

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 March 31, 2006**

**OR**

**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 April 30, 2006: 256,599,768

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**PULTE HOMES, INC.**  
**FORM 10-Q/A FOR THE QUARTER ENDED MARCH 31, 2006**  
**Explanatory Paragraph**

This Form 10-Q/A for the quarterly period ended March 31, 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 March 31, 2006 and December 31, 2005, consolidated statements of operations and related earnings per share amounts, consolidated statements of cash flows or consolidated statements of shareholders' equity for the quarter ended March 31, 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 March 31, 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)

	<b>March 31, 2006 (Unaudited)</b>	<b>December 31, 2005 (Note)</b>
<b>ASSETS</b>		
Cash and equivalents	\$ 121,013	\$ 1,002,268
Unfunded settlements	85,488	156,663
House and land inventory	9,791,302	8,756,093
Land held for sale	313,958	257,724
Land, not owned, under option agreements	59,938	76,671
Residential mortgage loans available-for-sale	521,577	1,038,506
Investments in unconsolidated entities	246,479	301,613
Goodwill	375,937	307,693
Intangible assets, net	125,142	127,204
Other assets	1,062,182	1,023,739
Total assets	\$ 12,703,016	\$ 13,048,174
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Liabilities:		
Accounts payable, including book overdrafts of \$408,532 and \$405,411 in 2006 and 2005, respectively	\$ 876,865	\$ 789,399
Customer deposits	420,699	392,041
Accrued and other liabilities	1,169,903	1,402,620
Unsecured short-term borrowings	24,500	
Collateralized short-term debt, recourse solely to applicable non-guarantor subsidiary assets	447,022	893,001
Income taxes	165,770	219,504
Deferred income tax liability	28,051	7,740
Senior notes and unsubordinated notes	3,386,882	3,386,527
Total liabilities	6,519,692	7,090,832
Shareholders' equity	6,183,324	5,957,342
	\$ 12,703,016	\$ 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)**  
**(Unaudited)**

	<b>For the Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>		
Homebuilding	\$ 2,914,752	\$ 2,486,294
Financial Services	44,857	30,276
Other non-operating	2,967	1,248
Total revenues	2,962,576	2,517,818
<b>Expenses:</b>		
Homebuilding, principally cost of sales	2,538,385	2,140,196
Financial Services	27,240	21,518
Other non-operating, net	12,350	24,004
Total expenses	2,577,975	2,185,718
<b>Other income:</b>		
Gain on sale of equity investment	31,635	
Equity income	1,308	14,797
Income from continuing operations before income taxes	417,544	346,897
Income taxes	154,899	129,350
Income from continuing operations	262,645	217,547
Income from discontinued operations		695
Net income	\$ 262,645	\$ 218,242
<b>Per share data:</b>		
Basic:		
Income from continuing operations	\$ 1.04	\$ .85
Income from discontinued operations		
Net income	\$ 1.04	\$ .86

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Assuming dilution:		
Income from continuing operations	\$ 1.01	\$ .83
Income from discontinued operations		
Net income	\$ 1.01	\$ .83
Cash dividends declared	\$ .04	\$ .025
Number of shares used in calculation:		
Basic:		
Weighted-average common shares outstanding	253,684	254,868
Assuming dilution:		
Effect of dilutive securities stock options and restricted stock grants	7,054	7,885
Adjusted weighted-average common shares and effect of dilutive securities	260,738	262,753

See accompanying Notes to Condensed Consolidated Financial Statements

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

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Unearned Compensation</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>Shareholders Equity, December 31, 2005</b>	\$ 2,570	\$ 1,209,148	\$	\$ (5,496)	\$ 4,751,120	\$ 5,957,342
Stock option exercise, including tax benefit of \$2,958	2	5,284				5,286
Restricted stock award	7	(7)				
Cash dividends declared \$.04 per share					(10,271)	(10,271)
Stock repurchases	(13)	(6,135)			(43,552)	(49,700)
Stock-based compensation		15,842				15,842
Comprehensive income (loss):						
Net income					262,645	262,645
Change in fair value of derivatives				759		759
Foreign currency translation adjustments				1,421		1,421
 Total comprehensive income						 264,825
 <b>Shareholders Equity, March 31, 2006</b>	 \$ 2,566	 \$ 1,224,132	 \$	 \$ (3,316)	 \$ 4,959,942	 \$ 6,183,324
 <b>Shareholders Equity, December 31, 2004</b>	 \$ 2,558	 \$ 1,114,739	 \$ (44)	 \$ (14,380)	 \$ 3,419,401	 \$ 4,522,274
Stock option exercise, including tax benefit of \$17,871	18	33,093				33,111
Restricted stock award	8	(8)				
Restricted stock award amortization			44			44
Cash dividends declared \$.025 per share					(6,418)	(6,418)
Stock repurchases	(4)	(1,482)			(10,078)	(11,564)

Stock-based compensation	12,481		12,481
Comprehensive income (loss):			
Net income		218,242	218,242
Change in fair value of derivatives		(51)	(51)
Foreign currency translation adjustments		1,748	1,748
Total comprehensive income			219,939

<b>Shareholders Equity,</b>						
<b>March 31, 2005</b>	\$ 2,580	\$ 1,158,823	\$	\$ (12,683)	\$ 3,621,147	\$ 4,769,867

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	<b>For The Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2006</b>	<b>2005</b>
Cash flows from operating activities:		
Net income	\$ 262,645	\$ 218,242
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:		
Gain on sale of equity investment	(31,635)	
Amortization and depreciation	18,363	13,733
Stock-based compensation expense	15,842	12,525
Deferred income taxes	18,915	47,557
Distributions in excess of (less than) earnings of affiliates	864	(4,056)
Other, net	1,193	700
Increase (decrease) in cash due to:		
Inventories	(1,090,365)	(709,688)
Residential mortgage loans available-for-sale	516,929	289,003
Other assets	106,863	3,859
Accounts payable, accrued and other liabilities	(165,372)	(46,943)
Income taxes	(50,776)	(87,196)
Net cash used in operating activities	(396,534)	(262,264)
Cash flows from investing activities:		
Distributions from unconsolidated entities	1,725	33,244
Investments in unconsolidated entities	(13,507)	(83,978)
Investments in subsidiaries, net of cash acquired	(65,779)	(14,962)
Proceeds from the sale of subsidiaries		3,000
Proceeds from the sale of investments	49,216	8,366
Proceeds from sale of fixed assets	275	2,600
Capital expenditures	(15,261)	(20,688)
Net cash used in investing activities	(43,331)	(72,418)
Cash flows from financing activities:		
Proceeds from borrowings	60,907	654,635
Repayment of borrowings	(445,979)	(278,744)
Excess tax benefits from share-based awards	1,396	
Issuance of common stock	2,328	15,240
Stock repurchases	(49,700)	(11,564)
Dividends paid	(10,271)	(6,418)

