily for the construction of our homes for sale to homebuyers. We will often sell select parcels of land within or adjacent to our communities to retail and commercial establishments. On occasion, we also will sell lots within our communities to other homebuilders. Gross profits from land sales for the three months ended June 30, 2006 had a negative margin contribution of \$19.4 million, compared with a positive margin contribution of \$4 million for the same period in 2005. Gross profits from land sales for the six months ended June 30, 2006 had a negative margin contribution of \$14.6 million, compared with a positive margin contribution of \$7.4 million for the same period in 2005. The gross profit contribution from specific land sales transactions was approximately \$3 million for the three months ended June 30, 2006 and \$7.4 million for the six months ended June 30, 2006. During the second quarter of 2006, land cost of sales also included a \$22 million fair market value adjustment related to commercial and residential land held for disposition, primarily in markets in the Midwest and Central. Revenues and their related gains/losses may vary significantly between periods, depending on the timing of land sales. We continue to evaluate our existing land positions to ensure the most effective use of capital. As of June 30, 2006, we had \$397.8 million of land held for sale.

Table of Contents**Homebuilding Operations (continued)**

Selling, general and administrative expenses as a percentage of home settlement revenues declined to 8% for the three months ended June 30, 2006 compared with 8.5% for the same period in the prior year. For the six months ended June 30, 2006, selling, general and administrative expenses as a percentage of home settlement revenues declined to 8.9% from 9.3% for the same period in the prior year. This improvement can be attributed to increased leverage on revenues and our internal initiatives focused on controlling overhead costs in the current business environment.

The decrease in equity income of \$24.7 million and \$37 million for the three and six months ended June 30, 2006, compared with the prior year periods, is primarily the result of our January 2006 acquisition of the remaining 50% interest in an entity that supplies and installs basic building components and operating systems. As a result of this acquisition, we own 100% of this entity, which is consolidated in our financial statements. For the three and six months ended June 30, 2005, earnings from this investment were recorded in equity income. In addition, earnings from our 50% investment in a Nevada-based joint venture, related to the sale of commercial and residential properties, decreased as the venture substantially completed its operations during 2005.

Net expenses, as shown in Other income (expense), net, increased \$18.8 million and \$16.8 million, respectively, for the three and six months ended June 30, 2006 compared with the same periods in 2005. This increase in net expenses was primarily due to \$30.8 million of write-offs recognized during the second quarter of 2006 related to deposits and pre-acquisition costs for land option contracts we no longer plan to exercise.

Unit settlements decreased 3% for the three months ended June 30, 2006, to 9,879 units and increased 1.5% for the six months ended June 30, 2006 to 18,481 units, compared with the same periods in 2005. The average selling price for homes closed increased 8% to \$335,000 for the three months ended June 30, 2006 and increased 9% to \$335,000 for the six months ended June 30, 2006, compared with the same periods in 2005. Changes in average selling price reflect a number of factors, including changes in market selling prices and the mix of product closed during each period. For the three months ended June 30, 2006, unit net new orders decreased 30% to 9,455 units, compared with the same period in 2005. For the six months ended June 30, 2006, unit net new orders decreased 21% to 20,180 units, compared with the same period in 2005. Net new orders were impacted by the closeout of several large, established communities, where the replacement communities are still in the early phases of development. In addition, rising home prices, higher interest rates, and increased resale home inventories have affected demand for new homes. Cancellation rates for the quarter were approximately 28%, compared with 15% for the same period in 2005, while year to date cancellations were 25% for the six months ended June 30, 2006, compared with 15% for the same period in 2005. Most markets have experienced a substantial increase in resale home inventory, and this, combined with declining consumer confidence, has resulted in higher cancellation rates and reduced new order rates during 2006. The dollar value of net new orders decreased 29% for the three months ended June 30, 2006 and decreased 17% for the six months ended June 30, 2006, respectively, compared with the same periods in 2005. However, while net new order dollars decreased year-over-year, selling prices remained stable in many of our markets. For the quarter ended June 30, 2006, we had 722 active selling communities, an increase of 11% from the same period in the prior year. Ending backlog, which represents orders for homes that have not yet closed, was 19,516 units at June 30, 2006 with a dollar value of \$6.9 billion.

At June 30, 2006 and December 31, 2005, our Homebuilding operations controlled approximately 325,500 and 362,600 lots, respectively. Approximately 181,000 and 173,800 lots were owned, and approximately 113,500 and 133,400 lots were under option agreements approved for purchase at June 30, 2006 and December 31, 2005, respectively. In addition, there were approximately 31,000 and 55,400 lots under option agreements, pending approval, at June 30, 2006 and December 31, 2005, respectively. We believe that the strength of our land supply, and our entitlement expertise, will enable us to continue opening new communities during the course of 2006 and beyond.

The total purchase price related to approved land under option for use by our Homebuilding operations at future dates approximated \$5.8 billion at June 30, 2006. In addition, total purchase price related to land under option pending approval was valued at \$1.1 billion at June 30, 2006. Land option agreements, which may be cancelled at our discretion, may extend over several years and are secured by deposits and pre-acquisition costs totaling \$488.3 million, of which \$42.5 million are refundable. This balance excludes \$131.9 million of contingent payment obligations which may or may not become actual obligations of the Company.

