

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

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

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, par value \$.01

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the
Act. YES NO

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained
herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

The aggregate market value of the registrant's voting stock held by nonaffiliates of the registrant as of June 30, 2005, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was \$9,032,497,053.

As of February 28, 2006, the registrant had 257,778,034 shares of common stock outstanding.

Documents Incorporated by Reference

Applicable portions of the Proxy Statement for the 2006 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form.

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Consent of Independent Registered Public Accounting Firm

Rule 13a-14(a) Certification by Richard J. Dugas, Jr. President and Chief Executive Officer

Rule 13a-14(a) Certification by Roger A. Cregg, Executive Vice President and Chief Financial Officer

Certification Pursuant to 18 U.S.C. Section 1350

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PULTE HOMES, INC.
FORM 10-K/A FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
Explanatory Paragraph

This Annual Report on Form 10-K/A is filed for the purpose of restating Note 2 in our Notes to Consolidated Financial Statements for the fiscal years ended December 31, 2005, 2004 and 2003, 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 has no impact on our consolidated balance sheets as of December 31, 2005 and 2004 or consolidated statements of operations and related earnings per share amounts, consolidated statements of cash flows or consolidated statements of shareholders equity for the years ended December 31, 2005, 2004 and 2003. Conforming changes have been made to the Business section in Item 1 and Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Form 10-K/A. See Note 2 in the Notes to Consolidated Financial Statements for further information relating to the restatement.

For ease of reference, this Form 10-K/A restates the Form 10-K for the fiscal year ended December 31, 2005 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 Annual Report on Form 10-K except to give effect to the restatement discussed in Note 2 in our Notes to Consolidated Financial Statements and the discussion included within Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations. As a result, this Annual Report on Form 10-K/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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PART I

ITEM 1. BUSINESS

Pulte Homes, Inc.

Pulte Homes, Inc. is a publicly held holding company whose subsidiaries engage in the homebuilding and financial services businesses. Pulte Homes, Inc. is a Michigan corporation and was organized in 1956. Our assets consist principally of the capital stock of our subsidiaries and our income primarily consists of dividends from our subsidiaries. Our direct subsidiaries include Pulte Diversified Companies, Inc., Del Webb Corporation (Del Webb) and other subsidiaries engaged in the homebuilding business. Pulte Diversified Companies, Inc.'s operating subsidiaries include Pulte Home Corporation, Pulte International Corporation (International) and other subsidiaries engaged in the homebuilding business. Pulte Diversified Companies, Inc.'s non-operating thrift subsidiary, First Heights Holding Corp, LLC (First Heights), is classified as a discontinued operation (see Note 3 of our Consolidated Financial Statements). We also have a mortgage banking company, Pulte Mortgage LLC (Pulte Mortgage), which is a subsidiary of Pulte Home Corporation.

In December 2005, we sold substantially all of our Mexico homebuilding operations, realizing cash of \$131.5 million, as further described in Note 3 of our Consolidated Financial Statements. For 2005 and all prior periods reported, the Mexico operations have been presented as discontinued operations.

In January 2005, we sold all of our Argentina operations, as further described in Note 3 of our Consolidated Financial Statements. At December 31, 2004 the Argentina operations were classified as held for sale. For 2004 and 2003, the Argentina operations have been presented as discontinued operations.

Homebuilding, our core business, is engaged in the acquisition and development of land principally for residential purposes within the continental United States and Puerto Rico and the construction of housing on such land targeted for the first-time, first and second move-up, and active adult home buyers. We have determined our operating segments to be our Areas, which are aggregated into seven reportable segments based on similarities in the economic and geographic characteristics of our homebuilding operations. Accordingly, our reportable homebuilding segments are as follows:

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

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

Florida: Florida Area includes the following state:
Florida

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

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

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

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

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

We also have one reportable segment for our financial services operations which consists principally of mortgage banking and title operations conducted through Pulte Mortgage and our other subsidiaries. Our financial services segment operates generally in the same markets as our homebuilding segments.

Financial information, including revenue, pre-tax income and total assets of each of our business segments is included in Note 2 of our Consolidated Financial Statements.

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Available Information

Our internet website address is www.pulte.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after we electronically file with or furnish them to the Securities and Exchange Commission. Our code of ethics for principal officers, our corporate governance guidelines and the charters of the Audit, Compensation, and Nominating and Governance committees of our Board of Directors, are also posted on our website and are available in print upon request.

Table of Contents**Homebuilding Operations**

	Years Ended December 31,				
	(\$000 s omitted)				
	2005	2004	2003	2002	2001
Homebuilding settlement revenues	\$ 14,370,667	\$ 11,094,617	\$ 8,482,341	\$ 6,991,614	\$ 5,145,526
Homebuilding settlement units	45,630	38,612	32,693	28,903	22,915

Consistent with our strategy of serving all major customer segments: first-time, first and second move-up and active adult, our communities offer a wide variety of home designs including single family detached, townhouses, condominiums and duplexes at different prices and with varying levels of options and amenities. Expanding the number of customer segments served within each of our markets has enabled us to approximately double our annual closings over the past five years to a record 45,630 homes closed in 2005. Over our 55-year history, we have delivered more than 453,000 homes throughout the United States.

On July 31, 2001, we merged with Del Webb in a tax-free stock-for-stock transaction. This merger expanded and supported our leadership position. In particular, we believe the merger strengthened our position among active adult (age 55 and older) homebuyers, added important strategic land positions, provided operational savings from economies of scale, bolstered our purchasing leverage, and enhanced our overall competitive position. In accordance with our operational strategy, we continue to evaluate available strategic acquisition opportunities that are consistent with our long-range goals.

As of December 31, 2005, our Homebuilding operations offered homes for sale in 662 communities at sales prices ranging from \$62,000 to \$2.4 million. Sales prices of homes currently offered for sale in 66% of our communities fall within the range of \$100,000 to \$350,000 with a 2005 average unit selling price of \$315,000, compared with \$287,000 in 2004, \$259,000 in 2003, \$242,000 in 2002, and \$225,000 in 2001. Sales of single-family detached homes, as a percentage of total unit sales, decreased to 72% in 2005, from 80% in 2004, 83% in 2003, 86% in 2002, and 82% in 2001. This trend can be attributed to an increase in sales of townhouses, condominiums and duplexes, which are most popular among our first-time and active adult homebuyers. Our Homebuilding operations are geographically diverse and, as a result, better insulate us from demand changes in individual markets. As of December 31, 2005, our Homebuilding business operated in 54 markets spanning 27 states, with 17,817 units in backlog valued at approximately \$6.3 billion.

Land acquisition and development

We select locations for development of homebuilding communities after completing extensive market research, enabling us to match the location and product offering with our targeted consumer group. We consider factors such as proximity to developed areas, population and job growth patterns and, if applicable, estimated development costs. We historically have managed the risk of controlling our land positions through use of option contracts and outright acquisition. We typically control land with the intent to complete sales of housing units within 24 to 36 months from the date of opening a community, except in the case of certain Del Webb active adult developments and other selected large projects for which the completion of community build out requires a longer time period due to typically larger project sizes. As a result, land is generally purchased after it is properly zoned and developed or is ready for development. In addition, we dispose of owned land not required in the business through sales to appropriate end users. Where we develop land, we engage directly in many phases of the development process, including land and site planning, obtaining environmental and other regulatory approvals, as well as constructing roads, sewers, water and drainage facilities and other amenities. We use our staff and the services of independent engineers and consultants for land development activities. Land development work is performed primarily by independent contractors and local government authorities who construct sewer and water systems in some areas. At December 31, 2005, we controlled approximately 363,000 lots, of which 174,000 were owned and 189,000 were under option agreements.

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Homebuilding Operations (continued)

Sales and marketing

We are dedicated to improving the quality and value of our homes through innovative proprietary architectural and community designs and state-of-the-art customer marketing techniques. Analyzing various qualitative and quantitative data obtained through extensive market research, we segment our potential customers into well-defined buyer profiles. Segmentation analysis provides a method for understanding the business opportunities and risks across the full spectrum of consumer groups in each market. Once the demands of potential buyers are understood, we link our home design and community development efforts to the specific lifestyle of each targeted consumer group.

To meet the demands of our various customers, we have established a solid design expertise for a wide array of product lines. We believe that we are an innovator in the design of our homes and we view design capacity as an integral aspect of our marketing strategy. Our in-house architectural services teams and management, supplemented by outside consultants, are successful in creating distinctive design features, both in exterior facades and interior options and features. In certain markets our strategy is to offer the complete house in which all features shown in the home are included in the sales price. Standard features typically offered include vaulted ceilings, appliances, and a variety of available flooring and carpet.

Typically, our sales teams, together with outside sales brokers, are responsible for guiding the customer through the sales process. We are committed to industry-leading customer service through a variety of quality initiatives, including the customer care program, which ensures that homeowners are comfortable at every stage of the building process. Using a seven-step, interactive process, homeowners are kept informed during their homebuilding and home owning experience. The steps include (1) a pre-construction meeting with the superintendent; (2) pre-dry wall frame walk; (3) quality assurance inspection; (4) first homeowner orientation; (5) 30-day follow-up after the close of the home; (6) three-month follow-up; and (7) an 11-month quality list after the close of the home. Fully furnished and landscaped model homes are used to showcase our homes and their distinctive design features. We have great success with the first-time buyer in the low to moderate price range; in such cases, financing under United States Government-insured and guaranteed programs is often used and is facilitated through our mortgage company. We also enjoy strong sales to the move-up buyer and, in certain markets, offer semi-custom homes in higher price ranges.

Through our Del Webb brand, we are better able to address the needs of active adults, among the fastest growing homebuying segments. We offer both destination communities and in place communities, for those buyers who prefer to remain in their current geographic area. These communities, with highly amenitized products such as golf courses, recreational centers and educational classes, offer the active adult buyer many options to maintain an active lifestyle.

We have received recognition and awards as a result of our achievements as a homebuilder. In March 2005, Pulte was named as a Top-Ranked Homebuilder in BusinessWeek's List of 50 Best Performers among the S&P 500, coming in at number 12. In April 2005, we were ranked 181 on the Fortune 500 List. Additionally, in May 2005 we were named to the Fortune Magazine List of Most Desirable MBA Employers for 2005. In July 2005, we also made our first appearance on the Fortune 40 List of Best Stocks to Buy Now.

In addition, our Austin, Chicago, Dallas/Ft. Worth, Detroit, Ft. Myers/Naples, Houston, Jacksonville, Las Vegas, Minneapolis/St. Paul, North Inland Empire, Orlando, Palm Beach, Philadelphia, Tampa Bay, Tucson, and Washington, D.C. markets were recognized for ranking the highest in their markets in a national customer satisfaction study. Eight of our markets came in second place, while three obtained third place positions. The survey of thirty U.S. markets (with Pulte presence in twenty-seven of those markets) noted customer service, home readiness at the time of closing, and the company's sales staff as the three factors that most heavily influenced the customer's overall level of satisfaction. Developing the Pulte Homes brand and leveraging the strength of the DiVosta, Del Webb and Sun City tradenames helps to distinguish our communities from the competition, and can often be rewarded with the advantages of additional sales pace, choice community locations, and reduced overall customer acquisition costs.

Our Homeowner for Life™ philosophy has increased our business from those who have previously owned a Pulte home or have been referred by a Pulte homeowner by ensuring a positive home buying and home owning experience. We introduce our homes to prospective buyers through a variety of media advertising, illustrated brochures, Internet listings and link placements, and other advertising displays. In addition, our websites, www.pulte.com, www.delwebb.com, www.divosta.com, and www.espanol.pulte.com provide tools to help users find a home that meets

their needs, investigate financing alternatives, communicate moving plans, maintain a home, learn more about us and communicate directly with us. Approximately 5.1 million potential customers visited our websites during 2005.

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Homebuilding Operations (continued)

Construction

The construction process for our homes begins with the in-house design of the homes we sell. The building phase is conducted under the supervision of our on-site construction superintendents. The construction work is usually performed by independent contractors under contracts that, in many instances, cover both labor and materials on a fixed-price basis. We believe that Pulte Preferred Partnerships (P³), an extension of our quality assurance program, continues to establish new standards for contractor relations. Using a selective process, we have teamed up with what we believe are premier contractors and suppliers to improve all aspects of the land development and house construction processes.

We maintain efficient construction operations by using standard materials and components from a variety of sources and, when possible, by building on contiguous lots. To minimize the effects of changes in construction costs, the contracting and purchasing of building supplies and materials generally is negotiated at or near the time when related sales contracts are signed. In addition, we leverage our size by actively negotiating our materials needs on a national or regional basis to minimize production component cost. We are also working to establish a more integrated system that can effectively link suppliers, contractors and the production schedule through various strategic business partnerships and e-business initiatives.

We cannot determine the extent to which necessary building materials will be available at reasonable prices in the future and have, on occasion, experienced shortages of skilled labor in certain trades and of building materials in some markets.

Competition and other factors

Our operations are subject to building, environmental and other regulations of various federal, state, and local governing authorities. For our homes to qualify for Federal Housing Administration (FHA) or Veterans Administration (VA) mortgages, we must satisfy valuation standards and site, material and construction requirements of those agencies. Our compliance with federal, state, and local laws relating to protection of the environment has had, to date, no material effect upon capital expenditures, earnings or competitive position. More stringent requirements could be imposed in the future on homebuilders and developers, thereby increasing the cost of compliance.