Net cash provided by (used in) financing activities	(441,319)	373,149
Effect of exchange rate changes on cash and equivalents	(71)	67
Net increase (decrease) in cash and equivalents	(881,255)	38,534
Cash and equivalents at beginning of period	1,002,268	308,118
Cash and equivalents at end of period	\$ 121,013	\$ 346,652
Supplemental Cash Flow Information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	\$ 27,653	\$ 23,543
Income taxes	\$ 185,401	\$ 170,194

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 March 31, 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 March 31, 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 months ended March 31, 2006 and 2005 (see Note 2). The restatement has no impact on the Company's condensed consolidated balance sheets as of March 31, 2006 and December 31, 2005, or its consolidated statements of operations and related earnings per share amounts, consolidated statements of cash flows or its consolidated statements of shareholders' equity for the three months ended March 31, 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***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 March 31, 2006 and December 31, 2005, the Company classified \$59.9 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 \$10.4 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 March 31, 2006 and December 31, 2005, had a total purchase price of \$7.8 billion and \$7.5 billion, respectively. In connection with these agreements, the Company had deposits and advanced costs of \$442 million and \$431.4 million, included in other assets at March 31, 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):

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2006</b>	<b>2005</b>
Allowance for warranties at beginning of period	\$ 112,297	\$ 83,397
Warranty reserves provided	33,578	24,700
Payments and other adjustments	(40,483)	(27,651)
Allowance for warranties at end of period	\$ 105,392	\$ 80,446

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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 March 31, 2006, the Company had 31.5 million shares authorized for issuing various equity-based incentives including stock options, stock appreciation rights and restricted stock, including 11.4 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), Shared 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 months ended March 31, 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 Statement of Cash Flows. SFAS 123(R) requires the benefits of tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. For the three months ended March 31, 2006, the Company recognized \$1.4 million of excess tax benefits as a financing cash inflow.

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 months ended March 31, 2005:

	<b>Three Months Ended March 31, 2005</b>
Net income, as reported (\$000 s omitted)	\$ 218,242
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects (\$000 s omitted)	5,195
Deduct: Total stock-based employee compensation expense determined under fair value under SFAS 123(R) based method for all awards, net of related tax effects (\$000 s omitted)	(5,323)
Pro forma net income (\$000 s omitted)	\$ 218,114

Earnings per share:		
Basic-as reported	\$	0.86
Basic-pro forma	\$	0.86
Diluted-as reported	\$	0.83
Diluted-pro forma	\$	0.83



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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 (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 three months ended March 31, 2006 and 2005.

	<b>Weighted-average assumptions For the Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Expected life of options in years	5	6
Expected stock price volatility	34%	36%
Expected dividend yield	0.4%	0.3%
Risk-free interest rate	5.15%	4.2%
Fair value per option granted	\$ 14.85	\$ 14.30

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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)*

A summary of the status of the Company's stock options for the three months ended March 31, 2006 is presented below (000's omitted, except per share data):

	Shares	Weighted-Average Per Share Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of quarter	16,850	\$ 19		
Granted	33	39		
Exercised	(163)	(14)		
Forfeited	(121)	(28)		
Outstanding, end of quarter	16,599	19	6.9 years	\$ 321,902
Options exercisable at quarter-end	9,779	\$ 12	5.7 years	\$ 255,652

In connection with stock option awards, the Company recognized compensation expense of \$6.4 million and \$8.4 million for the three months ended March 31, 2006 and 2005, respectively. Total compensation cost related to nonvested awards not yet recognized was \$50.7 million at March 31, 2006. These costs will be expensed over a weighted average period of approximately 3.2 years. The aggregate intrinsic value of options exercised during the three months ended March 31, 2006 and 2005 was \$4 million and \$45.6 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 three months ended March 31, 2006, is presented below (000's omitted, except per share data):

	Shares	Weighted-Average Per Share Grant Date Fair Value
Nonvested, beginning of quarter	3,023	\$ 31.44
Granted	759	39.02
Vested	(210)	15.14
Forfeited	(69)	32.54
Nonvested, end of quarter	3,503	34.04

In connection with restricted stock awards, of which a majority cliff vest at the end of three years, the Company recognized compensation expense of \$9.4 million and \$4.1 million for the three months ended March 31, 2006 and 2005, respectively. Total compensation cost related to restricted stock awards not yet recognized was \$87.1 million at March 31, 2006. These costs will be expensed over a weighted average period of approximately 2.5 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 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 the new 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 March 31, 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 months ended March 31, 2006 and 2005. The restatement has no impact on the Company's condensed consolidated balance sheets as of March 31, 2006 and December 31, 2005, consolidated statements of operations and related earnings per share amounts, consolidated statements of cash flows or its consolidated statements of shareholders equity for the three months ended March 31, 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: <i>Connecticut, Delaware, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Virginia</i>
Southeast:	Southeast Area includes the following states: <i>Georgia, North Carolina, South Carolina, Tennessee</i>
Florida:	Florida Area includes the following state: <i>Florida</i>
Midwest:	Great Lakes Area includes the following states: <i>Illinois, Indiana, Michigan, Ohio, Minnesota</i>
Central:	Rocky Mountain and Texas Areas include the following states: <i>Colorado, Kansas, Missouri, Texas</i>
Southwest:	Arizona and Nevada Areas include the following states: <i>Arizona, Nevada, New Mexico</i>
*California:	Northern California and Southern California Areas include the following state: <i>California</i>

\* *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.