Table of Contents**Homebuilding Operations (continued)**

Controlled lots, at June 30, 2006, decreased by 37,000 lots or 10% from December 31, 2005. The decrease in controlled lots can be attributed to actions we have taken to reduce our incremental land investment as a result of current conditions affecting the homebuilding industry. During the second quarter of 2006, we delayed entering into new land option contracts, renegotiated certain land option contracts, and cancelled certain other land option contracts. We continue to review land option contracts to ensure that the terms meet our investment criteria and strategic goals in the current business environment.

The following table presents markets that represent 10% or more of total Homebuilding unit new orders, unit settlements, and settlement revenues for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended		Six Months Ended	
	2006	2005	2006	2005
<i>Unit net new orders:</i>				
Phoenix	12%	*	11%	11%
<i>Unit settlements:</i>				
Phoenix	*	14%	*	15%
Las Vegas	12%	*	12%	*
<i>Settlement revenues:</i>				
Phoenix	*	14%	*	14%
Las Vegas	13%	*	13%	*

* Represents less than 10%.

Homebuilding Segment Operations (as restated)

The Homebuilding operations represent our core business. Homebuilding offers a broad product line to meet the needs of first-time, first and second move-up, and active adult homebuyers. We have determined that our operating segments are our Areas, which have been aggregated into seven reportable segments based on similarities in the economic and geographic characteristics of our homebuilding operations. We conduct our operations in 53 markets, located throughout 27 states, and have presented our reportable homebuilding segments as follows:

Northeast: Northeast and Mid-Atlantic Areas include the following states:
Connecticut, Delaware, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Virginia

Southeast: Southeast Area includes the following states:
Georgia, North Carolina, South Carolina, Tennessee

Florida: Florida Area includes the following state:
Florida

Midwest: Great Lakes Area includes the following states:
Illinois, Indiana, Michigan, Ohio, Minnesota

Central: Rocky Mountain and Texas Areas include the following states:
Colorado, Kansas, Missouri, Texas

Southwest: Arizona and Nevada Areas include the following states:

Arizona, Nevada, New Mexico

*California: Northern California and Southern California Areas include the following state:

California

* *Our homebuilding operations located in Reno, Nevada are reported in the California segment, while our remaining Nevada homebuilding operations are reported in the Southwest segment.*

Table of Contents**Homebuilding Segment Operations (as restated) (continued)**

The following table presents selected financial information for our homebuilding reporting segments:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Home sale revenue (settlements) (\$000 s omitted):				
Northeast	\$ 389,832	\$ 383,633	\$ 743,620	\$ 641,341
Southeast	298,931	222,521	523,394	389,802
Florida	577,178	500,191	1,082,493	883,357
Midwest	274,255	327,844	502,418	574,698
Central	324,166	240,763	569,020	384,595
Southwest	841,071	765,636	1,533,931	1,454,247
California	599,527	715,310	1,238,918	1,289,967
	\$ 3,304,960	\$ 3,155,898	\$ 6,193,794	\$ 5,618,007
Income (loss) before income taxes (\$000 s omitted):				
Northeast	\$ 46,733	\$ 58,771	\$ 82,416	\$ 87,150
Southeast	22,477	19,791	34,352	32,283
Florida	132,062	100,786	246,272	167,350
Midwest	(7,265)	19,332	(7,747)	23,920
Central	(9,312)	6,123	(2,725)	204
Southwest	180,390	184,403	325,701	338,168
California	72,837	149,544	170,085	266,634
Unallocated	(57,100)	(39,348)	(89,949)	(56,738)
	\$ 380,822	\$ 499,402	\$ 758,405	\$ 858,971
Unit settlements:				
Northeast	819	868	1,535	1,406
Southeast	1,129	982	2,004	1,739
Florida	1,889	1,970	3,518	3,544
Midwest	917	1,125	1,666	1,994
Central	1,617	1,413	2,983	2,267
Southwest	2,366	2,420	4,392	4,664
California	1,142	1,416	2,383	2,599
	9,879	10,194	18,481	18,213
Net new orders units:				
Northeast	790	1,228	1,518	2,256
Southeast	1,523	1,448	3,096	2,728

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Florida	1,112	2,269	2,914	4,706
Midwest	1,020	1,649	2,231	3,103
Central	1,669	2,128	3,361	3,659
Southwest	2,391	2,990	4,819	5,911
California	950	1,869	2,241	3,285
	9,455	13,581	20,180	25,648
Unit backlog:				
Northeast			1,576	2,333
Southeast			2,672	1,808
Florida			3,481	5,648
Midwest			1,848	2,343
Central			2,453	2,342
Southwest			5,329	5,663
California			2,157	3,214
			19,516	23,351

Table of Contents**Homebuilding Segment Operations (as restated) (continued)**

	As of June 30, 2006	As of December 31, 2005
Controlled Lots:		
Northeast	40,831	44,088
Southeast	29,665	31,863
Florida	61,942	70,434
Midwest	26,810	36,334
Central	31,473	39,331
Southwest	92,436	97,290
California	42,379	43,275
	325,536	362,615