Our dedication to customer satisfaction is evidenced by our consumer and value-based brand approach to product development, and is something that we believe distinguishes us in the homebuilding industry and contributes to our long-term competitive advantage. The housing industry in the United States, however, is highly competitive. In each of our market areas, there are numerous homebuilders with which we compete. We also compete with the resales of existing house inventory. Any provider of housing units, for-sale or to rent, including apartment builders, may be considered a competitor. Conversion of apartments to condominiums further provides certain segments of the population an alternative to traditional housing, as does manufactured housing. We compete primarily on the basis of price, reputation, design, location and quality of our homes. The housing industry is affected by a number of economic and other factors including: (1) significant national and world events, which impact consumer confidence; (2) changes in the costs of building materials and labor; (3) changes in interest rates; (4) changes in other costs associated with home ownership, such as property taxes and energy costs; (5) various demographic factors; (6) changes in federal income tax laws; (7) changes in government mortgage financing programs, and (8) availability of sufficient mortgage capacity. In addition to these factors, our business and operations could be affected by shifts in demand for new homes.

Financial Services Operations

We conduct our financial services business, which includes mortgage and title operations, through Pulte Mortgage and other subsidiaries. Our mortgage bank arranges financing through the origination of mortgage loans primarily for the benefit of our homebuyers, but also services the general public. We also engage in the sale of such loans and the related servicing rights. We are a lender approved by the FHA and VA and are a seller/servicer approved by Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and other investors. In our conventional mortgage lending activities we follow underwriting guidelines established by FNMA, FHLMC, and private investors.

Our mortgage underwriting, processing and closing functions are centralized in Denver, Colorado and Charlotte, North Carolina using a mortgage operations center (MOC) concept. We also use a centralized telephone loan officer concept where loan officers are centrally located at mortgage application centers (MAC) in Denver and Charlotte. Our sales representatives, who are the mortgage customers' main contact, forward the loan applications to a MAC loan counselor who calls the customer to complete the loan application and then forwards it to the MOC for processing. We believe both the MOC and the MAC improve the speed and efficiency of our mortgage operations, thereby improving our profitability and allowing us to focus on creating attractive mortgage financing opportunities for our customers.

In originating mortgage loans, we initially use our own funds and borrowings made available to us through various credit arrangements. Subsequently, we sell such mortgage loans and mortgage-backed securities to outside investors.

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Financial Services Operations (continued)

Our capture rate for the years ended December 31, 2005, 2004, and 2003 was approximately 89%, 88%, and 83%, respectively. Our capture rate represents loan originations from our homebuilding business as a percent of total loan opportunities, excluding cash settlements, from our homebuilding business. During the years ended December 31, 2005, 2004, and 2003, we originated mortgage loans for approximately 75%, 72%, and 65%, respectively, of the homes we sold. Such originations represented 98%, 92%, and 83%, respectively, of our total originations.

We sell our servicing rights on a flow basis through fixed price servicing sales contracts to reduce the risks inherent in servicing loans. This strategy results in owning the servicing rights for only a short period of time, generally less than four months after the loan is originated, which substantially reduces the risk of impairment with respect to the fair value of these reported assets. The servicing sales contracts provide for the reimbursement of payments made when loans prepay within specified periods of time, usually 90 days after sale or securitization.

The mortgage industry in the United States is highly competitive. We compete with other mortgage companies and financial institutions to provide attractive mortgage financing to both our homebuyers and to the general public. The Internet is also an important resource for homebuyers in obtaining financing as a number of companies provide online approval for their customers. These Internet-based mortgage companies may also be considered competitors.

In originating and servicing mortgage loans, we are subject to rules and regulations of the FHA, VA, GNMA, FNMA and FHLMC. In addition to being affected by changes in these programs, our mortgage banking business is also affected by several of the same factors that impact our homebuilding business.

Financial Information About Geographic Areas

We currently operate primarily within the United States and have some non-operating foreign entities, which are insignificant to our consolidated financial results.

Discontinued operations

Mexico Homebuilding Operations

In January 2005, the minority shareholders of Pulte Mexico S. de R.L. de C.V. (Pulte Mexico) exercised a put option under the terms of a reorganization agreement dated as of December 31, 2001, to sell their shares to us, the consummation of which resulted in our owning 100% of Pulte Mexico. In March 2005, we purchased 60% of the minority interest of Pulte Mexico for approximately \$18.7 million in cash. In June 2005, we purchased the remaining 40% of the minority interest of Pulte Mexico for approximately \$12.5 million in cash.

In December 2005, we sold substantially all of our Mexico homebuilding operations to a consortium of purchasers involved in residential and commercial real estate development. The disposition of the Mexico homebuilding operations will enable us to invest additional resources in the U.S. housing market. We realized cash of \$131.5 million related to the sale. The sale of these operations did not include our investment in the capital stock of a mortgage company in Mexico as well as various non-operating entities. For the year ended December 31, 2005, we recognized a pre-tax loss of \$6.6 million (after-tax loss of \$13.1 million) related to the sale of our Mexico homebuilding operations. For 2005 and all periods reported, the Mexico homebuilding operations have been presented as discontinued operations in our Consolidated Financial Statements, while in previous periods they were included in our Homebuilding operations.

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Discontinued operations (continued)

Argentina

In January 2005, we sold all of our Argentina operations to an Argentine company involved in residential and commercial real estate development. The disposition of these operations was the chosen action to improve our overall returns. At December 31, 2004 the Argentina operations were classified as held for sale. For 2004 and 2003, the Argentina operations have been presented as discontinued operations in our Consolidated Financial Statements.

First Heights

During the first quarter of 1994, we adopted a plan of disposal for First Heights and announced our strategy to exit the thrift industry and increase our focus on housing and related mortgage banking. First Heights sold all but one of its 32 bank branches and related deposits to two unrelated purchasers. The sale was substantially completed during the fourth quarter of 1994. Although we expected to complete the plan of disposal within a reasonable period of time, contractual disputes precluded us from completing the disposal in accordance with our original plan.

In August 2005, the United States Court of Appeals affirmed the United States Court of Federal Claims final judgment that we had been damaged by approximately \$48.7 million as a result of the United States government's breach of contract in connection with the enactment of Section 13224 of the Omnibus Budget Reconciliation Act of 1993. In December 2005, we received payment of the judgment in the amount of \$48.7 million, which was recorded as income from discontinued operations.

In September 2005, First Heights received notice confirming the voluntary dissolution of the First Heights Bank. The Office of Thrift Supervision also canceled First Heights' charter. Accordingly, the day-to-day activities of First Heights, which had been principally devoted to supporting residual regulatory compliance matters and the litigation with the United States government, have now ceased.

Other non-operating

Other non-operating is comprised primarily of Pulte Homes, Inc. and Pulte Diversified Companies, Inc., both of which are holding companies. The primary purpose of these entities is to support the operations of our subsidiaries by acting as the internal source of financing, developing and implementing strategic initiatives centered around new business development and operating efficiencies. Business development activities include the pursuit of additional opportunities as well as the development of innovative building components and processes. Other non-operating also includes the activities associated with supporting a publicly traded entity listed on the New York Stock Exchange.

Other non-operating assets include equity investments in subsidiaries, short-term financial instruments and affiliate advances. Liabilities include senior and subordinated debt and income taxes. Other non-operating revenues consist primarily of investment earnings of excess funds, while expenses include costs associated with supporting a publicly traded company and its subsidiaries' operations, and investigating strategic initiatives.

Organization/Employees

All subsidiaries and operating units operate independently with respect to daily operations. Homebuilding real estate purchases and other significant homebuilding, mortgage banking, financing activities and similar operating decisions must be approved by the business unit and/or corporate senior management.

At December 31, 2005, we employed approximately 13,400 people. Our employees are not represented by any union. Contracted work, however, may be performed by union contractors. Homebuilding and mortgage banking management personnel are paid performance bonuses and incentive compensation. Performance bonuses are based on individual performance while incentive compensation is based on the performance of the applicable business unit or subsidiary. Our corporate management personnel are paid incentive compensation based on our overall performance. Each subsidiary is given autonomy regarding employment of personnel, although our senior corporate management acts in an advisory capacity in the employment of subsidiary officers. We consider our employee and contractor relations to be satisfactory.

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ITEM 1A. RISK FACTORS

Discussion of our business and operations included in this annual report on Form 10-K should be read together with the risk factors set forth below. They describe various risks and uncertainties to which we are, or may become subject. These risks and uncertainties, together with other factors described elsewhere in this report, have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner.

Downward changes in general economic, real estate construction or other business conditions could adversely affect our business or our financial results.

The residential homebuilding industry is sensitive to changes in economic conditions and other factors, such as the level of employment, consumer confidence, consumer income, availability of financing and interest rate levels. Adverse changes in any of these conditions generally, or in the markets where we operate, could decrease demand and pricing for new homes in these areas or result in customer cancellations of pending contracts, which could adversely affect the number of home deliveries we make or reduce the prices we can charge for homes, either of which could result in a decrease in our revenues and earnings.

The homebuilding industry has not experienced an economic down cycle in a number of years, which may have resulted in an overvaluation of land and new homes.

Although the homebuilding business historically has been cyclical, it has not undergone an economic down cycle in a number of years. Further, in recent years, land and home prices rose significantly in many of our markets. This has led some people to assert that the prices of land, new homes and the stock prices of homebuilding companies may be inflated and may decline if the demand for land and new homes weakens. A decline in the prices for land and new homes could adversely affect both our revenues and margins. A decline in our stock price could make raising capital through stock issuances more difficult and expensive.

Future increases in interest rates, reductions in mortgage availability or increases in the effective costs of owning a home could prevent potential customers from buying our homes and adversely affect our business or our financial results.

Most of our customers finance their home purchases through our mortgage bank. Interest rates have been at historical lows for several years. Many homebuyers have also chosen adjustable rate, interest only or mortgages that involve initial lower monthly payments. As a result, new homes have been more affordable. Increases in interest rates or decreases in availability of mortgage financing, however, could reduce the market for new homes. Potential homebuyers may be less willing or able to pay the increased monthly costs or to obtain mortgage financing that exposes them to interest rate changes. Lenders may increase the qualifications needed for mortgages or adjust their terms to address any increased credit risk. Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their current homes to potential buyers who need financing. These factors could adversely affect the sales or pricing of our homes and could also reduce the volume or margins in our financial services business. Our financial services business could be impacted to the extent we are unable to match interest rates and amounts on loans we have committed to originate through the various hedging strategies we employ.

In addition, we believe that the availability of FHA and VA mortgage financing is an important factor in marketing some of our homes. We also believe that the liquidity provided by Fannie Mae and Freddie Mac to the mortgage industry is important to the housing market. However, the federal government has recently sought to reduce the size of the home-loan portfolios and operations of these two government-sponsored enterprises. Any limitations or restrictions on the availability of the financing or on the liquidity by them could adversely affect interest rates, mortgage financing and our sales of new homes and mortgage loans.

Our future growth may require additional capital, which may not be available.

Our operations require significant amounts of cash. We may be required to seek additional capital, whether from sales of equity or debt or additional bank borrowings, for the future growth and development of our business. We can give no assurance as to the availability of such additional capital or, if available, whether it would be on terms acceptable to us. Moreover, the indentures for most of our outstanding public debt and the covenants of our revolving credit facility contain provisions that may restrict the debt we may incur in the future. If we are not successful in

obtaining sufficient capital, it could reduce our sales and may adversely affect our future growth and financial results.

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Competition for homebuyers could reduce our deliveries or decrease our profitability.

The housing industry in the United States is highly competitive. We compete primarily on the basis of price, reputation, design, location and quality of our homes. We compete in each of our markets with numerous national, regional and local homebuilders. This competition with other homebuilders could reduce the number of homes we deliver, or cause us to accept reduced margins in order to maintain sales volume.

We also compete with resales of existing used or foreclosed homes, housing speculators and available rental housing. Increased competitive conditions in the residential resale or rental market in the regions where we operate could decrease demand for new homes and increase cancellations of sales contracts in backlog.

Our success depends on our ability to acquire land suitable for residential homebuilding at reasonable prices, in accordance with our land investment criteria.

The homebuilding industry is highly competitive for suitable land. The availability of finished and partially finished developed lots and undeveloped land for purchase that meet our internal criteria depends on a number of factors outside our control, including land availability in general, competition with other homebuilders and land buyers for desirable property, inflation in land prices, and zoning, allowable housing density and other regulatory requirements. Should suitable lots or land become less available, the number of homes we may be able to build and sell could be reduced, and the cost of land could be increased, perhaps substantially, which could adversely impact our results of operations.

Our long-term ability to build homes depends on our acquiring land suitable for residential building at reasonable prices in locations where we want to build. Over the past few years, we have experienced an increase in competition for suitable land as a result of land constraints in many of our markets. As competition for suitable land increases, and as available land is developed, the cost of acquiring suitable remaining land could rise, and the availability of suitable land at acceptable prices may decline. Any land shortages or any decrease in the supply of suitable land at reasonable prices could limit our ability to develop new communities or result in increased land costs. We may not be able to pass through to our customers any increased land costs, which could adversely impact our revenues, earnings, and margins.