	<b>Operating Data by Segment (\$000's omitted)</b>	
	<b>For The Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Revenues:		
Northeast	\$ 353,788	\$ 257,766
Southeast	224,463	188,254
Florida	505,875	383,167
Midwest	229,463	246,854
Central	268,911	146,689
Southwest	692,860	688,908
California	639,392	574,656
Financial Services	44,857	30,276
Total segment revenues	2,959,609	2,516,570
Corporate and unallocated (a)	2,967	1,248
Consolidated revenues	\$ 2,962,576	\$ 2,517,818
Income (loss) from continuing operations before income taxes:		
Northeast	\$ 35,683	\$ 28,379
Southeast	11,875	12,492
Florida	114,210	66,564
Midwest	(482)	4,588
Central	6,587	(5,919)
Southwest	145,311	153,765
California	97,248	117,090
Financial Services	49,344	10,084
Total segment income before income taxes	459,776	387,043
Corporate and unallocated (b)	(42,232)	(40,146)
Consolidated income from continuing operations before income taxes	\$ 417,544	\$ 346,897

- (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 \$41.2 million and \$30.5 million for the three months ended March 31, 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)**

	<b>Operating Data by Segment (\$000 s omitted)</b>	
	<b>Assets</b>	<b>Inventory</b>
<b>As of March 31, 2006:</b>		
Northeast	\$ 1,720,266	\$ 1,299,401
Southeast	750,995	672,942
Florida	1,693,822	1,469,728
Midwest	1,065,737	962,043
Central	1,097,291	877,780
Southwest	2,595,478	2,340,246
California	2,247,863	1,919,366
Financial Services	588,860	
Total segment	11,760,312	9,541,506
Corporate and unallocated (a)	942,704	249,796
Consolidated	\$ 12,703,016	\$ 9,791,302
 <b>As of December 31, 2005:</b>		
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.*

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

**3. Inventory**

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

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
Homes under construction	\$ 3,750,029	3,136,708
Land under development	5,465,241	4,844,913
Land held for future development	576,032	774,472
Total	\$ 9,791,302	\$ 8,756,093

**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 March 31, 2006 and December 31, 2005, aggregate outstanding debt of unconsolidated joint ventures was \$878.7 million and \$882.2 million, respectively. At March 31, 2006 and December 31, 2005, the Company's proportionate share of its joint venture debt was approximately \$294.9 million and \$293.8 million, respectively, for which the Company provides limited recourse debt guarantees of approximately \$292.5 million and \$288.2 million, respectively. 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 March 31, 2006, the Company does not anticipate the Company will incur any significant costs under these guarantees.

For the three months ended March 31, 2006, the Company made additional capital contributions to these joint ventures totaling approximately \$13.5 million and received capital and earnings distributions from these entities totaling approximately \$3.9 million. At March 31, 2006 and December 31, 2005, the Company had approximately \$246.5 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.

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

**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 \$68 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 months ended March 31, 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 three months ended March 31, 2005. The Argentina operations were presented as discontinued operations in 2004.

**6. 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 7,372,300 shares for a total of \$227.9 million. At March 31, 2006, the Company had remaining authorization to purchase common stock aggregating \$172.1 million.

*Accumulated other comprehensive income (loss)*

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

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
Foreign currency translation adjustments:		
Mexico	\$ (165)	\$ (1,586)
Fair value of derivatives, net of income taxes of \$1,931 in 2006 and \$2,397 in 2005	(3,151)	(3,910)
	\$ (3,316)	\$ (5,496)

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

**7. Supplemental Guarantor information**

At March 31, 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, and (10) \$300 million, 6%, due 2035. 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, specifically 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)**

**7. Supplemental Guarantor information (continued)****CONDENSED CONSOLIDATING BALANCE SHEET**

March 31, 2006

(\$000 s omitted)

	<b>Pulte</b>	<b>Unconsolidated</b>			
	<b>Homes, Inc.</b>	<b>Guarantor</b>	<b>Non-Guarantor</b>	<b>Eliminating</b>	<b>Consolidated</b>
		<b>Subsidiaries</b>	<b>Subsidiaries</b>	<b>Entries</b>	<b>Pulte Homes, Inc.</b>
<b>ASSETS</b>					
Cash and equivalents	\$	\$ 84,732	\$ 36,281	\$	\$ 121,013
Unfunded settlements		84,812	676		85,488
House and land inventory		9,778,538	12,764		9,791,302
Land held for sale		313,958			313,958
Land, not owned, under option agreements		59,938			59,938
Residential mortgage loans available-for-sale			521,577		521,577
Investments in unconsolidated entities	1,448	226,005	19,026		246,479
Goodwill		375,237	700		375,937
Intangible assets, net		125,142			125,142
Other assets	47,292	922,500	92,390		1,062,182
Investment in subsidiaries	11,469,467	84,400	3,299,192	(14,853,059)	
	\$ 11,518,207	\$ 12,055,262	\$ 3,982,606	\$ (14,853,059)	\$ 12,703,016
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>					
Liabilities:					
Accounts payable, accrued and other liabilities	\$ 186,083	\$ 2,103,062	\$ 206,373	\$	\$ 2,495,518
Unsecured short-term borrowings	24,500				24,500
Collateralized short-term debt, recourse solely to applicable non-guarantor subsidiary assets			447,022		447,022
Income taxes	165,770				165,770
Senior notes and unsubordinated notes	3,386,882				3,386,882
Advances (receivable) payable subsidiaries	1,571,648	(1,551,378)	(20,270)		

Total liabilities	5,334,883	551,684	633,125		6,519,692
Shareholders' equity	6,183,324	11,503,578	3,349,481	(14,853,059)	6,183,324
	\$ 11,518,207	\$ 12,055,262	\$ 3,982,606	\$ (14,853,059)	\$ 12,703,016

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

**7. Supplemental Guarantor information (continued)****CONSOLIDATING BALANCE SHEET****DECEMBER 31, 2005****(\$000 s omitted)**