Northeast:

During the second quarter of 2006, our Northeast operations experienced weakened demand for new homes primarily as a result of increases in resale home inventories. In addition, the second quarter 2005 grand opening of a large active adult community in our metro New York/New Jersey market contributed significantly to our new order sign-up activity in the prior year, which did not carry over into the current year quarter due to current market conditions. Net new orders for the second quarter of 2006 decreased 36% to 790 units, and for the six months ended June 30, 2006 decreased 33% to 1,518 units, compared with the same periods in 2005. Unit cancellations for the three and six months ended June 30, 2006 were comparable to 2005, however, the reduced new order sign-up activity resulted in higher cancellation rates. For both the three and six months ended June 30, 2006 and 2005, cancellation rates were approximately 17% compared with 12% for the same periods in 2005, respectively. The Northeast operations were also impacted by an increase in active community count at June 30, 2006 (102 active communities) compared with June 30, 2005 (82 active communities), with a large number of these communities being new for second quarter of 2006 and resulting in increased overhead costs during the current year quarter, without a corresponding increase in revenues. For the three and six months ended June 30, 2006, operating results were negatively impacted by the write-off of deposits and pre-acquisition costs associated with transactions we no longer plan to pursue, primarily in the Maryland market, as well as higher sales incentives offered to homebuyers. During the second quarter of 2006, we recorded \$3.5 million (\$4.2 million year to date) for the write-off of deposits and pre-acquisition costs associated with transactions we no longer plan to pursue, which resulted in a reduction of approximately 4,000 lots controlled during the quarter and 4,200 lots year to date 2006. There were no significant land related valuation adjustments or write-offs taken during 2005 in our Northeast markets.

Southeast:

During the second quarter of 2006, our Southeast operations contributed positively to our Homebuilding operating results, evidenced by increased revenues and higher average selling prices and profits compared with prior year periods. The Southeast Area was favorably impacted by the grand openings of three large active adult communities located in Charlotte, Raleigh and North Georgia, during the first quarter of 2006. For the three and six months ended June 30, 2006, net new orders increased 5% to 1,523 units and 13% to 3,096 units, respectively, compared with the same periods in 2005. Cancellation rates for the second quarter of 2006 were approximately 19% compared with 15% for the same period in 2005, while cancellation rates were 17% for the six months ended June 30, 2006, compared with 16% for the same period in 2005. The Southeast operations were impacted by start up expenses associated with several new communities during the second quarter of 2006. There were no significant land related valuation adjustments or write-offs taken during 2006 and 2005 in our Southeast markets.

Table of Contents**Homebuilding Segment Operations (as restated) (continued)***Florida:*

During the second quarter of 2006, our Florida operations contributed positively to our Homebuilding operating results, evidenced by increased revenues and higher average selling prices and profits, compared with the prior year period. While settlement activity remained strong during the second quarter and year to date 2006, Florida has experienced higher cancellation rates and pricing pressures associated with excess inventories and aggressive sales incentives offered by competitors. Accordingly, our Florida operations are experiencing weakened demand for new homes due to market declines in Orlando and Naples/Ft. Myers, where many of our communities are marketed to seasonal and second home buyers who are delaying a discretionary purchase until market conditions improve. For the three months ended June 30, 2006, net new orders decreased 51% to 1,112 units compared with the same period in 2005. For the six months ended June 30, 2006, net new orders decreased 38% to 2,914 units compared with the same period in 2005. Increased cancellation rates during the quarter and year to date 2006 were attributable to lower new order sign-up activity and higher cancellations in all markets. Cancellation rates for the quarter were approximately 31% compared with 10% for the same period in 2005, while year to date cancellation rates were 23% for the six months ended June 30, 2006, compared with 10% for the same period in 2005. The Florida operations were also impacted by an increase in active community count at June 30, 2006 (80 active communities) compared with June 30, 2005 (66 active communities), with a large number of these communities being new for second quarter of 2006 and resulting in increased overhead costs during the current year quarter. There were no significant land valuation adjustments or write-offs taken during 2006 and 2005 in our Florida markets.

Midwest:

During the second quarter and year to date 2006, the Midwest operations were impacted by weakened demand for new homes due to increased resale home inventories and challenging local economic conditions, especially in Michigan. For the three and six months ended June 30, 2006, net new orders decreased 38% to 1,020 units and 28% to 2,231 units, respectively, compared with the same periods in 2005. Unit cancellations for the quarter and six months ended June 30, 2006 were comparable to 2005. However, reduced new order sign-up activity resulted in higher cancellation rates. Cancellation rates for the second quarter of 2006 were approximately 18% compared with 12% for the same period in 2005, while year to date cancellation rates were 15% for the six months ended June 30, 2006, compared with 12% for the same period in 2005. For both the three and six months ended June 30, 2006, operating results were negatively impacted by land and community valuation adjustments of approximately \$8 million in Minnesota. In addition, during the second quarter and year to date 2006, we recorded \$5.7 million of net realizable value adjustments for land held for sale and \$6 million (\$8.5 million year to date) for the write-off of deposits and pre-acquisition costs associated with transactions we no longer plan to pursue in Minnesota, Illinois and Michigan, resulting in a reduction of approximately 6,600 lots controlled (9,000 year to date). There were no significant land valuation adjustments or write-offs taken during the same periods in 2005.