Supply shortages and other risks related to the demand for skilled labor and building materials could increase costs and delay deliveries.

The homebuilding industry is highly competitive for skilled labor and materials. Increased costs or shortages of skilled labor and/or lumber, framing, concrete, steel and other building materials could cause increases in construction costs and construction delays. We generally are unable to pass on increases in construction costs to those customers who have already entered into sale contracts, as those sales contracts generally fix the price of the home at the time the contract is signed, which may be well in advance of the construction of the home. Sustained increases in construction costs may, over time, erode our margins, and pricing competition for materials and labor may restrict our ability to pass on any additional costs, thereby decreasing our margins.

Government regulations could increase the cost and limit the availability of our development and homebuilding projects or affect our related financial services operations and adversely affect our business or financial results.

Our operations are subject to building, environmental and other regulations of various federal, state, and local governing authorities. For our homes to qualify for FHA or VA mortgages, we must satisfy valuation standards and site, material and construction requirements of those agencies. Our compliance with federal, state, and local laws relating to protection of the environment has had, to date, no material effect upon capital expenditures, earnings or competitive position. More stringent requirements could be imposed in the future on homebuilders and developers, thereby increasing the cost of compliance.

New housing developments may be subject to various assessments for schools, parks, streets and other public improvements. These can cause an increase in the effective prices for our homes. In addition, increases in property tax rates by local governmental authorities, as recently experienced in response to reduced federal and state funding, can adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes.

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Government regulations could increase the cost and limit the availability of our development and homebuilding projects or affect our related financial services operations and adversely affect our business or financial results. (continued)

We also are subject to a variety of local, state and federal laws and regulations concerning protection of health, safety and the environment. The impact of environmental laws varies depending upon the prior uses of the building site or adjoining properties and may be greater in areas with less supply where undeveloped land or desirable alternatives are less available. These matters may result in delays, may cause us to incur substantial compliance, remediation and other costs, and can prohibit or severely restrict development and homebuilding activity in environmentally sensitive regions or areas.

Our financial services operations are also subject to numerous federal, state and local laws and regulations. These include eligibility requirements for participation in federal loan programs and compliance with consumer lending and similar requirements such as disclosure requirements, prohibitions against discrimination and real estate settlement procedures. They may also subject our operations to examination by applicable agencies. These may limit our ability to provide mortgage financing or title services to potential purchasers of our homes.

Homebuilding is subject to warranty and liability claims in the ordinary course of business that can be significant.

As a homebuilder, we are subject to home warranty and construction defect claims arising in the ordinary course of business. We record warranty and other reserves for the homes we sell based on historical experience in our markets and our judgment of the qualitative risks associated with the types of homes built. We have, and require the majority of our subcontractors to have, general liability, property, errors and omissions, workers compensations and other business insurance. These insurance policies protect us against a portion of our risk of loss from claims, subject to certain self-insured retentions, deductibles, and other coverage limits. Through our captive insurance subsidiaries, we reserve for costs to cover our self-insured and deductible amounts under these policies and for any costs of claims and lawsuits, based on an analysis of our historical claims, which includes an estimate of claims incurred but not yet reported. Because of the uncertainties inherent to these matters, we cannot provide assurance that our insurance coverage, our subcontractor arrangements and our reserves will be adequate to address all our warranty and construction defect claims in the future. Contractual indemnities can be difficult to enforce, we may be responsible for applicable self-insured retentions and some types of claims may not be covered by insurance or may exceed applicable coverage limits. Additionally, the coverage offered by and the availability of general liability insurance for construction defects are currently limited and costly. We have responded to the recent increases in insurance costs and coverage limitations by increasing our self-insured retentions and claim reserves. There can be no assurance that coverage will not be further restricted and become more costly.

Natural disasters and severe weather conditions could delay deliveries, increase costs and decrease demand for new homes in affected areas.

Our homebuilding operations are located in many areas that are subject to natural disasters and severe weather. The occurrence of natural disasters or severe weather conditions can delay new home deliveries, increase costs by damaging inventories, reduce the availability of materials and negatively impact the demand for new homes in affected areas. Furthermore, if our insurance does not fully cover business interruptions or losses resulting from these events, our earnings, liquidity or capital resources could be adversely affected.

Inflation may result in increased costs that we may not be able to recoup if demand declines.

Inflation can have a long-term impact on us because increasing costs of land, materials and labor may require us to increase the sales prices of homes in order to maintain satisfactory margins. However, inflation is often accompanied by higher interest rates, which have a negative impact on housing demand, in which case we may not be able to raise home prices sufficiently to keep up with the rate of inflation and our margins could decrease.

Future terrorist attacks against the United States or increased domestic and international instability could have an adverse effect on our operations.

A future terrorist attack against the United States could cause a sharp decrease in the number of new contracts signed for homes and an increase in the cancellation of existing contracts. Accordingly, adverse developments in the war on terrorism, future terrorist attacks against the United States, or increased domestic and international instability could adversely affect our business.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

This Item is not applicable.

ITEM 2. PROPERTIES

Our homebuilding and corporate headquarters are located at 100 Bloomfield Hills Parkway, Bloomfield Hills, Michigan 48304, where we lease 90,828 square feet of office space. We lease 54,380 square feet of office space at 1230 West Washington Street, Tempe, Arizona 85281 for certain corporate and business services. Pulte Mortgage's offices are located at 7475 South Joliet Street, Englewood, Colorado 80112, 99 Inverness Drive East, Englewood, Colorado 80112, and 12300 East Arapahoe Road, Centennial, Colorado 80112. We lease approximately 61,436 square feet, 24,400 square feet and 43,050 square feet, respectively, of office space at these locations. In 2005, Pulte Mortgage leased 31,803 square feet of office space at 3700 Arco Corporate Drive, Charlotte, North Carolina 28273. Our homebuilding markets and mortgage branch operations generally lease office space for their day-to-day operations.

Because of the nature of our homebuilding operations, significant amounts of property are held as inventory in the ordinary course of our homebuilding business. Such properties are not included in response to this Item.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various litigation incidental to our continuing business operations. We believe that none of this litigation will have a material adverse impact on our results of operations, financial position or cash flows.

Storm Water Discharge Practices

In April 2004, we received a request for information from the United States Environmental Protection Agency (EPA) pursuant to Section 308 of the Clean Water Act. The request seeks information about storm water discharge practices in connection with homebuilding projects completed or underway by us. We have provided the EPA with this information. Although the matter has since been referred to the United States Department of Justice (DOJ) for enforcement, the EPA has asked that we engage in pre-filing negotiations to resolve the matter short of litigation. We are actively engaged in these negotiations. If the negotiations fail and the DOJ alleges that we have violated regulatory requirements applicable to storm water discharges, the government may seek injunctive relief and penalties. We believe that we have defenses to any such allegations. At this time, however, we can neither predict the outcome of this inquiry, nor can we currently estimate the costs that may be associated with its eventual resolution.

First Heights-related litigation

We were a party to a lawsuit relating to First Heights' 1988 acquisition from the Federal Savings and Loan Insurance Corporation (FSLIC) and First Heights' ownership of five failed Texas thrifts. The lawsuit was filed on December 26, 1996, in the United States Court of Federal Claims (Washington, D.C.) by Pulte Homes, Inc., Pulte Diversified Companies, Inc. and First Heights (collectively, the Pulte Parties) against the United States. We asserted breach of contract on the part of the United States in connection with the enactment of Section 13224 of the Omnibus Budget Reconciliation Act of 1993 (OBRA). That provision repealed portions of the tax benefits that we claim we were entitled to under the contract to acquire the failed Texas thrifts. We also asserted other claims concerning the contract, including that the United States (through the FDIC as receiver) improperly attempted to amend the failed thrifts' pre-acquisition tax returns and that this attempt was made in an effort to deprive us of tax benefits for which they had contracted.

On August 17, 2001, the United States Court of Federal Claims ruled that the United States government was liable to us for breach of contract by enacting Section 13224 of OBRA. In September 2003, the United States Court of Federal Claims issued final judgment that we had been damaged by approximately \$48.7 million as a result of the United States government's breach of contract with us. The United States government and we appealed the final judgment to the United States Court of Appeals for the Federal Circuit in October 2003.

In August 2005, the Appeals Court affirmed the United States Court of Federal Claims judgment, in its entirety. In December 2005, we received payment of the judgment in the amount of \$48.7 million, which was recorded as income from discontinued operations.

Table of Contents**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

This Item is not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information with respect to our executive officers.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Year Became An Officer</u>
William J. Pulte	73	Chairman of the Board	1956
Richard J. Dugas, Jr.	40	President and Chief Executive Officer	2002
Steven C. Petruska	47	Executive Vice President and Chief Operating Officer	2004
Roger A. Cregg	49	Executive Vice President and Chief Financial Officer	1997
James R. Ellinghausen	47	Senior Vice President, Human Resources	2005
Peter J. Keane	40	Senior Vice President, Operations	2006
Steven M. Cook	47	Vice President, General Counsel and Secretary	2006
Vincent J. Frees	55	Vice President and Controller	1995
Gregory M. Nelson	50	Vice President and Assistant Secretary	1993
Bruce E. Robinson	44	Vice President and Treasurer	1998

The following is a brief account of the business experience of each officer during the past five years:

Mr. Pulte was appointed Chairman of the Board in December 2001. He has also served as Chairman of the Executive Committee of the Board of Directors since January 1999.

Mr. Dugas was appointed President and Chief Executive Officer in July 2003. Prior to that date, he served as Executive Vice President and Chief Operating Officer. He was appointed Chief Operating Officer in May 2002 and Executive Vice President in December 2002. Since 1994, he has served in a variety of management positions. Most recently, he was Coastal Region President with responsibility for our Georgia, North Carolina, South Carolina, and Tennessee operations.

Mr. Petruska was appointed Executive Vice President and Chief Operating Officer in January 2004. Since joining our company in 1984, he has held a number of management positions. Most recently, he was the President for both the Arizona Area and Nevada Area operations.

Mr. Cregg was appointed Executive Vice President in May 2003 and was named Chief Financial Officer effective January 1998.

Mr. Ellinghausen was appointed Senior Vice President, Human Resources, in April 2005. He most recently held the position of Head of Human Resources for Bristol Meyers Squibb's Worldwide Businesses and was employed by Bristol Meyers Squibb since 1997.

Mr. Keane was appointed Senior Vice President, Operations, in January 2006. He joined Pulte in 1993 and has served in a variety of management positions, mostly in the Midwest region. Most recently, he was the President of the Great Lakes Area.

Mr. Cook was appointed Vice President, General Counsel and Secretary in February 2006. He most recently held the position of Vice President and Deputy General Counsel, Corporate, at Sears Holdings Corporation and was employed by Sears, Roebuck, and Co. since 1996.

Mr. Frees has been Vice President and Controller since May 1995.

Mr. Nelson has been Vice President and Assistant Secretary since August 1993.

Mr. Robinson has been Vice President and Treasurer since July 1998.

There is no family relationship between any of the officers. Each officer serves at the pleasure of the Board of Directors.

Table of Contents**PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common shares are listed on the New York Stock Exchange (Symbol: PHM).

Related Stockholder Matters

The table below, which has been adjusted to retroactively reflect our two-for-one stock split announced July 27, 2005 and effected September 1, 2005, to the shareholders of record as of August 15, 2005, and sets forth, for the quarterly periods indicated, the range of high and low closing prices and cash dividends declared per share.

	2005			2004		
	High	Low	Declared Dividends	High	Low	Declared Dividends
1st Quarter	\$ 39.69	\$ 30.07	\$.025	\$ 29.08	\$ 20.00	\$.025
2nd Quarter	42.89	33.74	.025	28.25	22.38	.025
3rd Quarter	47.83	41.36	.040	32.04	24.44	.025
4th Quarter	43.16	35.15	.040	32.50	23.73	.025

At December 31, 2005, there were 2,472 shareholders of record.

Issuer Purchases of Equity Securities (1)

	(a) Total Number of shares purchased (2)	(b) Average price paid per share (2)	(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)
November 2, 2005 to November 23, 2005	1,455,500	\$ 38.32	1,455,500	\$ 65,920
December 1, 2005 to December 30, 2005	1,121,500	\$ 41.37	1,121,500	\$ 19,519(1)
Total	2,577,000(3)	\$ 39.65	2,577,000	

(1) Pursuant to the two \$100 million stock repurchase programs authorized by

our Board of Directors in October 2002 and 2005 (for a total stock repurchase authorization of \$200 million), the Company has repurchased a total of 6,120,800 shares for \$180.5 million.

At December 31, 2005, the Company had remaining authorization to purchase common stock aggregating \$19.5 million.

In February 2006, the Company's Board of Directors approved an increase to the Company's stock repurchase authorization for an additional \$200 million in open-market transactions or otherwise. After approval of the increase, we had \$219.5 million available for stock repurchases. This increase in share repurchase authorization has not been reflected in

column
(d) above, as it
occurred
subsequent to
December 31,
2005.

- (2) Share and
average price
paid information
has been
adjusted to
reflect the
Company's
two-for-one
stock split,
effected in the
form of a
100 percent
stock dividend,
which was
distributed on
September 1,
2005, to
shareholders of
record as of
August 15,
2005.
- (3) All shares were
purchased
pursuant to the
publicly
announced
programs.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

Set forth below is selected consolidated financial data for each of the past five fiscal years. The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and Notes thereto included elsewhere in this report.