	<b>Pulte</b>	<b>Unconsolidated</b>			
	<b>Homes, Inc.</b>	<b>Guarantor</b>	<b>Non-Guarantor</b>	<b>Eliminating</b>	<b>Consolidated</b>
		<b>Subsidiaries</b>	<b>Subsidiaries</b>	<b>Entries</b>	<b>Pulte Homes, Inc.</b>
<b>ASSETS</b>					
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
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>					
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 subordinated 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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Total 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)**

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

For the three months ended March 31, 2006

(\$000 s omitted)

	<b>Pulte Homes, Inc.</b>	<b>Unconsolidated Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminating Entries</b>	<b>Consolidated Pulte Homes, Inc.</b>
<b>Revenues:</b>					
Homebuilding	\$	\$ 2,914,752	\$	\$	\$ 2,914,752
Financial services		5,855	39,002		44,857
Other non-operating	39	1,990	938		2,967
Total revenues	39	2,922,597	39,940		2,962,576
<b>Expenses:</b>					
Homebuilding:					
Cost of sales		2,247,109			2,247,109
Selling, general and administrative and other expense	7,773	285,022	(1,519)		291,276
Financial Services, principally interest	759	2,344	24,137		27,240
Other non-operating expenses, net	20,456	(6,815)	(1,291)		12,350
Intercompany interest	39,684	(39,684)			
Total expenses	68,672	2,487,976	21,327		2,577,975
<b>Other Income:</b>					
Gain on sale of equity investment			31,635		31,635
Equity income		972	336		1,308
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(68,633)	435,593	50,584		417,544
Income taxes (benefit)	(26,525)	162,063	19,361		154,899
Income (loss) from continuing operations before equity in	(42,108)	273,530	31,223		262,645

income of subsidiaries  
 Equity in income (loss) of  
 subsidiaries:

Continuing operations	304,753	28,868	96,838	(430,459)	
	304,753	28,868	96,838	(430,459)	
Net income	\$ 262,645	\$ 302,398	\$ 128,061	\$ (430,459)	\$ 262,645

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

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

For the three months ended March 31, 2005

(\$000 s omitted)

	<b>Unconsolidated</b>				<b>Consolidated</b>
	<b>Pulte Homes, Inc.</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminating Entries</b>	<b>Pulte Homes, Inc.</b>
<b>Revenues:</b>					
Homebuilding	\$	\$ 2,486,294	\$	\$	\$ 2,486,294
Financial services		5,739	24,537		30,276
Other non-operating	58	1,057	133		1,248
Total revenues	58	2,493,090	24,670		2,517,818
<b>Expenses:</b>					
Homebuilding:					
Cost of sales		1,877,227			1,877,227
Selling, general and administrative and other expense	4,183	257,980	806		262,969
Financial Services, principally interest	1,297	1,934	18,287		21,518
Other non-operating expenses, net	31,067	(4,916)	(2,147)		24,004
Intercompany interest	42,790	(42,790)			
Total expenses	79,337	2,089,435	16,946		2,185,718
<b>Other Income:</b>					
Equity income		12,652	2,145		14,797
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(79,279)	416,307	9,869		346,897
Income taxes (benefit)	(29,318)	154,533	4,135		129,350
Income (loss) from continuing operations before equity in income of subsidiaries	(49,961)	261,774	5,734		217,547

Income (loss) from discontinued operations	(64)		759		695
Income (loss) before equity in income of subsidiaries	(50,025)	261,774	6,493		218,242
Equity in income (loss) of subsidiaries:					
Continuing operations	267,508	3,781	50,682	(321,971)	
Discontinued operations	759			(759)	
	268,267	3,781	50,682	(322,730)	
Net income	\$ 218,242	\$ 265,555	\$ 57,175	\$ (322,730)	\$ 218,242

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

**7. Supplemental Guarantor information (continued)****CONSOLIDATING STATEMENT OF CASH FLOWS****For the three months ended March 31, 2006****(\$000 s omitted)**

	<b>Pulte Homes, Inc.</b>	<b>Unconsolidated Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminating Entries</b>	<b>Consolidated Pulte Homes, Inc.</b>
Cash flows from operating activities:					
Net income	\$ 262,645	\$ 302,398	\$ 128,061	\$ (430,459)	\$ 262,645
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:					
Equity in income of subsidiaries	(304,753)	(28,868)	(96,838)	430,459	
Gain on sale of equity investments			(31,635)		(31,635)
Amortization and depreciation		16,325	2,038		18,363
Stock-based compensation expense	15,842				15,842
Deferred income taxes	22,247		(3,332)		18,915
Distributions in excess of (less than) earnings of affiliates		(880)	1,744		864
Other, net	355	899	(61)		1,193
Increase (decrease) in cash due to:					
Inventory		(1,091,120)	755		(1,090,365)
Residential mortgage loans available-for-sale			516,929		516,929
Other assets	(5,419)	163,191	(50,909)		106,863
Accounts payable, accrued and other liabilities	(27,157)	(106,297)	(31,918)		(165,372)
Income taxes	(235,193)	162,064	22,353		(50,776)
Net cash provided by (used in) operating activities	(271,433)	(582,288)	457,187		(396,534)
Distributions from unconsolidated entities		1,725			1,725
Investments in unconsolidated entities		(13,507)			(13,507)
Dividends received from subsidiaries		37,000	6,028	(43,028)	

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Investment in subsidiaries	(19,820)	(68,104)		22,145	(65,779)
Proceeds from sales of investments			49,216		49,216
Proceeds from sale of fixed assets		274	1		275
Capital expenditures		(13,008)	(2,253)		(15,261)
Net cash provided by (used in) investing activities	(19,820)	(55,620)	52,992	(20,883)	(43,331)

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

**7. Supplemental Guarantor information (continued)****CONSOLIDATING STATEMENT OF CASH FLOWS (continued)****For the three months ended March 31, 2006****(\$000 s omitted)**