Central:

During the second quarter and year to date 2006, our Central operations realized increased revenues from higher average selling prices and settlements, compared with the same periods in the prior year. The Central operations experienced decreased net new orders for the second quarter and six months ended June 30, 2006, compared with the same periods in 2005. Unit cancellations for the three and six months ended June 30, 2006 were comparable to 2005, however, the reduced new order sign-up activity resulted in higher cancellation rates. The cancellation rate for the quarter was 26% compared with 20% for the second quarter of 2005, and for the six months ended June 30, 2006 was 25% compared with 19% for the same period in 2005. Operating results for both the second quarter and year to date 2006 were impacted by valuation adjustments to land inventory of \$1.3 million in our Kansas City market. In addition, during the second quarter and year to date 2006, we took net realizable value adjustments of \$16.3 million for land held for sale, related to one large commercial project located in our Denver market, and charges of \$3 million (\$3.1 million year to date) for write-offs of deposits and pre-acquisition costs associated with transactions we no longer plan to pursue, resulting in a reduction of approximately 3,500 lots controlled for the second quarter and 3,900 lots year to date 2006. There were no significant land valuation adjustments or write-offs taken during the same periods of 2005.

Table of Contents**Homebuilding Segment Operations (as restated) (continued)***Southwest:*

During the second quarter of 2006, our Southwest operations experienced weakened demand, compared with the same period in 2005, which was largely attributable to a significant increase in resale home inventories throughout the Southwest. While the underlying economies in the Southwest are strong, customers are experiencing less certainty with respect to price appreciation and their ability to sell their existing homes, making them reluctant to commit to the purchase of a new home. Net new orders for the second quarter of 2006 decreased 20% to 2,391 units and for the six months ended June 30, 2006 decreased 18% to 4,819 units, compared with the same periods in 2005. For the three months ended June 30, 2006 cancellations were 421 units compared with 134 units in the prior year period. For the six months ended June 30, 2006, cancellations were 2,118 units compared with 998 units in the prior year period. For the three months ended June 30, 2006, the cancellation rate was 34% compared with 13% for the same period in 2005 and for the six months ended June 30, 2006, the cancellation rate was 31% compared with 14% for the same period in 2005, with a majority of the increases in current period cancellations occurring in both Phoenix and Las Vegas. Reduced new order sign-up activity and higher unit cancellations resulted in a higher overall cancellation rate. The overall decrease in operating results for the Southwest segment was partially offset during the second quarter by our January 2006 acquisition of the remaining 50% interest in an entity that supplies and installs basic building components and operating systems in both Arizona and Nevada. During 2005, income from this entity was recorded as equity income and had no impact on segment pre-tax income. During the second quarter and year to date 2006, our Southwest operations were negatively impacted by write-offs of deposits and pre-acquisition costs associated with transactions we no longer plan to pursue, located primarily in Phoenix, of \$7 million (\$7.4 million year to date), resulting in a reduction of approximately 7,100 lots controlled for the second quarter and 8,700 lots year to date 2006. There were no other significant land valuation adjustments or other write-offs for the Southwest reporting segment during the second quarter and six months ended June 30, 2005.

California:

The California operations were impacted by weakened demand for new homes, especially in Sacramento. In addition, the closeout of a large, successful community which contributed significantly to our operations during 2005 impacted the California reporting segment during the second quarter and six months ended June 30, 2006, contributing to the decrease in net new orders, closings and average selling price. Cancellation rates were approximately 39% and 20% for the three months ended June 30, 2006 and 2005, respectively. For the six months ended June 30, 2006 and 2005, cancellation rates were 34% and 24%, respectively. Selling, general and administrative expenses increased for the quarter and six months ended June 30, 2006, compared with the same periods in the prior year, due to increased advertising and start-up expenses associated with new communities. California operating results for the second quarter of 2006 were impacted by charges of \$9.2 million (\$9.9 million year to date) for the write-off of deposits and pre-acquisition costs associated with transactions we no longer plan to pursue, primarily in the San Francisco Bay Area, Sacramento and San Diego. The write-offs resulted in a reduction of approximately 8,000 lots controlled for the second quarter and year to date 2006. There were no significant land valuation adjustments or write-offs taken during the second quarter and six months ended June 30, 2005.