	Years Ended December 31,				
	(\$000 s omitted)				
	2005	2004	2003	2002	2001 (a)
OPERATING DATA:					
Homebuilding:					
Revenues	\$ 14,528,236	\$ 11,400,008	\$ 8,701,661	\$ 7,167,915	\$ 5,274,660
Income before income taxes	\$ 2,298,822	\$ 1,635,580	\$ 1,000,513	\$ 717,931	\$ 514,049
Financial Services:					
Revenues	\$ 161,414	\$ 112,719	\$ 115,847	\$ 106,628	\$ 77,222
Income before income taxes	\$ 70,586	\$ 47,429	\$ 68,846	\$ 66,723	\$ 36,948
Other non-operating:					
Revenues	\$ 4,885	\$ 1,749	\$ 3,281	\$ 1,202	\$ 2,210
Loss before income taxes	\$ (92,394)	\$ (90,685)	\$ (75,351)	\$ (61,968)	\$ (57,452)
Consolidated results:					
Revenues	\$ 14,694,535	\$ 11,514,476	\$ 8,820,789	\$ 7,275,745	\$ 5,354,092
Income from continuing operations before income taxes	\$ 2,277,014	\$ 1,592,324	\$ 994,008	\$ 722,686	\$ 493,545
Income taxes	840,126	598,751	376,460	280,587	186,892
Income from continuing operations	1,436,888	993,573	617,548	442,099	306,653
Income (loss) from discontinued operations (b), (c)	55,025	(7,032)	7,086	11,546	(5,260)
Net income	\$ 1,491,913	\$ 986,541	\$ 624,634	\$ 453,645	\$ 301,393

(a) *Del Webb operations were merged effective July 31, 2001.*

(b)

In January 2005, the Company sold all of its Argentina operations. For all periods reported, the Argentina operations have been presented as discontinued operations (see Note 3 of our Consolidated Financial Statements).

(c) *In December 2005, the Company sold substantially all of its Mexico homebuilding operations. For all periods reported, the Mexico homebuilding operations have been presented as discontinued operations (see Note 3 of our Consolidated Financial Statements).*

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA (Continued)**

	Years Ended December 31,				
	2005	2004	2003	2002	2001(a)
PER SHARE DATA (d):					
Earnings per share basic:					
Income from continuing operations	\$ 5.62	\$ 3.93	\$ 2.53	\$ 1.83	\$ 1.56
Income (loss) from discontinued operations (b), (c)	.22	(.03)	.03	.05	(.03)
Net income	\$ 5.84	\$ 3.91	\$ 2.56	\$ 1.88	\$ 1.53
Weighted-average common shares outstanding (000 s omitted)	255,492	252,590	244,323	241,812	196,391
Earnings per share assuming dilution:					
Income from continuing operations	\$ 5.47	\$ 3.82	\$ 2.46	\$ 1.79	\$ 1.52
Income (loss) from discontinued operations (b), (c)	.21	(.03)	.03	.05	(.03)
Net income	\$ 5.68	\$ 3.79	\$ 2.48	\$ 1.84	\$ 1.50
Weighted-average common shares outstanding and effect of dilutive securities (000 s omitted)	262,801	260,234	251,460	246,985	201,294
Shareholders equity	\$ 23.18	\$ 17.68	\$ 13.78	\$ 11.29	\$ 9.61
Cash dividends declared	\$.13	\$.10	\$.05	\$.04	\$.04

(a) *Del Webb operations were merged effective July 31, 2001.*

(b) *In January 2005, the Company sold all of its Argentina operations. For all periods reported, the Argentina operations have been presented as discontinued*

operations (see Note 3 of our Consolidated Financial Statements).

(c) In December 2005, the Company sold substantially all of its Mexico homebuilding operations. For all periods reported, the Mexico homebuilding operations have been presented as discontinued operations (see Note 3 of our Consolidated Financial Statements).

(d) All share and per share amounts have been restated to retroactively reflect the two-for-one stock splits which were distributed to shareholders on September 1, 2005 and January 2, 2004.

	2005	2004	December 31, (\$000 s omitted) 2003	2002	2001
BALANCE SHEET DATA:					
House and land inventories	\$ 8,756,093	\$ 7,241,350	\$ 5,378,125	\$4,175,170	\$3,810,645
Total assets	13,048,174	10,406,897	8,072,151	6,872,087	5,710,893
Senior notes and subordinated notes	3,386,527	2,861,550	2,150,972	1,913,268	1,722,864

Shareholders equity	5,957,342	4,522,274	3,448,123	2,760,426	2,276,665
	Years Ended December 31,				
	2005	2004	2002	2002	2001
OTHER DATA:					
Homebuilding:					
Total markets, at year-end	54	45	44	44	43
Total active communities	662	626	535	460	440
Total settlements units	45,630	38,612	32,693	28,903	22,915
Total net new orders units (a)	47,531	40,576	34,989	30,830	22,163
Backlog units, at year-end	17,817	15,916	13,952	10,605	8,678
Average unit selling price	\$315,000	\$287,000	\$259,000	\$242,000	\$225,000
Gross profit margin from home sales					
(b)	23.4%	22.6%	20.6%	19.4%	19.1%

(a) Total net new orders-units for the years ended December 31, 2003 and 2001, do not include 1,051 units and 3,953 units, respectively, of acquired backlog.

(b) Homebuilding interest expense, which represents the amortization of capitalized interest, is included in homebuilding cost of sales.

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Restatement of Notes to Financial Statements**

As discussed in Note 2, subsequent to the issuance of our consolidated financial statements for the year ended December 31, 2005, 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 years ended December 31, 2005, 2004 and 2003 (see Note 2). The restatement has no impact on our consolidated balance sheets as of December 31, 2005 and 2004, consolidated statements of operations and related earnings per share amounts, consolidated statements of cash flows or our consolidated statements of shareholders' equity for the years ended December 31, 2005, 2004 and 2003. Our Homebuilding Segment Operations section of Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to this restatement.

Overview

A summary of our operating results for the years ended December 31, 2005, 2004, and 2003 is as follows (\$000's omitted, except per share data):

	Years Ended December 31,		
	2005	2004	2003
Pre-tax income (loss):			
Homebuilding	\$ 2,298,822	\$ 1,635,580	\$ 1,000,513
Financial Services	70,586	47,429	68,846
Other non-operating	(92,394)	(90,685)	(75,351)
Income from continuing operations before income taxes	2,277,014	1,592,324	994,008
Income taxes	840,126	598,751	376,460
Income from continuing operations	1,436,888	993,573	617,548
Income (loss) from discontinued operations	55,025	(7,032)	7,086
Net income	\$ 1,491,913	\$ 986,541	\$ 624,634
Per share data assuming dilution:			
Income from continuing operations	\$ 5.47	\$ 3.82	\$ 2.46
Income (loss) from discontinued operations	.21	(.03)	.03
Net income	\$ 5.68	\$ 3.79	\$ 2.48

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Overview (continued)

Key financial highlights and events for the years ended December 31, 2005, 2004, and 2003 are as follows:

Homebuilding Operations

Continued strong demand for new homes in many of our markets, market share gains, 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 increased 41% for the year ended December 31, 2005, compared with the same period in the prior year. Pre-tax income increased 63% in 2004, compared with the year ended December 31, 2003.

Homebuilding settlement gross margin percentages were up approximately 80 basis points to 23.4% for the year ended December 31, 2005 and 200 basis points to 22.6% for the year ended December 31, 2004, compared with the same periods in the prior years.

Units in backlog increased to 17,817 units, valued at \$6.3 billion at December 31, 2005, compared with 15,916 units, valued at \$5.2 billion at December 31, 2004. There were 13,952 units in backlog at December 31, 2003 valued at \$4.1 billion. The increase in backlog is primarily attributed to continued strong demand for new homes in many of our markets.

In December 2005, we sold substantially all of our Mexico homebuilding operations, as further described in Note 3 of our Consolidated Financial Statements. For 2005 and all prior periods reported, the Mexico operations have been presented as discontinued operations.

In January 2005, we sold all of our Argentina operations, as further described in Note 3 of our Consolidated Financial Statements. At December 31, 2004, the Argentina operations were classified as held for sale. For 2004 and 2003, the Argentina operations have been presented as discontinued operations.

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Overview (continued)

Financial Services Operations

Mortgage origination units, origination principal and our capture rate increased during 2005, 2004 and 2003. Pre-tax income of our financial services business segment increased 49% from 2005 to 2004, due to a more favorable product mix to funded, from non-funded, originations. Pre-tax income for the year ended December 31, 2004 decreased 31% compared with 2003 due to a shift in our product mix, starting in the second half of 2003, toward adjustable rate mortgages (ARMs) versus fixed rate mortgages due to changes in customer mortgage product preference.

Other non-operating

Other non-operating expenses, net consists of income and expenses related to Corporate services provided to our subsidiaries. During 2005, net interest expense decreased due to an increase in the amount of interest capitalized into homebuilding inventory, as well as an increase in interest income. Other corporate expenses, net increased during 2005 as a result of higher compensation-related costs. During 2004, net interest expense increased due to higher debt levels as a result of our growth. Other expenses, net in 2004 were impacted by increased charitable contributions expense. In addition, income recognized during 2003 from the sale and adjustment to fair value of various non-operating parcels of commercial land held for sale did not recur in 2004, resulting in higher net expense.

Table of Contents**Homebuilding Operations**

The following table presents a summary of pre-tax income for our Homebuilding operations (\$000 s omitted):

	Year Ended December 31,		
	2005	2004	2003
Home sale revenue (settlements)	\$ 14,370,667	\$ 11,094,617	\$ 8,482,341
Land sale revenue	157,569	305,391	219,320
Home cost of sales (a)	(11,005,591)	(8,583,551)	(6,731,834)
Land cost of sales	(139,377)	(205,589)	(153,415)
Selling, general and administrative expenses	(1,107,816)	(973,629)	(820,951)
Equity income	72,604	53,908	32,549
Other income (expense), net	(49,234)	(55,567)	(27,497)
Pre-tax income	\$ 2,298,822	\$ 1,635,580	\$ 1,000,513
Unit settlements	45,630	38,612	32,693
Average selling price	\$ 315	\$ 287	\$ 259
Net new orders (b):			
Units	47,531	40,576	34,989
Dollars	\$ 15,518,000	\$ 12,101,000	\$ 9,555,000
Backlog at December 31:			
Units	17,817	15,916	13,952
Dollars	\$ 6,301,000	\$ 5,154,000	\$ 4,147,000

(a) *Homebuilding interest expense, which represents the amortization of capitalized interest, is included in homebuilding cost of sales.*

(b) *Net new orders for the year ended December 31, 2003 do not include 1,051 units of acquired backlog and the related dollars.*

Homebuilding gross profit margins from home sales in 2005 increased 80 basis points over 2004 to 23.4%, and in 2004 increased 200 basis points to 22.6% compared with 2003. The increases are due to strong consumer demand, positive home pricing, favorable shifts in product and geographic mix, the benefits of leverage-buy purchasing activities and effective production and inventory management. During the fourth quarter of 2005, homebuilding gross profit margins were 22.3% compared with 22.7% in the same period of 2004. This margin decrease of 40 basis points is attributable primarily to a 4% inflationary increase in land development costs, such as petroleum-based products and cement. Under our accounting policies, lot costs are expensed on an average project cost basis. Due to the significant cost increases experienced in the fourth quarter of 2005, we have adjusted our estimates accordingly. Such adjustments impacted the amount of lot costs recognized and will continue to affect lot costs prospectively.

We consider land acquisition one of 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. We also will, on occasion, sell lots within our communities to other homebuilders. Gross profits from land sales were \$18.2 million and \$99.8 million for the years ended December 31, 2005 and 2004, respectively, representing a decrease of \$81.6 million and an increase of \$33.9 million, respectively, from the previous year's total. 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. Included in other assets is approximately \$257.7 million in land held for disposition as of December 31, 2005, as compared to \$230.1 million and \$251.2 million at December 31, 2004 and 2003, respectively.

For the year ended December 31, 2005, selling, general and administrative expenses, as a percentage of home settlement revenues, decreased 110 basis points to 7.7% compared with 2004 after decreasing 90 basis points to 8.8% in 2004 compared with 2003. The conversion improvement in 2005 can be attributed to an increase in average selling prices, our internal initiatives focused on controlling costs and better overhead leverage as a result of volume increases. The improvement in 2004 can be attributed to greater leverage as a result of volume increases and the favorable pricing environment for our homes.

Equity income for 2005 and 2004 includes earnings from our 50% investment in a Nevada-based joint venture, related to the sale of commercial and residential properties. Also included are earnings from our 50% joint venture that supplies and installs basic building components and operating systems, acquired in January 2004. In January 2006, we exercised our option to purchase the remaining 50% interest in the entity. In 2006, this investment will become a wholly-owned subsidiary of the Company and will be consolidated in our financial statements.

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

Other income (expense), net includes the write-off of deposits and pre-acquisition costs resulting from decisions not to pursue certain land acquisitions and options, insurance-related expenses and settlements and other non-operating expenses. For the years ended December 31, 2005 and 2004, the changes in other income (expense), net are due primarily to write-offs of deposit and pre-acquisition costs. These write-offs vary in amount from year to year as we continue to evaluate potential land acquisitions for the most effective use of capital.