	<b>Pulte Homes, Inc.</b>	<b>Unconsolidated Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminating Entries</b>	<b>Consolidated Pulte Homes, Inc.</b>
Cash flows from financing activities:					
Proceeds from borrowings	24,500	36,407			60,907
Repayment of borrowings			(445,979)		(445,979)
Capital contributions from parent		19,807	2,338	(22,145)	
Advances (to) from affiliates	323,000	(173,338)	(149,662)		
Excess tax benefits from share-based awards	1,396				1,396
Issuance of common stock	2,328				2,328
Common stock repurchases	(49,700)				(49,700)
Dividends paid	(10,271)		(43,028)	43,028	(10,271)
Net cash provided by (used in) financing activities	291,253	(117,124)	(636,331)	20,883	(441,319)
Effect of exchange rate changes on cash and equivalents			(71)		(71)
Net increase (decrease) in cash and equivalents		(755,032)	(126,223)		(881,255)
Cash and equivalents at beginning of period		839,764	162,504		1,002,268
Cash and equivalents at end of period	\$	\$ 84,732	\$ 36,281	\$	\$ 121,013

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

**7. Supplemental Guarantor information (continued)****CONSOLIDATING STATEMENT OF CASH FLOWS****For the three months ended March 31, 2005****(\$000 s omitted)**

	<b>Pulte Homes, Inc.</b>	<b>Unconsolidated Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminating Entries</b>	<b>Consolidated Pulte Homes, Inc.</b>
Cash flows from operating activities:					
Net income	\$ 218,242	\$ 265,555	\$ 57,175	\$ (322,730)	\$ 218,242
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:					
Equity in income of subsidiaries	(268,267)	(3,781)	(50,682)	322,730	
Amortization and depreciation		11,516	2,217		13,733
Stock-based compensation expense	12,525				12,525
Deferred income taxes	49,332	(3)	(1,772)		47,557
Distributions in excess of (less than) earnings of affiliates		(2,293)	(1,763)		(4,056)
Other, net	348	120	232		700
Increase (decrease) in cash due to:					
Inventories		(710,665)	977		(709,688)
Residential mortgage loans available-for-sale			289,003		289,003
Other assets	(12,198)	7,058	8,999		3,859
Accounts payable, accrued and other liabilities	(12,346)	(25,540)	(9,057)		(46,943)
Income taxes	(247,639)	154,536	5,907		(87,196)
Net cash provided by (used in) operating activities	(260,003)	(303,497)	301,236		(262,264)
Distributions from unconsolidated entities		33,029	215		33,244
Investments in unconsolidated entities		(83,978)			(83,978)
Dividends received from subsidiaries	1,362	13,000		(14,362)	
Investment in subsidiaries	(28,274)	(535)	13,312	535	(14,962)
			3,000		3,000



Proceeds from sales of subsidiaries					
Proceeds from sales of investments			8,366		8,366
Proceeds from sale of fixed assets		2,600			2,600
Capital expenditures		(17,805)	(2,883)		(20,688)
Net cash provided by (used in) investing activities	(26,912)	(53,689)	22,010	(13,827)	(72,418)
		26			

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

**7. Supplemental Guarantor information (continued)****CONSOLIDATING STATEMENT OF CASH FLOWS (continued)****For the three months ended March 31, 2005****(\$000 s omitted)**

	<b>Pulte Homes, Inc.</b>	<b>Unconsolidated Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminating Entries</b>	<b>Consolidated Pulte Homes, Inc.</b>
Cash flows from financing activities:					
Proceeds from borrowings	648,557	6,078			654,635
Repayment of borrowings			(278,744)		(278,744)
Capital contributions from parent			535	(535)	
Advances (to) from affiliates	(358,900)	489,226	(130,326)		
Issuance of common stock	15,240				15,240
Common stock repurchases	(11,564)				(11,564)
Dividends paid	(6,418)	(1,362)	(13,000)	14,362	(6,418)
Net cash provided by (used in) financing activities	286,915	493,942	(421,535)	13,827	373,149
Effect of exchange rate changes on cash and equivalents			67		67
Net increase (decrease) in cash and equivalents		136,756	(98,222)		38,534
Cash and equivalents at beginning of period		185,375	122,743		308,118
Cash and equivalents at end of period	\$	\$ 322,131	\$ 24,521	\$	\$ 346,652

**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 March 31, 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 months ended March 31, 2006 and 2005 (see Note 2). The restatement has no impact on our condensed consolidated balance sheets as of March 31, 2006 and December 31, 2005, consolidated statements of operations and related earnings per share amounts, consolidated statements of cash flows or consolidated statements of shareholders' equity for the three months ended March 31, 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**

A summary of our operating results for the three months ended March 31, 2006 and 2005 is as follows (\$000 omitted):

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Pre-tax income (loss):		
Homebuilding operations	\$ 377,583	\$ 359,569
Financial services operations	49,344	10,084
Other non-operating	(9,383)	(22,756)
Pre-tax income from continuing operations	417,544	346,897
Income taxes	154,899	129,350
Income from continuing operations	262,645	217,547
Income from discontinued operations		695
Net income	\$ 262,645	\$ 218,242
Per share data assuming dilution:		
Income from continuing operations	\$ 1.01	\$ .83
Income from discontinued operations		
Net income	\$ 1.01	\$ .83



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**Overview (continued)**

A comparison of pre-tax income for the three months ended March 31, 2006 and 2005 is as follows: Geographic and product mix shifts, average unit selling price increases and benefits from the ongoing initiatives to simplify processes and leverage construction costs throughout the operations contributed to increases in pre-tax income of our homebuilding business segment. Pre-tax income from homebuilding operations increased 5% for the three months ended March 31, 2006, compared with the same period in the prior year.

Homebuilding settlement revenues increased 17% to \$2.9 billion compared with the same period in the prior year. Higher revenues for the first quarter of 2006 were the result of a 7% increase in closings to 8,602 homes, combined with a 9% increase in the average home selling price to \$336,000 compared with the first quarter of 2005.

Backlog dollars increased 9% to \$7.1 billion (19,940 units) at March 31, 2006 compared with \$6.5 billion (19,964 units) at March 31, 2005.

Pre-tax income of our financial services business segment increased \$39.3 million for the three months ended March 31, 2006, compared with the prior year period. We recognized a one-time gain of \$31.6 million from the sale of our investment in Su Casita, a Mexican mortgage banking company. Additionally, the quarter benefited from a product mix shift to more profitable loans and a more favorable interest rate environment to sell loans, compared with the same quarter in 2005.

The decrease in non-operating expenses for the three months ended March 31, 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.