Table of Contents**Financial Services Operations**

We conduct our financial services business, which includes mortgage and title operations, through Pulte Mortgage and other subsidiaries. Pre-tax income of our financial services operations for the three and six months ended June 30, 2006 was \$15.1 million and \$64.4 million, respectively, compared with \$15.5 million and \$25.6 million, respectively, for the prior year periods. During February 2006, we sold our investment in Su Casita, a Mexico-based mortgage banking company. As a result of this transaction, we recognized a pre-tax gain of approximately \$31.6 million (\$19.9 million after-tax) for the six months ended June 30, 2006. Excluding the gain related to the sale of Su Casita, pre-tax income increased \$7.2 million for the six months ended June 30, 2006, compared with the same period in the prior year. For the six months ended June 30, 2005, Su Casita contributed pre-tax income from operations of \$700 thousand. During February 2005, 25% of our investment in the capital stock of Su Casita was redeemed for a pre-tax gain of approximately \$620 thousand.

The following table presents mortgage origination data for our Financial Services operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Total originations:				
Loans	9,498	9,445	17,589	17,037
Principal (\$000 s omitted)	\$ 2,022,600	\$ 1,829,200	\$ 3,766,800	\$ 3,318,600
Originations for Pulte customers:				
Loans	9,442	9,235	17,502	16,450
Principal (\$000 s omitted)	\$ 2,008,900	\$ 1,790,700	\$ 3,745,400	\$ 3,218,600

Capture rates for the three and six months ended June 30, 2006, were 91.0% and 90.2%, respectively, compared with 88.0% and 88.3%, respectively, for the three and six months ended June 30, 2005. For the three months ended June 30, 2006, mortgage origination units were comparable with the same period in the prior year. For the three months ended June 30, 2006, mortgage principal volume increased 11% compared with the same period in the prior year. For the six months ended June 30, 2006, mortgage origination unit and principal volume increased 3% and 14%, respectively, over the same period in 2005. The growth of mortgage origination units for the six months ended June 30, 2006, is the result of higher capture rate and homebuilding production volumes. The growth in principal volume is due to an increase in the average loan size due to higher average selling prices and higher homebuilding production volumes. Our Homebuilding customers continue to account for the majority of total loan production, representing 99% and almost 100% of total Pulte Mortgage unit production for the three and six months ended June 30, 2006, respectively, compared with 98% and 97% for the same periods in 2005. At June 30, 2006, loan application backlog decreased to \$4.1 billion compared with \$5.2 billion at June 30, 2005.

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Financial Services Operations (continued)

During the quarter and six months ended June 30, 2006, there was a shift away from adjustable rate mortgage (ARM) products, which generally have a lower profit per loan than fixed rate products. ARMs represented 33% of total funded origination dollars and 26% of total funded origination units for the three months ended June 30, 2006, compared with 48% and 43% in the prior year period, respectively. For the six months ended June 30, 2006, ARMs represented 34% of total funded origination dollars and 27% of total funded origination units compared with 50% and 45% in the prior year period, respectively. Interest only mortgages, a component of ARMs, represented 76% of ARMs origination dollars and 80% of ARMs origination units for the three months ended June 30, 2006, compared with 63% and 52% in the prior year period, respectively. For the six months ended June 30, 2006, interest only mortgages represented 77% of ARMs origination dollars and 80% of ARMs origination units, compared with 63% and 51% in the prior year period, respectively.

Income from our title operations for the three months ended June 30, 2006 was comparable with the same period in the prior year at \$4.5 million. For the six months ended June 30, 2006, income from our title operations decreased to \$8 million from \$8.7 million for the six months ended June 30, 2005.

We hedge portions of our forecasted cash flow from sales of closed mortgage loans with derivative financial instruments to minimize the impact of changes in interest rates. We do not use derivative financial instruments for trading purposes.

Table of Contents**Other non-operating**

Other non-operating expenses are incurred for financing, developing and implementing strategic initiatives centered on new business development and operating efficiencies, and providing the necessary administrative support associated with being a publicly traded entity listed on the New York Stock Exchange. Accordingly, these results will vary from year to year as these strategic initiatives evolve.

The following table presents other non-operating expenses for the three and six months ended June 30, 2006 and 2005 (\$000 s omitted):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net interest expense (income)	\$ (1,569)	\$ 14,903	(2,659)	\$ 28,650
Other expenses, net	9,722	14,203	20,195	23,212
Loss before income taxes	\$ 8,153	\$ 29,106	\$ 17,536	\$ 51,862

Net interest income for the three and six months ended June 30, 2006, compared with net interest expense for the same periods in 2005, is the result of an increase in the amount of interest capitalized into homebuilding inventory. The decrease in other corporate expenses, net for the three and six months ended June 30, 2006, is due primarily to decreased compensation-related expense.

Interest capitalized into homebuilding inventory is charged to home cost of sales based on the cyclical timing of our unit settlements over a period that approximates the average life cycle of our communities. Interest in homebuilding inventory increased due to increased amounts of interest capitalized into homebuilding inventory, based on our homebuilding inventory and debt levels, and is consistent with the growth of the Company. Information related to Corporate interest capitalized into homebuilding inventory is as follows (\$000 s omitted):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Interest in inventory at beginning of period	\$ 245,253	\$ 233,711	\$ 229,798	\$ 223,591
Interest capitalized	65,100	43,810	121,724	84,474
Interest expensed	(55,899)	(41,103)	(97,068)	(71,647)
Interest in inventory at end of period	\$ 254,454	\$ 236,418	\$ 254,454	\$ 236,418
Interest incurred *	\$ 66,984	\$ 59,972	\$ 125,466	\$ 115,631

* *Interest incurred includes interest on our senior debt, short-term borrowings, and other financing arrangements and excludes*

*interest incurred
by our financial
services
operations.*

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Table of Contents**Liquidity and Capital Resources**

We finance our homebuilding land acquisitions, development and construction activities from internally generated funds, existing credit agreements, and the sale of securities.