Continued strong demand for new homes, an increase in the number of active selling communities and market share expansion, drove increases in net new orders, unit settlements and unit backlog. Net new orders increased 17% to a record 47,531 units for the year ended December 31, 2005. Net new orders for the year ended December 31, 2004 increased 16% to 40,576 units compared with 34,989 units for the year ended December 31, 2003.

Home settlements set a record for the year ended December 31, 2005 at 45,630 units, an increase of 18% over the same period in 2004. In 2004, home settlements also reached a record high, increasing 18% to 38,612 units. Active communities increased from 535 in 2003 to 626 in 2004 to 662 in 2005.

Changes in average selling price reflect a number of factors, including price increases, the mix of product closed during a period and the number of options purchased by customers. The average selling price for our homes increased 10% for the year ended December 31, 2005, to \$315,000 compared with 2004 and increased to \$287,000 in 2004 from \$259,000 in 2003.

Ending backlog, which represents orders for homes that have not yet closed, grew to a record 17,817 units at December 31, 2005 compared with 15,916 units at December 31, 2004 and 13,952 units at December 31, 2003. The dollar value of our backlog was up 22% to \$6.3 billion at December 31, 2005, compared with \$5.2 billion at December 31, 2004 and \$4.1 billion at December 31, 2003.

At December 31, 2005 and 2004, our Homebuilding operations controlled approximately 362,600 and 343,400 lots, respectively. Approximately 173,800 and 158,000 lots were owned and approximately 133,400 and 125,800 lots were under option agreements approved for purchase at December 31, 2005 and 2004, respectively. In addition, there were approximately 55,400 lots under option agreements at December 31, 2005, pending approval, that are under review and evaluation for future use by our Homebuilding operations. This compared to 59,600 lots at December 31, 2004.

The total purchase price applicable to approved land under option for use by our homebuilding operations at future dates approximated \$5.7 billion at December 31, 2005. In addition, the total purchase price applicable to land under option pending approval was valued at \$1.9 billion at December 31, 2005. Land option agreements, which may be cancelled at our discretion, may extend over several years and are secured by deposits and advanced costs totaling \$444.8 million, which are generally non-refundable.

The following table presents markets that represent 10% or more of unit new orders, unit settlements, and settlement revenues for the years ended December 31, 2005, 2004 and 2003:

	Years December 31,		
	2005	2004	2003
<i>Unit net new orders:</i>			
Phoenix	10%	16%	14%
Las Vegas	*	*	10%
<i>Unit settlements:</i>			
Phoenix	12%	14%	12%
<i>Settlement revenues:</i>			
Phoenix	11%	12%	11%
Las Vegas	*	12%	*

*

*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 are aggregated into seven reportable segments based on similarities in the economic and geographic characteristics of our homebuilding operations. We conduct our operations in 54 markets, located throughout 27 states, and have presented our reportable homebuilding segments as follows:

Northeast: Northeast and Mid-Atlantic Areas include the following states:

Connecticut, Delaware, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Virginia

Southeast: Southeast Area includes the following states:

Georgia, North Carolina, South Carolina, Tennessee

Florida: Florida Area includes the following state:

Florida

Midwest: Great Lakes Area includes the following states:

Illinois, Indiana, Michigan, Ohio, Minnesota

Central: Rocky Mountain and Texas Areas include the following states:

Colorado, Kansas, Missouri, Texas

Southwest: Arizona and Nevada Areas include the following states:

Arizona, Nevada, New Mexico

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

California

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

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

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

	Year Ended December 31,		
	2005	2004	2003
Home sale revenue (settlements) (\$000 s omitted):			
Northeast	\$ 1,856,906	\$ 1,435,532	\$ 1,055,742
Southeast	950,792	758,994	726,825
Florida	2,247,513	1,270,797	934,792
Midwest	1,757,842	1,592,804	1,352,058
Central	1,090,914	938,966	925,301
Southwest	3,259,913	2,945,918	1,890,689
California	3,206,787	2,151,606	1,596,934
	\$ 14,370,667	\$ 11,094,617	\$ 8,482,341
Income (loss) before income taxes (\$000 s omitted):			
Northeast	\$ 326,399	\$ 267,494	\$ 161,978
Southeast	86,683	53,502	45,580
Florida	475,939	198,975	159,917
Midwest	149,063	175,845	162,846
Central	1,729	45,736	84,053
Southwest	745,163	647,179	287,644
California	654,940	379,765	238,810
Unallocated	(141,094)	(132,916)	(140,315)
	\$ 2,298,822	\$ 1,635,580	\$ 1,000,513
Unit settlements:			
Northeast	3,909	3,249	2,692
Southeast	4,127	3,719	3,700
Florida	8,784	5,643	4,534
Midwest	5,879	5,315	4,694
Central	6,424	5,576	5,212
Southwest	10,237	10,179	7,676
California	6,270	4,931	4,185
	45,630	38,612	32,693
Net new orders units:			
Northeast	4,019	3,197	3,098
Southeast	4,888	3,896	3,541
Florida	8,383	7,045	5,480
Midwest	5,928	5,219	4,466
Central	7,549	5,568	5,222
Southwest	10,723	10,353	8,762

California	6,041	5,298	4,420
	47,531	40,576	34,989
Unit backlog:			
Northeast	1,593	1,483	1,535
Southeast	1,580	819	642
Florida	4,085	4,486	3,084
Midwest	1,283	1,234	1,330
Central	2,075	950	958
Southwest	4,902	4,416	4,242
California	2,299	2,528	2,161
	17,817	15,916	13,952

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

	Year Ended December 31,		
	2005	2004	2003
Controlled Lots:			
Northeast	44,088	41,405	33,535
Southeast	31,863	22,926	22,854
Florida	70,434	73,799	48,877
Midwest	36,334	38,578	41,347
Central	39,331	42,572	42,233
Southwest	97,290	82,630	42,513
California	43,275	41,508	27,762
	362,615	343,418	259,121

Northeast:

For the year ended December 31, 2005, our Northeast operations contributed positively to our Homebuilding operating results with increased revenues and higher average selling prices and profits compared with 2004 and 2003. During 2005, most of the markets in the Northeast experienced strong demand conditions, particularly in Lehigh Valley and Baltimore, which were offset by increased resale inventories and pricing pressures in Washington D.C. Net new orders increased 26% to 4,019 units for the year ended December 31, 2005 compared with the same period in 2004 while net new orders increased 3% to 3,197 units for the year ended December 31, 2004 compared with the same period in 2003. However, during the fourth quarter of 2005, net new orders decreased 10% to 697 units compared with the fourth quarter of 2004, while during the fourth quarter of 2004 net new orders increased 13% to 778 units compared with the fourth quarter of 2003. For the year ended December 31, 2005, cancellation rates were approximately 14% compared with 11% and 14% for the years ended December 31, 2004 and 2003, respectively. Cancellation rates for the fourth quarter of 2005 increased to 19% compared with 14% and 13% for the same periods in 2004 and 2003. As of December 31, 2005, we had 99 active selling communities, compared with 78 and 69 as of December 31, 2004 and 2003, respectively. In addition, the comparability of our Northeast operations were affected, year over year, by a significant land sale (\$19.4 million of income before income taxes) in our Washington D.C. market during the year ended December 31, 2004.

Southeast:

During the year ended December 31, 2005, our Southeast operations contributed positively to our Homebuilding operating results with increased revenues and higher average selling prices and profits compared with 2004 and 2003. Most of the markets in the Southeast experienced strong demand conditions during 2005. Additionally, during 2005 we opened several new communities, including two new active adult communities in Atlanta and Raleigh. We expect to open an additional large active adult community in Charlotte during the first quarter of 2006. As of December 31, 2005, we had 64 active selling communities, compared with 74 and 63 as of December 31, 2004 and 2003, respectively. We will be opening replacement communities in the Southeast during 2006. For the year ended December 31, 2005, net new orders increased 25% to 4,888 units compared with the same period in 2004 while net new orders increased 10% to 3,896 units for the year ended December 31, 2004 compared with the same period in 2003. Cancellation rates for the year ended December 31, 2005 were approximately 18%, which was comparable with the same periods in 2004 and 2003. For the fourth quarter and year ended 2005, our Carolina operating results were negatively impacted by \$7 million of lot cost adjustments recorded primarily in Hilton Head.

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Homebuilding Segment Operations (as restated) (continued)

Florida:

During the year ended December 31, 2005, our Florida operations had increased revenues and higher average selling prices and profits compared with the same periods in 2004 and 2003. As of December 31, 2005, we had 73 active selling communities, compared with 65 and 39 as of December 31, 2004 and 2003, respectively. For the year ended December 31, 2005, net new orders increased 19% to 8,383 units compared with 2004, while net new orders increased 29% to 7,045 units for the year ended December 31, 2004 compared with 2003. During the fourth quarter of 2005, net new orders decreased 20% to 1,577 units compared with the prior year quarter, due primarily to a decreased community count of approximately 20% in Tampa and the fact that we are transitioning out of a recently completed active adult community in Ocala. The replacement communities in both of these markets are or will be opening shortly, so the decrease is a timing issue. Additionally, some of our Florida operations are beginning to experience weakened demand for new homes due to excess resale inventories and pricing pressures in Orlando and Naples/Ft. Myers. During the fourth quarter of 2004, net new orders increased 58% to 1,978 units compared with the prior year quarter. At December 31, 2005 unit backlog decreased 9% to 4,085 units compared with the same period in 2004 while at December 31, 2004 unit backlog increased 45% to 4,486 units compared with 2003. Cancellation rates for the year ended December 31, 2005 were approximately 12%, which was comparable with 2004 and 2003. In addition, for the year ended December 31, 2004, our Florida operations were affected by land sales (totaling \$14.4 million of income before income taxes), which occurred primarily in our Tampa and Jacksonville markets.

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

For the year ended December 31, 2005, our Midwest operations realized increased revenues compared with the same periods in 2004 and 2003, primarily due to higher unit settlements. During the year ended December 31, 2005 average selling prices and profits decreased compared with the same period in 2004 while during the year ended December 31, 2004 average selling prices and profits increased compared with the same period in 2003. During 2005, some of our Midwest operations were impacted by weakened demand for new homes due to increased resale home inventories and challenging local economic conditions, especially in Michigan. However, other Midwest operations, such as Illinois, Indianapolis and Ohio experienced solid demand, as evidenced by increased net new orders. For the year ended December 31, 2005, net new orders increased 14% to 5,928 units compared with 2004, while net new orders increased 17% to 5,219 units for the year ended December 31, 2004 compared with 2003. During the fourth quarter of 2005, net new orders increased 11% to 1,240 units compared with the prior year period and during the fourth quarter of 2004, net new orders increased 8% to 1,113 units compared with the prior year period. In 2005, we opened large active adult communities in Detroit and Cleveland which contributed to the 2005 increase in net new orders. Cancellation rates for the year ended December 31, 2005 were approximately 13%, compared with 16% and 14% for the same periods in 2004 and 2003, respectively. For the fourth quarter of 2005, our Midwest operating results were negatively impacted by \$4 million of land valuation adjustments recorded in Cleveland. There were no significant land valuation adjustments or write-offs taken during the years ended 2004 and 2003.

Central:

For the year ended December 31, 2005, our Central operations realized increased revenues primarily due to higher unit settlements, compared with the same periods in 2004 and 2003. During the year ended December 31, 2005 average selling prices increased compared with the same period in 2004, however, average selling prices decreased for the year ended December 31, 2004 compared with the same period in 2003. For the year ended December 31, 2005, net new orders increased 36% to 7,549 units compared with the same period in 2004, while net new orders increased 7% to 5,568 units for the year ended December 31, 2004 compared with the same period in 2003. During the fourth quarter of 2005, net new orders increased 53% to 1,801 units compared with the prior year period, however, during the fourth quarter of 2004 net new orders decreased 5% to 1,174 units, compared with the prior year period. During 2005, we realized increases in net new orders in Houston and San Antonio as well as Denver, which experienced significant increases from the successful grand opening of a large traditional/active adult community in November 2005. For the year ended December 31, 2005, our Central operations were negatively impacted by a shift in product mix as well as delays in the opening of certain new communities, compared with the prior year periods for 2004 and 2003. Cancellation rates for the year ended December 31, 2005 were approximately 23%, compared with 29% and 28% for the same periods in 2004 and 2003, respectively. For the fourth quarter of 2005, the cancellation rate was 31% compared with 38% and 33% for the same periods in 2004 and 2003, respectively. For both the fourth quarter and year ended December 31, 2005, our Central operating results were negatively impacted by \$3.1 million of land valuation adjustments recorded in Kansas City, as well as higher sales incentives offered to homebuyers to reduce spec inventories in San Antonio and Houston. In addition, during the fourth quarter and year ended December 31, 2005, we recorded \$2.5 million and \$2.8 million, respectively, of net realizable value adjustments for land held for sale, primarily in Houston. There were no significant land valuation adjustments or write-offs taken during the years ended December 31, 2004 and 2003.