**Table of Contents****Homebuilding Operations**

The following table presents a summary of pre-tax income and unit information for our Homebuilding operations for the three months ended March 31, 2006 and 2005 (\$000 s omitted):

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Home sale revenue (settlements)	\$ 2,888,834	\$ 2,462,109
Land sale revenue	25,918	24,185
Home cost of sales <sup>(a)</sup>	(2,225,966)	(1,856,468)
Land cost of sales	(21,143)	(20,759)
Selling, general and administrative expense	(284,749)	(254,431)
Equity income	1,216	13,471
Other income (expense), net	(6,527)	(8,538)
Pre-tax income	\$ 377,583	\$ 359,569
Unit settlements	8,602	8,019
Average selling price	\$ 336	\$ 307
Net new orders units	10,725	12,067
Net new orders dollars	\$ 3,683,000	\$ 3,833,000
Backlog at March 31:		
Units	19,940	19,964
Dollars	\$ 7,096,000	\$ 6,525,000

<sup>(a)</sup> *Homebuilding interest expense, which represents the amortization of capitalized interest, of \$41.2 million for the three months ended March 31, 2006 and \$30.5 million for the three months ended March 31, 2005, has been included as part of homebuilding cost of sales.*

Homebuilding gross profit margins from home settlements decreased to 22.9% for the three months ended March 31, 2006, compared with 24.6% for the same period in the prior year. This decrease is primarily attributable to the closeout of communities that contributed higher margins replaced by new communities that are contributing lower margins which is a result of a shift in product mix offerings, increased costs associated with the purchase of land and

land development, and increases in materials and labor in house costs. The decrease in homebuilding gross profit margins was partially offset by 50 basis points related to 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 March 31, 2006 were \$4.8 million, compared with \$3.4 million for the three months ended March 31, 2005. 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 March 31, 2006, we had \$314 million of land held for sale.

Selling, general and administrative expenses as a percentage of home settlement revenues declined to 9.9% for the three months ended March 31, 2006 compared with 10.3% for the same period in the prior year. This improvement can be attributed to increased selling prices, our internal initiatives focused on controlling costs, and better overhead leverage from increased volume compared with the prior year period.

The decrease in equity income of \$12.3 million for the three months ended March 31, 2006 compared with the same period in the prior year is the result of our 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 quarter ended March 31, 2005, earnings from this investment were recorded in equity income.

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

Unit settlements increased 7% for the three months ended March 31, 2006, to 8,602 units, over the same period in 2005. The average selling price for homes closed increased 9% to \$336,000 for the three months ended March 31, 2006 compared with the same period 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 March 31, 2006, unit net new orders decreased 11% to 10,725 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. The dollar value of net new orders decreased 4% for the three months ended March 31, 2006, compared with the same period in 2005, as selling prices remained stable or increased in many of our markets. For the quarter ended March 31, 2006, we had 692 active selling communities, an increase of 8% from the same period in the prior year. Ending backlog, which represents orders for homes that have not yet closed, was 19,940 units at March 31, 2006. The dollar value of backlog was up 9% to \$7.1 billion.

At March 31, 2006 and December 31, 2005, our Homebuilding operations controlled approximately 356,900 and 362,600 lots, respectively. Approximately 180,900 and 173,800 lots were owned, and approximately 127,000 and 133,400 lots were under option agreements approved for purchase at March 31, 2006 and December 31, 2005, respectively. In addition, there were approximately 49,000 and 55,400 lots under option agreements, pending approval, at March 31, 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 \$6.1 billion at March 31, 2006. In addition, total purchase price related to land under option pending approval was valued at \$1.8 billion at March 31, 2006. Land option agreements, which may be cancelled at our discretion, may extend over several years and are secured by deposits and advanced costs totaling \$452.4 million, which are generally non-refundable.

The following table presents markets that represent 10% or more of unit net new orders, unit settlements, and settlement revenues for the three months ended March 31, 2006 and 2005:

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
<i>Unit net new orders:</i>		
Phoenix	*	13%
Las Vegas	10%	*
<i>Unit settlements:</i>		
Phoenix	*	16%
Las Vegas	12%	*
<i>Settlement revenues:</i>		
Phoenix	*	14%
Las Vegas	13%	11%

\* Represents less than 10%.



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**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 our operating segments to be 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 reportable segments:

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Home sale revenue (settlements) (\$000 s omitted):		
Northeast	\$ 353,788	\$ 257,708
Southeast	224,463	167,281
Florida	505,315	383,167
Midwest	228,163	246,854
Central	244,854	143,832
Southwest	692,860	688,611
California	639,391	574,656
	<b>\$ 2,888,834</b>	<b>\$ 2,462,109</b>
Income (loss) before income taxes (\$000 s omitted):		
Northeast	\$ 35,683	\$ 28,379
Southeast	11,875	12,492
Florida	114,210	66,564
Midwest	(482)	4,588
Central	6,587	(5,919)
Southwest	145,311	153,765
California	97,248	117,090
Unallocated	(32,849)	(17,390)
	<b>\$ 377,583</b>	<b>\$ 359,569</b>
Unit settlements:		
Northeast	716	538
Southeast	875	757
Florida	1,629	1,574
Midwest	749	869
Central	1,366	854
Southwest	2,026	2,244
California	1,241	1,183
	<b>8,602</b>	<b>8,019</b>
Net new orders units:		
Northeast	728	1,028
Southeast	1,573	1,280
Florida	1,802	2,437
Midwest	1,211	1,454
Central	1,692	1,531

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Southwest	2,428	2,921
California	1,291	1,416
	10,725	12,067
Unit backlog:		
Northeast	1,605	1,973
Southeast	2,278	1,342
Florida	4,258	5,349
Midwest	1,745	1,819
Central	2,401	1,627
Southwest	5,304	5,093
California	2,349	2,761
	19,940	19,964

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

	<b>As of March 31, 2006</b>	<b>As of December 31, 2005</b>
Controlled Lots:		
Northeast	45,720	44,088
Southeast	29,526	31,863
Florida	67,041	70,434
Midwest	35,003	36,334
Central	36,290	39,331
Southwest	99,492	97,290
California	43,836	43,275
	356,908	362,615

*Northeast:*

During the first quarter of 2006, our Northeast 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. Unit net new orders for the quarter and unit backlog at quarter end decreased from the prior year quarter, as increased resale home inventories in the Northeast resulted in weakened demand for new homes due to potential buyers inability to sell their existing homes and unwillingness to make a commitment on a new home. Additionally, operating results in the Northeast were negatively impacted by increased sales incentives offered to homebuyers in an effort to increase net new orders and reduce spec inventories. Unit cancellations for the first quarter of 2006 increased 15% to 156 units, compared with the same period in 2005. Reduced new order sign-up activity and higher unit cancellations resulted in a higher overall cancellation rate. For the first quarter of 2006, cancellation rates were approximately 18% compared with 12% for the same period in 2005, with the highest cancellation rates occurring in New England, Metro New York/New Jersey, Delaware Valley and Maryland.