At June 30, 2006, we had cash and equivalents of \$104.5 million and \$3.5 billion of senior and unsubordinated notes outstanding. Other financing included limited recourse collateralized financing totaling \$22.1 million. Sources of our working capital include our cash and equivalents, our \$1.66 billion committed unsecured revolving credit facility and Pulte Mortgage's \$955 million committed credit arrangements.

Our debt-to-total capitalization, excluding our collateralized debt, was approximately 39.4% at June 30, 2006, and was approximately 38.8% net of cash and equivalents. We routinely monitor current operational requirements and financial market conditions to evaluate the use of available financing sources, including securities offerings.

Our unsecured revolving credit facility includes an uncommitted accordion feature, under which the credit facility may be increased to \$2.25 billion. We have the capacity to issue letters of credit up to \$1.125 billion. Borrowing availability is reduced by the amount of letters of credit outstanding. The credit facility contains restrictive covenants, the most restrictive of which requires us not to exceed a debt-to-total capitalization ratio of 60% as defined in the agreement. At June 30, 2006 we had \$614.5 million of borrowings outstanding and \$418.6 million available for borrowing under this facility.

Pulte Mortgage provides mortgage financing for many of our home sales and uses its own funds and borrowings made available pursuant to various committed and uncommitted credit arrangements. At June 30, 2006, Pulte Mortgage had committed credit arrangements of \$955 million comprised of a \$405 million bank revolving credit facility and a \$550 million asset-backed commercial paper program. At June 30, 2006, Pulte Mortgage had \$477 million outstanding under its committed credit arrangements.

Pursuant to the two \$100 million stock repurchase programs authorized by our Board of Directors in October 2002 and 2005, and the \$200 million stock repurchase authorization in February 2006 (for a total stock repurchase authorization of \$400 million), we have repurchased a total of 8,987,600 shares for a total of \$277.8 million. At June 30, 2006, we have remaining authorization to purchase common stock aggregating \$122.2 million.

At June 30, 2006, our effective tax rate was 37.1% compared with 37.2% at June 30, 2005. We anticipate that our effective tax rate for the remainder of 2006 will be approximately 37.1%.

Our net cash used in operating activities for the six months ended June 30, 2006 was \$1.1 billion, compared with \$340.9 million for the six months ended June 30, 2005. Net income for both years was offset primarily by significant investments in land and house inventory necessary to support our continuing business operations.

Cash used in investing activities was \$59.8 million for the six months ended June 30, 2006, compared with \$23.1 million for the six months ended June 30, 2005. During the six months ended June 30, 2006, we invested approximately \$65.8 million, net of cash acquired, to purchase the remaining 50% of an entity that installs basic building components and operating systems. In addition, we received cash of \$49.2 million for the sale of our investment in Su Casita, a Mexico-based mortgage banking company. Also, we made \$20.7 million of capital contributions to and received \$31.3 million in capital distributions from our unconsolidated joint ventures for the six months ended June 30, 2006. Further, we incurred approximately \$54.4 million in capital expenditures.

Net cash provided by financing activities totaled \$216.1 million for the six months ended June 30, 2006, compared with \$499.5 million for the six months ended June 30, 2005. Proceeds from borrowings for the six months ended June 30, 2006 totaled \$764.5 million and was comprised of \$614.5 million for our unsecured revolving credit facility and issuance of \$150 million of senior notes. For the six months ended June 30, 2006, the net decrease in Pulte Mortgage's credit arrangements was approximately \$416 million. Additionally, we paid \$99.6 million for stock repurchases and paid \$20.5 million in dividends for the six months ended June 30, 2006.

In May 2006, we sold \$150 million of 7.375% senior notes, which mature on June 1, 2046, which are guaranteed by us and certain of our 100%-owned subsidiaries. These notes are unsecured and rank equally with all of our other unsecured and unsubordinated indebtedness. The notes are redeemable at any time on or after June 1, 2011, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest thereon to the redemption date. Proceeds from the sale were used to repay the indebtedness of our revolving credit facility and for general corporate purposes, including continued investment in our business.

Table of Contents**Inflation**

We, and the homebuilding industry in general, may be adversely affected during periods of high inflation because of higher land and construction costs. Inflation also increases our financing, labor and material costs. In addition, higher mortgage interest rates significantly affect the affordability of permanent mortgage financing to prospective homebuyers. We attempt to pass to our customers any increases in our costs through increased sales prices. To date, inflation has not had a material adverse effect on our results of operations. However, there is no assurance that inflation will not have a material adverse impact on our future results of operations.