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

During the year ended December 31, 2005, our Southwest operations contributed positively to our Homebuilding operating results, evidenced by increased revenues and higher average selling prices and profits compared with 2004 and 2003. For the year ended December 31, 2005, net new orders increased 4% to 10,723 units compared with the same period in 2004 while net new orders increased 6% to 10,353 units for the year ended December 31, 2004 compared with the same period in 2003. During the fourth quarter of 2005, net new orders increased 33% to 2,447 units compared with the prior year period, while net new orders decreased 22% to 1,840 units during the fourth quarter of 2004 compared with the prior year period. As of December 31, 2005, the decrease in Arizona's active community count, compared with the prior year, is attributable to the close-out of several communities, including a large, established active adult community located in Phoenix. We plan to open two large active adult communities, also located in Phoenix, during the first quarter of 2006 as replacement communities. In the fourth quarter of 2004, we lowered pricing in Las Vegas to better align pricing in our communities with pricing in the market. This action was in response to a period of slow sign-ups and increased cancellation rates, which we attributed to our then above-market pricing. Since the price reductions took effect in the fourth quarter of 2004, our communities in Las Vegas have experienced improved traffic and new order activity. Cancellation rates in the Southwest for the year ended December 31, 2005 were approximately 16%, which was comparable with the same periods in 2004 and 2003. During the fourth quarter of 2005, cancellation rates were 19% compared with 34% and 14% during the same periods in 2004 and 2003, respectively.

California:

During the year ended December 31, 2005, our California operations contributed positively to our Homebuilding operating results, evidenced by increased revenues and higher average selling prices and profits compared with 2004 and 2003. For the year ended December 31, 2005, net new orders increased 14% to 6,041 units compared with the same period in 2004 while net new orders increased 18% to 5,298 units for the year ended December 31, 2004 compared with 2003. For the fourth quarter of 2005, net new orders decreased 6% to 1,083 units compared with the prior year period, while net new orders remained comparable between the fourth quarter of 2004 and 2003. At December 31, 2005, unit backlog decreased 9% to 2,299 units compared with December 31, 2004, while at December 31, 2004 unit backlog increased 17% to 2,528 units compared with December 31, 2003. During the fourth quarter of 2005, our California operations were impacted by weakened demand for new homes evidenced by increased resale inventories and pricing pressures, especially in Sacramento. In addition, the closeout of a large, successful active adult community which contributed significantly to our operations impacted the California reporting segment during the fourth quarter of 2005 and contributed to the decrease in net new orders, closings and average selling price during this period. Cancellation rates for the current year were approximately 24%, compared with 15% and 13% for the years ended December 31, 2004 and 2003.

Table of Contents**Financial Services Operations**

We conduct our financial services business, which includes mortgage and title operations, through Pulte Mortgage and other subsidiaries.

We originate mortgage loans using our own funds or borrowings made available through various credit arrangements, and then sell such mortgage loans to outside investors. Also, we sell our servicing rights on a flow basis through fixed price servicing sales contracts. Due to the short period of time the servicing rights are held, generally less than four months, we do not amortize the servicing asset. Since the servicing rights are recorded based on the value in the servicing sales contracts, there are no impairment issues related to these assets.

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

	Years Ended December 31,		
	2005	2004	2003
Total originations:			
Loans	42,994	35,232	28,655
Principal (\$000 s omitted)	\$ 8,528,600	\$ 6,739,200	\$ 4,989,500
Originations for Pulte customers:			
Loans	42,302	32,290	23,864
Principal (\$000 s omitted)	\$ 8,397,600	\$ 6,268,100	\$ 4,179,100

Pre-tax income of our financial services operations was \$70.6 million, \$47.4 million, and \$68.8 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Mortgage origination unit and principal volume for the year ended December 31, 2005, increased 22% and 27%, respectively, over 2004. Mortgage origination unit and principal volume for the year ended December 31, 2004, increased 23% and 35%, respectively, over 2003. This growth can be attributed to increases in the capture rate of 140 basis points to 89.2% in 2005 and 510 basis points to 87.8% in 2004, combined with the volume increases experienced in our homebuilding business and an increase in average loan size. Our capture rate represents loan originations from our homebuilding business as a percent of total loan opportunities, excluding cash settlements, from our homebuilding business. Our homebuilding customers continue to account for the majority of total loan production, representing 98% of Pulte Mortgage unit production for 2005, compared with 92% in 2004 and 83% in 2003.

Adjustable rate mortgages (ARMs) represented 45% of total funded origination dollars and 39% of total funded origination units for the year ended December 31, 2005, compared with 43% and 42%, respectively, in 2004 and 24% and 22%, respectively, in 2003. Interest only mortgages, a component of ARMs, represented 65% of ARMs origination dollars and 56% of ARMs origination units for the year ended December 31, 2005, compared with 42% and 30% in 2004, and 13% and 8%, respectively, in 2003. Interest only mortgages represented 29%, 18%, and 3%, respectively, of total funded origination dollars for the years ended December 31, 2005, 2004 and 2003.

Refinancings represented 1% of total loan production in 2005, compared with 3% in 2004 and 8% in 2003. Our customers' average FICO scores for the years ended December 31, 2005, 2004, and 2003 were 741, 737, and 724, respectively. Combined Loan-to-Value was 81% for the years ended December 31, 2005, 2004, and 2003, respectively. At December 31, 2005, loan application backlog was \$4.2 billion, compared with \$3.5 billion and \$2.2 billion at December 31, 2004 and 2003, respectively.

Pre-tax income increased 49% for the year ended December 31, 2005, compared with 2004, due to increased volume and a favorable product mix shift to funded, from non-funded originations. In 2005, 26% of total origination dollars were from brokered loans, which are less profitable to us, compared with 36% in 2004. Mortgage origination fees of \$20.7 million in 2005 were \$0.2 million, or 1%, higher than the \$20.5 million recorded for the same period in 2004. The 1% increase over the same period in 2004 is due to higher revenues per loan as brokered origination

volume decreased 7% in 2005 when compared to 2004.

The net gain from sale of mortgages of \$81.1 million in 2005 was \$30.8 million, or 61%, higher than the \$50.3 million recorded for the same period in 2004. This favorable variance was due primarily to an increase in loans available for sale combined with a more favorable interest rate environment in 2005 when compared to 2004. Net interest income in 2005 was \$10 million, or 3%, higher than the \$9.7 million for the same period in 2004. The increase was due mainly to increased funded origination volume offset by a lower interest rate margin. Income from our title operations was \$22.3 million in 2005, an increase of 27% over 2004. Selling, general and administrative expense increased \$10 million, or 17%, from 2004, due primarily to an increase in origination volume.

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Financial Services Operations

Our minority interest in Su Casita, a Mexican mortgage banking company, contributed income from operations of approximately \$350 thousand for the year ended December 31, 2005. During February 2005, 25% of our investment in the capital stock of Su Casita was redeemed for a gain of approximately \$620 thousand. Our remaining interest of 16.66% was accounted for under the cost method of accounting and therefore no income was recorded for periods subsequent to the sale. Income from Su Casita for the years ended December 31, 2004 and 2003, was \$4 million and \$4.4 million, respectively. In February 2006, we completed the sale of our remaining investment in Su Casita for approximately \$50 million, and realized a pre-tax gain of approximately \$30 million related to the transaction.

Pre-tax income decreased 31% for the year ended December 31, 2004, compared with 2003, as increased volume was offset by changes in product mix to ARMs, which generally have a lower profit per loan than fixed rate products. The shift to ARMs is attributable to customer mortgage product preference. In addition, in 2004, 36% of total origination dollars were from brokered loans, which are less profitable to us, compared with 16% in 2003. Mortgage origination fees increased to \$20.5 million for the year ended December 31, 2004, compared with \$7.5 million in 2003, due to the increase in brokered loans. Gains from the sale of mortgages during 2004 decreased \$14.1 million, or 22%, from \$64.4 million in 2003, and net interest income decreased \$5.5 million, to \$9.7 million during 2004 as compared with \$15.1 million in 2003. These decreases were due to the product mix shifts and an unfavorable interest rate environment in 2004 compared with 2003. Income from our title operations was \$17.6 million in 2004, an increase of 30% over 2003. Selling, general and administrative expense for the year ended December 31, 2004, increased 41% to \$57.5 million compared with 2003 due to increased origination volume.

We hedge portions of our forecasted cash flow from sales of closed mortgage loans with derivative financial instruments. For the year ended December 31, 2005, we did not recognize any material net gains or losses related to an ineffective portion of the hedging instrument. We also did not recognize any material net gains or losses during 2005 for cash flow hedges that were discontinued because it is probable that the original forecasted transaction will not occur. At December 31, 2005, we expect to reclassify \$18 thousand, net of taxes, of net losses on derivative instruments from accumulated other comprehensive income to earnings during the next twelve months from sales of closed mortgage loans.

Table of Contents**Other non-operating**

Other non-operating expenses, net consists of income and expenses related to Corporate services provided to our subsidiaries. These 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 results of operations (\$000 s omitted):

	Years Ended December 31,		
	2005	2004	2003
Net interest expense	\$ 43,344	\$ 47,372	\$ 39,364
Other expenses, net	49,050	43,313	35,987
Loss before income taxes	\$ 92,394	\$ 90,685	\$ 75,351

Interest expense, net of interest capitalized into homebuilding inventory, decreased 9% to \$43.3 million in 2005 and increased 20% to \$47.4 million in 2004. The decrease for the year ended December 31, 2005, compared with the prior year, is due to an increase in the amount of interest capitalized into homebuilding inventory as well as an increase in interest income. The increase for the year ended December 31, 2004, compared with the prior year, is due to an increase in the debt levels necessary to support our growth.

The increase in other expenses, net for the year ended December 31, 2005, compared with the prior year was due to higher compensation-related costs. Other expenses, net in 2004 increased \$7.3 million compared with 2003 partially due to increased charitable contributions. Additionally, during 2004 and 2003 we recognized income from the sale and adjustment to fair value of various non-operating parcels of commercial land held for sale.

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. During 2005, interest in homebuilding inventory increased primarily as a result of higher levels of inventory and debt consistent with the growth of our Company. During the fourth quarter of 2005, we increased the amount of interest capitalized into homebuilding inventory. The increase was 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):

	Years Ended December 31,		
	2005	2004	2003
Interest in homebuilding inventory at beginning of year	\$ 223,591	\$ 200,584	\$ 142,984
Interest capitalized into homebuilding inventory	185,792	156,056	136,308
Interest expensed to homebuilding cost of sales	(179,585)	(133,049)	(78,708)
Interest in homebuilding inventory at end of year	\$ 229,798	\$ 223,591	\$ 200,584
Interest incurred *	\$ 234,024	\$ 205,176	\$ 178,952

* *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**Discontinued Operations**

First Heights In September 2003, the United States Court of Federal Claims issued final judgment that Pulte Homes, Inc., Pulte Diversified Companies, Inc. and First Heights (collectively, the Pulte Parties) had been damaged by approximately \$48.7 million as a result of the United States government's breach of contract with them. The final judgment follows the Court's August 17, 2001 ruling that the United States breached the contract related to the Pulte Parties' 1988 acquisition of five savings and loan associations by enacting Section 13224 of the Omnibus Budget Reconciliation Act of 1993. The United States government and the Pulte Parties filed Notices of Appeal with the United States Court of Appeals for the Federal Circuit in October 2003.

In August 2005, the United States Court of Appeals affirmed the United States Court of Federal Claims' judgment, in its entirety, that we had been damaged by approximately \$48.7 million as a result of the United States government's breach of contract in connection with the enactment of Section 13224 of the Omnibus Budget Reconciliation Act of 1993. In December 2005, we received payment of the judgment in the amount of \$48.7 million, which was recorded as income from discontinued operations.

We also recorded non-cash, after-tax gains of \$7.8 million, \$10.8 million and \$7.9 million, during the third quarter of 2005, 2004 and 2003, respectively, related to the favorable resolution of certain tax matters relating to our former thrift operation, which was discontinued in 1994.

Mexico In January 2005, the minority shareholders of Pulte Mexico S. de R.L. de C.V. (Pulte Mexico) exercised a put option under the terms of a reorganization agreement dated as of December 31, 2001, to sell their shares to us, the consummation of which resulted in our owning 100% of Pulte Mexico. In March 2005, we purchased 60% of the minority interest of Pulte Mexico for approximately \$18.7 million in cash. In June 2005, we purchased the remaining 40% of the minority interest of Pulte Mexico for approximately \$12.5 million in cash. We assigned approximately \$17.6 million of the purchase price premium to house and land inventory, which was amortized through cost of sales as homes were sold. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed, of \$5.3 million, was recorded as goodwill.

In December 2005, we sold substantially all of our Mexico homebuilding operations to a consortium of purchasers involved in residential and commercial real estate development. The disposition of the Mexico homebuilding operations will allow us to invest additional resources in the U.S. housing market. We realized cash of \$131.5 million related to the sale. The sale of these operations did not include our investment in the capital stock of a mortgage company in Mexico as well as various non-operating entities, which are not considered to be material to our results of operations or our financial position.

Revenues of these discontinued operations were \$201 million, \$185.8 million and \$172.3 million for the years ended December 31, 2005, 2004 and 2003, respectively. For the years ended December 31, 2005, 2004 and 2003, discontinued Mexico homebuilding operations reported total after-tax income (losses) of (\$1.5) million, \$4.4 million and \$1.7 million, respectively. Results of Mexico homebuilding operations, for the years ended December 31, 2005, 2004 and 2003, resulted in pre-tax operating income of \$4.6 million, \$8.2 million and \$4.6 million, respectively.