*Southeast:*

During the first quarter of 2006, our Southeast operations realized increased revenues from higher average selling prices and settlements, compared with the prior year quarter. For the three months ended March 31, 2006, net new orders increased 23% to 1,573 units compared with the prior year quarter due to the successful grand opening of a large, active adult community located in Charlotte and strong demand throughout the Southeast. Cancellation rates for the quarter were approximately 15% and remained comparable with the same period in 2005. During the first quarter of 2006, our Southeast operations were negatively impacted by increased selling incentives and broker commissions offered to reduce spec inventories and increased selling, general and administrative expenses associated with the grand opening of our active adult communities.

*Florida:*

During the first 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. Recently, 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, especially 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 March 31, 2006, net new orders decreased 26% to 1,802 units compared with the same period in 2005. For the first quarter of 2006, increased cancellation rates were attributable to lower new order sign-up activity and increased cancellations in all markets. Cancellation rates for the quarter were approximately 18% compared with 11% for the same period in 2005.



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

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 months ended March 31, 2006, net new orders decreased 17% to 1,211 units compared with the same period in 2005. Cancellation rates for the first quarter of 2006 were approximately 12% compared with 11% for the same period in 2005. For the three months ended March 31, 2006, operating results were negatively impacted by increased sales incentives offered to homebuyers in an effort to increase net new orders and reduce spec inventories. Selling, general and administrative expenses decreased during the first quarter of 2006 as we began to align our operations to meet changing market conditions.

*Central:*

During the first quarter of 2006, our Central operations had increased revenues and higher average selling prices and profits, compared with the prior year period. The Central operations experienced an 11% increase in net new orders to 1,692 units for the first quarter of 2006, compared with the same period in 2005, which was largely attributable to the grand opening of an active adult community in Dallas as well as increased incentives offered to homebuyers to reduce spec inventories in San Antonio. Unit cancellations for the first quarter of 2006 increased 60% to 570 units, compared with the same period in 2005, which resulted in a higher overall cancellation rate. The cancellation rate for the quarter was 25% compared with 19% for the first quarter of 2005. During the first quarter of 2006, our Central operations were positively impacted by land sale gains of \$4.6 million which occurred primarily in Dallas and Houston. There were no significant land sale gains realized in the prior year quarter.

*Southwest:*

During the first 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 first quarter of 2006 decreased 17% to 2,428 units, compared with the same period in 2005. Unit cancellations for the first quarter of 2006 increased 52% to 864 units, compared with the same period in 2005. For the three months ended March 31, 2006, the cancellation rate was 26% compared with 16% for the same period in 2005, with a majority of the increase in current period cancellations occurring in Phoenix and Las Vegas. During the first quarter of 2006, our Southwest operations were negatively impacted by increased incentives offered to homebuyers as well as the impact of community turnover and replacement community product mix. However, the decrease in operating results for the Southwest segment was partially offset during the first 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.

*California:*

Our California operations were impacted by weakened demand for new homes, especially in Sacramento, which has experienced a significant increase in resale home inventories. In addition, the closeout of a large, successful community which contributed significantly to our operations during 2005 impacted the California reporting segment during the first quarter of 2006 and resulted in a decrease in net new orders. Accordingly, net new orders for the first quarter of 2006 decreased 9% to 1,291. Cancellation rates were approximately 30% and 28% for the three months ended March 31, 2006 and 2005, respectively. Our California operating results were also negatively impacted during the first quarter of 2006 by an increase in incentives and broker commissions used to increase new home sales, especially in Sacramento.

**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 months ended March 31, 2006 was \$49.3 million compared with \$10.1 million for the prior year period. 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 three months ended March 31, 2006. For the three months ended March 31, 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.

Loan originations for the three months ended March 31, 2006 increased 7% to 8,091 mortgages compared with the prior year period.

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

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Total originations:		
Loans	8,091	7,592
Principal (\$000 s omitted)	\$ 1,744,200	\$ 1,489,400
Originations for Pulte customers:		
Loans	8,060	7,215
Principal (\$000 s omitted)	\$ 1,736,500	\$ 1,427,900

Capture rates for the quarter ended March 31, 2006 were comparable with the same quarter in the prior year at approximately 89%. Mortgage origination unit and principal volume for the three months ended March 31, 2006 increased 7% and 17%, respectively, over the same period in 2005. The growth is attributable to volume increases experienced in our homebuilding business and an increase in the average loan size. Our Homebuilding customers continue to account for nearly all of our total loan production, representing almost 100% of total Pulte Mortgage unit production for the three months ended March 31, 2006, compared with 95% for the same period in 2005. At March 31, 2006, loan application backlog decreased to \$4.1 billion compared with \$4.4 billion at March 31, 2005.

Adjustable rate mortgages (ARMs), which generally have a lower profit per loan than fixed rate products, represented 35% of total funded origination dollars and 28% of total funded origination units for the three months ended March 31, 2006, compared with 52% and 47% in the prior year period, respectively. Interest only mortgages, a component of ARMs, represented 77% of ARMs origination dollars and 80% of ARMs origination units for the three months ended March 31, 2006, compared with 68% and 72% in the prior year period, respectively.

Excluding the gain related to the sale of Su Casita, pre-tax income increased \$7.7 million for the quarter ended March 31, 2006 compared with the prior year quarter, due to an increase in origination volume and a shift in product mix to more profitable loans.