Off-Balance Sheet Arrangements

At June 30, 2006 and December 31, 2005, the aggregate outstanding debt of our unconsolidated joint ventures was \$908.5 million and \$882.2 million, respectively. At June 30, 2006 and December 31, 2005, our proportionate share of our joint venture debt was approximately \$307.2 million and \$293.8 million, respectively. At June 30, 2006, we provided limited recourse guarantees for our proportionate share of joint venture debt of \$307.2 million while we provided limited recourse debt guarantees of approximately \$288.2 million at December 31, 2005. Accordingly, we may be liable, on a contingent basis, through limited guarantees with respect to a portion of the secured land acquisition and development debt. However, we would not be liable other than in instances of fraud, misrepresentation or other bad faith actions by us, unless the joint venture was unable to perform its contractual borrowing obligations. As of June 30, 2006, we do not anticipate we will incur any significant costs under these guarantees.

New Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48, An Interpretation of FASB Statement No. 109, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 reflects the benefit recognition approach, where a tax benefit is recognized when it is more likely than not to be sustained based on the technical merits of the position. This Interpretation is effective for fiscal years beginning after December 15, 2006. We are evaluating the impact of FIN No. 48 on our consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets, which provides an approach to simplify efforts to obtain hedge-like (offset) accounting. This new Statement amends SFAS No. 140,

Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 is effective for all separately recognized servicing assets and liabilities as of the beginning of an entity's fiscal year that begins after September 15, 2006, with earlier adoption permitted in certain circumstances. Due to the short period of time our servicing rights are held, generally less than four months, we do not expect SFAS No. 156 will have a significant impact on our consolidated financial statements.

The FASB has revised its guidance on SFAS No. 133 Implementation Issues as of March 2006. Several Implementation Issues were revised to reflect the issuance of SFAS No. 155, Accounting for Certain Hybrid Financial Instruments—an Amendment of FASB Statements No. 133 and 140, in February 2006. SFAS No. 155 allows any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities to be carried at fair value in its entirety, with changes in fair value recognized in earnings. In addition, SFAS No. 155 requires that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or contain an embedded derivative. SFAS No. 155 also eliminates a prior restriction on the types of passive derivatives that a qualifying special purpose entity is permitted to hold. SFAS No. 155 is applicable to new or modified financial instruments in fiscal years beginning after September 15, 2006, though the provisions related to fair value accounting for hybrid financial instruments can also be applied to existing instruments. We do not expect SFAS No. 155 will have a significant impact on our consolidated financial statements.

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New Accounting Pronouncements (continued)

In December 2004, the FASB issued Staff Position 109-1, Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004 (FSP 109-1). The American Jobs Creation Act, which was signed into law in October 2004, provides a 3% tax deduction on qualified domestic production activities income for 2005 and 2006. When fully phased-in, the deduction will be 9% of the lesser of qualified production activities income or taxable income. Based on the guidance provided by FSP 109-1, this deduction was accounted for as a special deduction under SFAS No. 109 and reduced tax expense. Tax benefits resulting from this deduction have resulted in a reduction in our federal income tax rate.

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, 2006 compared with those disclosed 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, 2005.

Table of Contents**Item 3. Quantitative and Qualitative Disclosures About Market Risk***Quantitative disclosure:*

We are subject to interest rate risk on our rate-sensitive financing to the extent long-term rates decline. The following table sets forth, as of June 30, 2006, our rate-sensitive financing obligations, principal cash flows by scheduled maturity, weighted-average interest rates and estimated fair market values (\$000 s omitted):

	As of June 30, 2006 for the years ended December 31,						Total	Fair Value
	2006	2007	2008	2009	2010	There- after		
Rate sensitive liabilities:								
<i>Fixed interest rate debt:</i>								
Senior notes	\$	\$	\$	\$400,000	\$	\$3,148,563	\$3,548,563	\$3,377,050
Average interest rate				4.88%		6.62%	6.42%	
Limited recourse								
collateralized financing	\$10,554	\$5,620	\$2,122	\$ 3,824	\$	\$	\$ 22,120	\$ 22,120
Average interest rate	.32%	2.38%	1.63%	2.26%			1.3%	

Qualitative disclosure:

There has been no material change 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 fiscal year ended December 31, 2005.

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 involve known risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among other things, (1) general economic and business conditions; (2) interest rate changes and the availability of mortgage financing; (3) the relative stability of debt and equity markets; (4) competition; (5) the availability and cost of land and other raw materials used in our homebuilding operations; (6) the availability and cost of insurance covering risks associated with our business; (7) shortages and the cost of labor; (8) weather related slowdowns; (9) slow growth initiatives and/or local building moratoria; (10) governmental regulation, including the interpretation of tax, labor and environmental laws; (11) changes in consumer confidence and preferences; (12) required accounting changes; (13) terrorist acts and other acts of war; and (14) other factors over which we have little or no control. See our Annual Report on Form 10-K for the year ended December 31, 2005 and our other public filings with the Securities and Exchange Commission for a further discussion of these and other risks and uncertainties applicable to our business. We undertake no duty to update any forward-looking statement whether as a result of new information, future events or changes in our expectations.