For the year ended December 31, 2005, we recognized a pre-tax loss of \$6.6 million (after-tax loss of \$13.1 million) related to the sale of our Mexico homebuilding operations. The pre-tax loss on sale includes the accounting recognition of the economic losses related to accumulated foreign currency translation adjustments of \$7.6 million, which had previously been reported in other comprehensive income, as well as the write-off of \$5.3 million of goodwill related to the 2005 acquisition of the minority shareholder interests. At December 31, 2005, the Mexico homebuilding operations have been presented as discontinued operations in our Consolidated Financial Statements, while previously they were included in our Homebuilding operations. Certain amounts previously reported in the 2004 and 2003 financial statements and notes thereto were reclassified to conform to the 2005 presentation.

Concurrent with the sale of the Mexico homebuilding operations, we elected to repatriate all of our earnings from our Mexico operations in accordance with the American Jobs Creation Act of 2004 (Internal Revenue Code Section 965, Temporary Dividends Received Deduction) and recorded \$4.8 million of related income taxes, which have been included in the Mexico loss on sale from discontinued operations.

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

Argentina In January 2005, we sold all of our Argentina operations to an Argentine company involved in residential and commercial real estate development. The disposition of these operations was the chosen action to improve our overall returns. At December 31, 2004, the Argentina operations were classified as held for sale and presented as discontinued operations in our Consolidated Financial Statements, while previously they were included in our Homebuilding operations.

For the years ended December 31, 2004 and 2003, discontinued Argentine operations reported after-tax losses of \$1.4 million and \$1.9 million, respectively. In addition, we recognized a pre-tax loss of \$33.2 million (\$20.6 million after-tax) on the write-down of the Argentina operations to fair value less costs to sell. At December 31, 2004, foreign currency translation losses of \$25.1 million, which were previously recorded as a component of accumulated other comprehensive income on the balance sheet, were recognized in the income statement in connection with the classification of these operations as held for sale. These translation losses were included in the overall pre-tax loss of \$33.2 million on the write-down to fair value. For the year ended December 31, 2003, we recorded a foreign currency translation gain of \$1.9 million for Argentina as a component of accumulated other comprehensive income on the balance sheet.

Total assets to be disposed of at December 31, 2004 were \$15.4 million, consisting primarily of cash and inventories. Total liabilities to be disposed of at December 31, 2004 were \$13.7 million and consisted primarily of accounts payable and other accrued liabilities.

Liquidity and Capital Resources

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

At December 31, 2005, we had cash and equivalents of \$1 billion and \$3.4 billion of senior notes outstanding. Other financing included limited recourse collateralized financing totaling \$28.6 million. Sources of our working capital include our cash and equivalents, our \$1.66 billion committed unsecured revolving credit facility and Pulte Mortgage's \$990 million committed credit arrangements.

Our debt-to-total capitalization, excluding our collateralized debt, was approximately 36.2% at December 31, 2005, and approximately 28.6% 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.

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 December 31, 2005, Pulte Mortgage had committed credit arrangements of \$990 million comprised of a \$390 million bank revolving credit facility and a \$600 million asset-backed commercial paper program. The asset-backed commercial paper program was temporarily increased to \$600 million in December 2005 due to high year-end volume. It was reduced back to \$550 million in January 2006.

Our income tax liability and related effective tax rate are affected by a number of factors. In 2005, our effective tax rate was 36.9% compared to 37.6% in 2004 and 37.9% in 2003. The reduction in the effective tax rate for 2005 was principally due to the new manufacturing deduction established by the American Jobs Creation Act of 2004. The reduction in the effective tax rate for 2004 was principally due to the favorable resolution of certain state tax matters. We anticipate that our effective tax rate for 2006 will be approximately 37%.

Our net cash provided by operating activities for the year ended December 31, 2005, amounted to \$18.7 million, while net cash used in operating activities was \$692.2 million for the year ended December 31, 2004. The increase from 2004 to 2005 was principally due to an increase in net income, which included \$48.7 million of cash income received as a result of a favorable judgment for our former thrift operation. Our net cash used in operating activities for the year ended December 31, 2003, was \$336.4 million. For the years ended December 31, 2004 and 2003, the increases in net income were offset primarily by significant investments in land necessary to support the continued growth of the business.

Table of Contents**Liquidity and Capital Resources (continued)**

Cash used in investing activities was \$25.3 million for the year ended December 31, 2005, compared with \$198.6 million in the prior year. The change in net cash used in investing activities primarily relates to proceeds from the sale of subsidiaries during 2005 of \$142.9 million, increases in distributions from unconsolidated entities of \$41.9 million, offset by increases in capital expenditures of \$13.7 million. During 2005, we invested approximately \$37.3 million in three new joint ventures that develop and/or sell land within the United States. Also, we contributed \$124.6 million of additional capital contributions to and received \$108 million in capital distributions from our unconsolidated joint ventures for the year ended December 31, 2005. Further, we incurred approximately \$88.9 million in capital expenditures to support the growth of our business. Cash used in investing activities was \$198.6 million for the year ended December 31, 2004, compared with \$4.3 million in the prior year. The change in net cash used in investing activities primarily relates to our investments in unconsolidated entities. During January 2004, we invested \$35 million for a 50% ownership interest in an entity that supplies and installs basic building components and operating systems. During 2004, we invested approximately \$117.8 million in three new joint ventures that develop and/or sell land in the United States. Also, we contributed \$44.2 million of additional capital contributions to and received \$66.1 million in capital distributions from our unconsolidated joint ventures for the year ended December 31, 2004.

Net cash provided by financing activities totaled \$700.4 million for the year ended December 31, 2005. Cash inflows from financing activities of \$1 billion for the year ended December 31, 2005 are primarily attributed to proceeds from our \$350 million, 5.2% senior notes and \$300 million, 6% senior notes issued in February 2005, proceeds from Pulte Mortgage's line of credit of approximately \$275.6 million, proceeds from limited recourse collateralized financing arrangements of approximately \$46.8 million, and proceeds from the exercise of stock options of \$31.2 million. Cash outflows from financing activities for the year ended December 31, 2005 primarily relate to the repayment of our \$125 million, 7.3% senior notes in October 2005, approximately \$33.6 million of cash dividends paid to our shareholders, and \$143.2 million used to repurchase our common stock.

Net cash provided by financing activities totaled \$809.6 million for the year ended December 31, 2004. Cash inflows from financing activities for the year ended December 31, 2004 are primarily attributed to proceeds received from our \$500 million, 5.25% senior notes issued in January 2004 and our \$400 million, 4.875% senior notes issued in July 2004 and \$44 million of cash received from the exercise of stock options. Cash outflows from financing activities for the year ended December 31, 2004 primarily relate to the repayment of our \$112 million, 8.375% senior notes in August 2004, redemption of the remaining \$77 million of Del Webb 10.25% senior subordinated notes in February 2004, approximately \$25.4 million of cash dividends paid to our shareholders, \$44.9 million used to repay borrowings, and \$14.7 million used to repurchase our common stock.

Net cash provided by financing activities for the year ended December 31, 2003, was \$128.9 million, reflecting proceeds from the \$300 million senior notes issued in February and the \$400 million senior notes issued in May and proceeds from employee stock option exercises, offset by the repayment of debt, dividends paid and stock repurchases.

In February 2005, we sold \$350 million of 5.2% senior notes, which mature on February 15, 2015, and \$300 million of 6% senior notes, which mature on February 15, 2035, which are guaranteed by us and certain of our 100%-owned subsidiaries. These notes are unsecured and rank equally with all of our other unsecured and unsubordinated indebtedness. Proceeds from the sale were used to repay the indebtedness of our revolving credit facility and for general corporate purposes, including continued investment in our business.

In October 2005, we restructured and amended the 5-year unsecured revolving credit facility, increasing the borrowing availability from \$1.38 billion to \$1.615 billion, and extending the maturity date from September 2009 to October 2010, with pricing more favorable to us. We subsequently increased the credit facility to \$1.66 billion. The 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.

Pursuant to the two \$100 million stock repurchase programs authorized by our Board of Directors in October 2002 and 2005 (for a total stock repurchase authorization of \$200 million), we have repurchased a total of 6,120,800 shares for \$180.5 million. At December 31, 2005, we had remaining authorization to purchase common stock aggregating \$19.5 million. In February 2006, our Board of Directors approved an increase to our stock repurchase authorization for an additional \$200 million in open-market transactions or otherwise.

In July 2005, our Board of Directors declared a two-for-one stock split effected in the form of a 100 percent stock dividend. The additional shares of common stock were distributed on September 1, 2005, to the shareholders of record as of August 15, 2005. In December 2003, we announced a two-for-one stock split effected in the form of a 100 percent stock dividend. The distribution was made on January 2, 2004. All share and per share amounts have been restated to retroactively reflect the stock splits.

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. For the three months ended December 31, 2005, our gross margins have been negatively impacted by approximately 40 basis points due to inflation, compared to the same period in the prior year. For the year ended December 31, 2005, 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.

Contractual Obligations and Commercial Commitments

The following table summarizes our payments under contractual obligations as of December 31, 2005:

	Total	Payments Due by Period			
		(\$000 s omitted)			
		2006	2007-2008	2009-2010	After 2010
Contractual obligations:					
Long-term debt (a)	\$ 6,333,755	\$ 216,776	\$ 433,552	\$ 814,052	\$ 4,869,375
Operating lease obligations	231,119	52,392	80,035	55,013	43,679
Other long-term liabilities (b)	29,318	18,302	10,006	1,010	
Total contractual obligations (c)	\$ 6,594,192	\$ 287,470	\$ 523,593	\$ 870,075	\$ 4,913,054

(a) *Represents our senior notes and subordinated notes and related interest payments*

(b) *Represents our limited recourse collateralized financing arrangements and related interest payments*

(c) *We do not have any payments due in connection with capital lease or purchase obligations*

We are subject to the usual obligations associated with entering into contracts (including option contracts) for the purchase, development and sale of real estate in the routine conduct of our business. Option contracts for the purchase

of land enable us to defer acquiring portions of properties owned by third parties and unconsolidated entities until we are ready to build homes on them. This reduces our financial risks associated with long-term land holdings. At December 31, 2005, we had agreements to acquire approximately 189,000 homesites through option contracts and unconsolidated entities in which we have investments. At December 31, 2005 we had \$444.8 million of non-refundable option deposits and advanced costs related to certain of these agreements.

The following table summarizes our other commercial commitments as of December 31, 2005:

	Amount of Commitment Expiration by Period				After 2010
	(\$000 s omitted)				
	Total	2006	2007-2008	2009-2010	
Other commercial commitments:					
Guarantor revolving credit facilities					
(a)	\$ 1,660,000	\$	\$	\$ 1,660,000	\$
Non-guarantor revolving credit facilities (c)	990,000	990,000			
Standby letters of credit (b)	39,794	39,794			
Total commercial commitments (d)	\$ 2,689,794	\$ 1,029,794	\$	\$ 1,660,000	\$

(a) *Includes capacity to issue up to \$1.125 billion in standby letters of credit of which \$492 million was outstanding at December 31, 2005.*

(b) *Excludes standby letters of credit issued under the Guarantor revolving credit facilities.*

(c) *Includes credit facility of \$390 million and \$600 million asset-backed commercial paper program. The*

asset-backed commercial paper program was temporarily increased to \$600 million from \$550 million in December 2005 due to high year-end volume. It was returned to \$550 million in January 2006.

- (d) *Excludes performance and surety bonds of approximately \$1.8 billion, which typically do not have stated expiration dates.*

Table of Contents**Off-Balance Sheet Arrangements**

We use standby letters of credit and performance bonds to guarantee our performance under various contracts, principally in connection with the development of our projects. The expiration dates of the letter of credit contracts coincide with the expected completion date of the related projects. If the obligations related to a project are ongoing, annual extensions of the letters of credit are typically granted on a year-to-year basis. At December 31, 2005, we had outstanding letters of credit of \$531.5 million. Performance bonds do not have stated expiration dates; rather, we are released from the bonds as the contractual performance is completed. These bonds, which approximated \$1.79 billion at December 31, 2005, are typically outstanding over a period that approximates 3-5 years. We do not believe that we will be required to draw upon any such letters of credit or performance bonds.

In the ordinary course of business, we enter into land option or option type agreements in order to procure land for the construction of houses in the future. At December 31, 2005, these agreements totaled approximately \$7.6 billion. Pursuant to these land option agreements, we provide a deposit to the seller as consideration for the right to purchase land at different times in the future, usually at predetermined prices. If the entity holding the land under option is a variable interest entity, our deposit represents a variable interest in that entity. At December 31, 2005, we consolidated certain variable interest entities with assets totaling \$76.7 million.

At December 31, 2005 and 2004, aggregate outstanding debt of unconsolidated joint ventures was \$882.2 million and \$58.1 million, respectively. The increase in debt at December 31, 2005 is a result of the growth in the number of joint venture arrangements as well as increased land development activities for these entities. Our proportionate share of our joint venture debt as of December 31, 2005 was approximately \$294 million, for which we provide limited recourse debt guarantees, of approximately \$288 million. Accordingly, we may be liable, on a contingent basis, through limited guarantees with respect to a portion of the secured land acquisition and development debt. However, we would not be liable other than in instances of fraud, misrepresentation or other bad faith actions by us, unless the joint venture was unable to perform its contractual borrowing obligations. As of December 31, 2005, we do not anticipate that we will incur any significant costs under these guarantees.