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 a summary of other non-operating expenses (\$000 s omitted):

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Net interest expense (income)	\$ (1,090)	\$ 13,747
Other corporate expenses, net	10,473	9,009
Loss before income taxes	\$ 9,383	\$ 22,756

We recognized \$1.1 million of net interest income for the three months ended March 31, 2006, compared with \$13.7 million of net interest expense for the same period in the prior year. This is a result of an increase of the amount of interest capitalized into homebuilding inventory along with increased interest income of approximately \$1.7 million. Other corporate expenses increased \$1.5 million for the three months ended March 31, 2006, compared with the same period in the prior year, due to increased compensation-related expenses.

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):

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Interest in inventory at beginning of period	\$ 229,798	\$ 223,591
Interest capitalized	56,624	40,664
Interest expensed	(41,169)	(30,544)
Interest in inventory at end of period	\$ 245,253	\$ 233,711
Interest incurred *	\$ 56,834	\$ 55,659

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



*interest incurred  
by our financial  
services  
operations.*

**Table of Contents****Liquidity and Capital Resources**

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

At March 31, 2006, we had cash and equivalents of \$121 million and \$3.4 billion of senior and unsubordinated notes outstanding. Other financing included limited recourse collateralized financing totaling \$17.1 million. Sources of our working capital include our cash and equivalents, our \$1.66 billion committed unsecured revolving credit facility and Pulte Mortgage's \$940 million committed credit arrangements.

Our debt-to-total capitalization, excluding our collateralized debt, was approximately 35.6% at March 31, 2006, and approximately 34.7% 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 March 31, 2006 we had \$24.5 million outstanding 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 March 31, 2006, Pulte Mortgage had committed credit arrangements of \$940 million comprised of a \$390 million bank revolving credit facility and a \$550 million asset-backed commercial paper program. At March 31, 2006, Pulte Mortgage had \$447 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), the Company has repurchased a total of 7,372,300 shares for a total of \$227.9 million. At March 31, 2006, the Company had remaining authorization to purchase common stock aggregating \$172.1 million.

Our income tax liability and related effective tax rate are affected by a number of factors. In 2006, our effective tax rate was 37.1% compared to 37.3% for the three months ended March 31, 2005. We anticipate that our effective tax rate for the remainder of 2006 will be approximately 37.2%.

Our net cash used in operating activities for the three months ended March 31, 2006 was \$396.5 million, compared with \$262.3 million for the three months ended March 31, 2005. Net income for both years was offset primarily by significant investments in land necessary to support the continued growth of the business.

Cash used in investing activities was \$43.3 million for the three months ended March 31, 2006, compared with \$72.4 million for the three months ended March 31, 2005. During the three months ended March 31, 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 \$13.5 million of capital contributions to and received \$1.7 million in capital distributions from our unconsolidated joint ventures for the three months ended March 31, 2006. Further, we incurred approximately \$15.3 million in capital expenditures to support the growth of our business.

Net cash used in financing activities totaled \$441.3 million for the three months ended March 31, 2006, compared with net cash provided by financing activities of \$373.1 million for the three months ended March 31, 2005. Proceeds from borrowings for the three months ended March 31, 2006 totaled \$60.9 million and was comprised of \$24.5 million for our unsecured revolving credit facility and additional net debt incurred by our homebuilding markets. For the three months ended March 31, 2006, the net decrease in Pulte Mortgage's credit arrangements was approximately \$446 million. Additionally, we incurred \$49.7 million for stock repurchases and paid \$10.3 million in dividends.

**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.

**New Accounting Pronouncements**

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.

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 the new 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 three months ended March 31, 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 March 31, 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 March 31, 2006 for the years ended December 31,						Total	Fair Value
	2006	2007	2008	2009	2010	There- after		
<b>Rate sensitive liabilities:</b>								
<i>Fixed interest rate debt:</i>								
Senior notes	\$	\$	\$	\$ 400,000	\$	\$ 2,998,563	\$ 3,398,563	\$ 3,346,132
Average interest rate				4.88%		6.58%	6.38%	
Limited recourse collateralized financing	\$ 4,800	\$ 5,842	\$ 2,273	\$ 3,265	\$ 933	\$	\$ 17,113	\$ 17,113
Average interest rate	1.80%	1.89%	1.79%	1.00%	8.75%		2.06%	

*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 March 31, 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 March 31, 2006.

There was no change in our internal control over financial reporting during the quarter ended March 31, 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)
January 1, 2006 through January 31, 2006	18,510(2)	\$ 39.97		\$ 195,550 (1)
February 1, 2006 through February 28, 2006	673,700(2)	\$ 37.92	632,500	\$ 195,550 (1)
March 1, 2006 through March 31, 2006	619,000	\$ 37.82	619,000	\$ 172,140 (1)
Total	1,311,210	\$ 37.90	1,251,500	

(1) 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  
7,372,300  
shares for a total  
of  
\$227.9 million.

- (2) During January and February 2006, 59,710 shares were surrendered by employees for payment of taxes related to vesting of restricted stock, and were not repurchased as part of our publicly announced stock repurchase programs.

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**Item 6. Exhibits**

**(a) Exhibits**

**Exhibit Number and Description**

- 3(a) Certificate of Amendment to the Articles of Incorporation of Pulte Homes, Inc. (Dated May 16, 2005) (Incorporated by reference to Exhibit 3(a) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006)
- 10(a) Pulte Homes, Inc. Long Term Compensation Deferral Plan (As Amended and Restated Effective January 1, 2004) (Incorporated by reference to Exhibit 10(a) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006)
- 10(b) Pulte Homes, Inc. Income Deferral Plan (As Amended and Restated Effective January 1, 2004) (Incorporated by reference to Exhibit 10(b) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006)
- 10(c) Pulte Homes, Inc. Deferred Compensation Plan For Non-Employee Directors (Effective as of January 1, 2005) (Incorporated by reference to Exhibit 10(c) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 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) of 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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32	Certification Pursuant to 18 United States Code § 1350 and Rule 13a-14(b) of the Securities Exchange Act of 1934