Item 4. Controls and Procedures

Management, including our President & Chief Executive Officer and Executive Vice President & Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2006. Based upon, and as of the date of that evaluation, our President & Chief Executive Officer and Executive Vice President & Chief Financial Officer concluded that the disclosure controls and procedures were effective as of June 30, 2006.

There was no change in our internal control over financial reporting during the quarter ended June 30, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**
Issuer Purchases of Equity Securities (1)

	(a) Total Number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Approximate dollar value of shares that may yet be purchased under the plans or programs (\$000 s omitted)
April 1, 2006 through April 30, 2006				\$ 172,140 (1)
May 1, 2006 through May 31, 2006	690,300	\$ 34.82	690,300	\$ 148,106 (1)
June 1, 2006 through June 30, 2006	925,000	\$ 27.98	925,000	\$ 122,224 (1)
Total	1,615,300	\$ 30.90	1,615,300	

(1) Pursuant to the two \$100 million stock repurchase programs authorized and announced by our Board of Directors in October 2002 and 2005 and the \$200 million stock repurchase authorized and announced in February 2006 (for a total stock repurchase authorization of \$400 million),

the Company
has repurchased
a total of
8,987,600
shares for a total
of
\$277.8 million.
There are no
expiration dates
for the
programs.

Item 4. Submission of Matters to a Vote of Security Holders

Our Annual Meeting of Shareholders was held on May 11, 2006. The following matters were considered and acted upon, with the results indicated below.

	Shares Voted For	Shares Withheld
Election of Directors - Nominees to Serve a Two Year Term Expiring at the 2008 Annual Meeting:		
Brian P. Anderson	224,878,704	10,669,583
Patrick J. O Leary	224,874,275	10,674,012
Election of Directors - Nominees to Serve a Three Year Term Expiring at the 2009 Annual Meeting:		
Debra J. Kelly-Ennis	224,624,140	10,924,147
Bernard W. Reznicek	224,864,955	10,683,332
Alan E. Schwartz	217,367,767	18,180,520

Table of Contents**Item 4. Submission of Matters to a Vote of Security Holders (continued)**

The following directors have terms of office that will expire in 2007 or 2008 and accordingly, were not up for election at our Annual Meeting of Shareholders held on May 11, 2006:

2007	2008
William J. Pulte	D. Kent Anderson
Richard J. Dugas, Jr.	John J. Shea
David N. McCammon	William B. Smith
Francis J. Sehn	

	Shares Voted For	Shares Voted Against	Shares Abstaining	
Ratification of the appointment of the Company's independent accountants by shareholders	232,326,664	2,138,148	1,083,475	
	Shares Voted For	Shares Voted Against	Shares Abstaining	Broker Non-Votes
Election of Directors by a majority, rather than plurality, vote	95,372,989	116,250,014	1,620,692	22,304,592
Declassification of the Board of Directors	134,631,115	77,404,119	1,208,461	22,304,592
Cumulative voting in the election of Directors	103,820,333	107,018,210	2,405,152	22,304,592
Use of performance-based options	107,148,205	104,850,458	1,245,032	22,304,592

Item 6. Exhibits**(a) Exhibits****Exhibit Number and Description**

- 10(a) Fifth Amended and Restated Security and Collateral Agreement by and among Pulte Mortgage LLC, JP Morgan Chase Bank, N.A., as administrative agent, and LaSalle Bank National Association, as collateral agent, dated as of May 16, 2006 (Incorporated by reference to Exhibit 10(a) of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006)
- 10(b) Sixth Amended and Restated Revolving Credit Agreement by and among Pulte Mortgage LLC, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Securities, Inc., as lead arranger and sole bookrunner, and LaSalle Bank National Association, as collateral agent, dated as of May 16, 2006 (Incorporated by reference to Exhibit 10(b) of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006)
- 31(a) Rule 13a-14(a) Certification by Richard J. Dugas, Jr., President and Chief Executive Officer
- 31(b) Rule 13a-14(a) Certification by Roger A. Cregg, Executive Vice President and Chief Financial Officer
- 32 Certification Pursuant to 18 United States Code § 1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934

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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.

PULTE HOMES, INC.

/s/ Roger A. Cregg

Roger A. Cregg
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and duly authorized officer)

Date: December 22, 2006

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
10(a)	Fifth Amended and Restated Security and Collateral Agreement by and among Pulte Mortgage LLC, JP Morgan Chase Bank, N.A., as administrative agent, and LaSalle Bank National Association, as collateral agent, dated as of May 16, 2006 (Incorporated by reference to Exhibit 10(a) of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006)
10(b)	Sixth Amended and Restated Revolving Credit Agreement by and among Pulte Mortgage LLC, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Securities, Inc., as lead arranger and sole bookrunner, and LaSalle Bank National Association, as collateral agent, dated as of May 16, 2006 (Incorporated by reference to Exhibit 10(b) of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006)
31(a)	Rule 13a-14(a) Certification by Richard J. Dugas, Jr., President and Chief Executive Officer
31(b)	Rule 13a-14(a) Certification by Roger A. Cregg, Executive Vice President and Chief Financial Officer
32	Certification Pursuant to 18 United States Code § 1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934