Critical Accounting Policies and Estimates

The accompanying consolidated financial statements were prepared in conformity with United States generally accepted accounting principles. When more than one accounting principle, or the method of its application, is generally accepted, we select the principle or method that is appropriate in our specific circumstances (see Note 1 of Notes to Consolidated Financial Statements). Application of these accounting principles requires us to make estimates about the future resolution of existing uncertainties; as a result, actual results could differ from these estimates. In preparing these consolidated financial statements, we have made our best estimates and judgments of the amounts and disclosures included in the consolidated financial statements, giving due regard to materiality. The development and selection of the following critical accounting policies and estimates have been discussed with the Audit Committee of the Board of Directors.

Revenue recognition

Homebuilding Homebuilding revenues are recorded when the sales of homes are completed and ownership has transferred to the customer. Unfunded settlements are deposits in transit on homes for which the sale was completed. We do not engage in arrangements whereby we have ongoing relationships with our homebuyers that require us to repurchase our homes or provide homebuyers with the right of return.

Financial Services Mortgage servicing fees represent fees earned for servicing loans for various investors. Servicing fees are based on a contractual percentage of the outstanding principal balance, or a contracted set fee in the case of certain sub-servicing, and are credited to income when related mortgage payments are received. Loan origination fees, commitment fees and certain direct loan origination costs are deferred as an adjustment to the cost of the related mortgage loan until such loan is sold. Gains and losses from sales of mortgage loans are recognized when the loans are sold. Interest income is accrued from the date a mortgage loan is originated until the loan is sold.

Inventory valuation

Our finished inventories are stated at the lower of accumulated costs or net realizable value. Included in inventories are all direct development costs. Inventories under development or held for development are stated at accumulated cost, unless they are determined to be impaired, in which case these inventories are measured at fair value. If actual

market conditions are less favorable than those projected by management, additional inventory adjustments may be required.

We capitalize interest cost into homebuilding inventories. Interest capitalized each quarter is identified as a separate layer in our capitalized interest balance sheet pool. Each layer of capitalized interest is amortized over a period that approximates the average life of communities under development. Interest expense is allocated to the quarters over the amortization period based on the cyclical timing of unit settlements.

Table of Contents**Critical Accounting Policies and Estimates (continued)***Inventory valuation (continued)*

Sold units are expensed on a specific identification basis. Under the specific identification basis, cost of sales includes the construction cost of the home, an average lot cost by project based on land acquisition and development costs, and closing costs and commissions. Construction cost of the home includes amounts paid through the closing date of the home, plus an accrual for costs incurred but not yet paid, based on an analysis of budgeted construction cost. This accrual is reviewed for accuracy based on actual payments made after closing compared to the amount accrued, and adjustments are made if needed. Total project land acquisition and development costs are based on an analysis of budgeted costs compared to actual costs incurred to date and estimates to complete. Adjustments to estimated total project land acquisition and development costs for the project affect the amount of future lots costed.

Residential mortgage loans available-for-sale

Residential mortgage loans available-for-sale are stated at the lower of aggregate cost or market value. Gains and losses from sales of mortgage loans are recognized when the loans are sold. We hedge our residential mortgage loans available-for-sale. Gains and losses from closed commitments and futures contracts are matched against the related gains and losses on the sale of mortgage loans.

Goodwill and intangible assets

We have recorded certain intangible assets and goodwill, most of which relate to the Del Webb merger in 2001. Intangible assets, primarily trademarks and tradenames, were valued using proven valuation procedures and are amortized over their estimated useful life. Goodwill is subject to annual impairment testing. The carrying value and ultimate realization of these assets is dependent upon estimates of future earnings and benefits that we expect to generate from their use. If our expectations of future results and cash flows decrease significantly, intangible assets and goodwill may be impaired and the resulting charge to operations may be material. If we determine that the carrying value of intangible assets, long-lived assets and goodwill may not be recoverable based upon the existence of one or more indicators of impairment, we measure impairment based on one of three methods. For assets related to ongoing operations, we use a projected undiscounted cash flow method to determine if impairment exists and then measure impairment using discounted cash flows. For assets to be disposed of, we assess the fair value of the asset based on current market conditions for similar assets. For goodwill, we assess fair value by measuring discounted cash flows of our reporting units and measure impairment as the difference between the resulting implied fair value of goodwill and the recorded book value.

The estimates of useful lives and expected cash flows require us to make significant judgments regarding future periods that are subject to some factors outside of our control. Changes in these estimates could result in significant revisions to the carrying value of these assets and material charges to the results of operations.

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. We estimate the costs to be incurred under these warranties and record a liability in the amount of such costs at the time product revenue is recognized. Factors that affect our warranty liability include the number of homes sold, historical and anticipated rates of warranty claims, and cost per claim. We periodically assess the adequacy of recorded warranty liabilities and adjust the amounts as necessary. Although we have not made significant adjustments to the accrual in the past, actual warranty cost in the future could differ from our current estimate.

Insurance

We have, and require the majority of our subcontractors to have, general liability, property, errors and omissions, workers compensation and other business insurance. These insurance policies protect us against a portion of our risk of loss from claims, subject to certain self-insured retentions, deductibles, and other coverage limits. Through our captive insurance subsidiaries, we reserve for costs to cover our self-insured and deductible amounts under those policies and for any costs of claims and lawsuits in excess of our coverage limits or not covered by such policies, based on an analysis of our historical claims, which includes an estimate of claims incurred but not yet reported. Our total reserves for such items were \$153.4 million and \$115.6 million at December 31, 2005 and 2004, respectively.

Expenses related to such claims were approximately \$70.1 million, \$58.4 million, and \$40.9 million for the years ended December 31, 2005, 2004, and 2003, respectively.

Table of Contents**Critical Accounting Policies and Estimates (continued)***Stock-based compensation*

On December 15, 2004, the FASB issued SFAS No. 123(R), Share-Based Payment, which amends SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123(R) requires that all share-based payments to employees, including grants of employee stock options, be accounted for at fair value. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. Under SFAS No. 123(R), we must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. We previously adopted the fair-value-based method of accounting for share-based payments under SFAS No. 123 effective January 1, 2003 using the prospective method described in SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. Currently, the Company uses the Black-Scholes option pricing model to estimate the value of stock options granted to employees, and will continue to use this model upon adoption of SFAS 123(R). Because SFAS No. 123(R) must be applied not only to new awards but to previously granted awards that are not fully vested on the effective date, and we adopted SFAS No. 123 using the prospective transition method (which applied only to awards granted, modified or settled after the adoption date), compensation cost for some previously granted awards that was not recognized under SFAS No. 123 will be recognized under SFAS No. 123(R). In addition, our 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. We currently recognize the related compensation cost ratably over the nominal vesting period. For awards granted after the adoption of SFAS No. 123(R), we will record 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. Because these amounts are not significant, the adoption of SFAS No. 123(R) is not expected to have a material impact on our results of operations or financial position. This statement is effective for fiscal periods beginning after December 15, 2005.

New Accounting Pronouncements

In June 2005, the Financial Accounting Standards Board (FASB) ratified its Emerging Issues Task Force consensus in Issue No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (Issue 04-5). This guidance states that the general partner in a limited partnership is presumed to control that limited partnership, with limited exceptions. We do not expect the provisions of Issue 04-5 to impact our current accounting treatment for limited partnerships because we are not a general partner. Issue 04-5 is effective June 29, 2005 for new limited partnerships and existing limited partnerships where the partnership agreement has been modified and is otherwise effective for the first fiscal period beginning after December 15, 2005 for all other limited partnerships.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3 (SFAS 154). This Statement replaces APB Opinion No. 20, Accounting Changes, and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement requires retrospective application to financial statements of prior periods for changes in accounting principle. This Statement is effective January 1, 2006 and has been determined to have no impact on our results of operations or its financial position.

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. 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 were recorded during 2005, and resulted in a reduction in our federal income tax rate (see Note 9 to Consolidated Financial Statements).

Table of Contents**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are subject to interest rate risk on our rate-sensitive financing to the extent long-term rates decline. The following tables set forth, as of December 31, 2005 and 2004, our rate-sensitive financing obligations, principal cash flows by scheduled maturity, weighted-average interest rates and estimated fair market value (\$000 s omitted).

	As of December 31, 2005 for the Years ended December 31,						Total	Fair Value
	2006	2007	2008	2009	2010	There- after		
Rate sensitive liabilities:								
<i>Fixed interest rate debt:</i>								
Senior notes and subordinated notes	\$	\$	\$	\$400,000	\$	\$2,998,563	\$3,398,563	\$3,421,959
Average interest rate				4.88%		6.58%	6.38%	
Limited recourse collateralized financing	\$18,051	\$5,700	\$3,949	\$ 933	\$	\$	\$ 28,633	\$ 28,633
Average interest rate	.89%	1.80%	1.27%	8.25%			1.36%	

	As of December 31, 2004 for the Years ended December 31,						Total	Fair Value
	2005	2006	2007	2008	2009	There- after		
Rate sensitive liabilities:								
<i>Fixed interest rate debt:</i>								
Senior notes and subordinated notes	\$125,000	\$	\$	\$	\$400,000	\$2,348,563	\$2,873,563	\$3,124,413
Average interest rate	7.3%				4.88%	6.86%	6.6%	
Limited recourse collateralized	\$ 60,392	\$13,309	\$4,699	\$2,350	\$ 1,113	\$	\$ 81,863	\$ 81,863

financing

Average

interest rate	1.48%	1.97%	4.17%	5.25%	5.25%	1.87%
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Pulte Mortgage, operating as a mortgage banker, is also subject to interest rate risk. Interest rate risk begins when we commit to lend money to a customer at agreed-upon terms (i.e., commit to lend at a certain interest rate for a certain period of time). The interest rate risk continues through the loan closing and until the loan is sold to an investor. During 2005 and 2004, this period of interest rate exposure averaged approximately 60 days. In periods of rising interest rates, the length of exposure will generally increase due to customers locking in an interest rate sooner as opposed to letting the interest rate float.

We minimize interest rate risk by (i) financing the loans via a variable rate borrowing agreement tied to LIBOR and A1/P1 commercial paper rates and (ii) hedging our loan commitments and closed loans through derivative financial instruments. These financial instruments include cash forward placement contracts on mortgage-backed securities, whole loan investor commitments, options on treasury future contracts and options on cash forward placement contracts on mortgage-backed securities. We do not use any derivative financial instruments for trading purposes.

Hypothetical changes in the fair values of our financial instruments arising from immediate parallel shifts in long-term mortgage rates of plus 50, 100 and 150 basis points would not be material to our financial results.

At December 31, 2005, our aggregate net investments exposed to foreign currency exchange rate risk include our remaining non-operating investments in Mexico, which approximated \$6.2 million, and our mortgage banking joint venture investment in Mexico, which approximated \$15.1 million.

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SPECIAL NOTES CONCERNING FORWARD-LOOKING STATEMENTS

As a cautionary note, except for the historical information contained herein, certain matters discussed in Item 1A., *Risk Factors*, Item 7., *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Item 7A., *Quantitative and Qualitative Disclosures About Market Risk*, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Reform Act).

Forward-looking statements give current expectations or forecasts of future events. Words such as anticipate, expect, intend, plan, believe, seek, estimate, and other words and terms of similar meaning in connection with discussions of future operating or financial performance signify forward-looking statements. From time to time, we also may provide oral or written forward-looking statements in other materials released to the public. Such statements are made in good faith by us pursuant to the Safe Harbor provisions of the Reform Act. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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 our future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among other things, those set forth under Item 1A. *Risk Factors*.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
PULTE HOMES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2005 and 2004
(\$000 s omitted, except share data)

	2005	2004
ASSETS		
Cash and equivalents	\$ 1,002,268	\$ 308,118
Unfunded settlements	156,663	118,471
House and land inventory	8,756,093	7,241,350
Land held for sale	257,724	230,086
Land, not owned, under option agreements	76,671	106,380
Residential mortgage loans available-for-sale	1,038,506	697,077
Investments in unconsolidated entities	301,613	258,868
Goodwill	307,693	307,693
Intangible assets, net	127,204	135,454
Other assets	1,023,739	971,634
Deferred income tax asset		31,766
	\$ 13,048,174	\$ 10,406,897
 LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Accounts payable, including book overdrafts of \$405,411 and \$304,394 in 2005 and 2004, respectively	\$ 789,399	\$ 609,039
Customer deposits	392,041	341,050
Accrued and other liabilities	1,402,620	1,251,763
Collateralized short-term debt, recourse solely to applicable non-guarantor subsidiary assets	893,001	617,415
Income taxes	219,504	203,806
Deferred income tax liability	7,740	
Senior notes and subordinated notes	3,386,527	2,861,550
Commitments and contingencies		
Total liabilities	7,090,832	5,884,623
Shareholders Equity:		
Preferred stock, \$.01 par value; 50,000,000 shares authorized, none issued		
Common stock, \$.01 par value; 400,000,000 shares authorized, 257,030,925 and 255,748,368 shares issued and outstanding at December 31, 2005 and 2004, respectively	2,570	2,558
Additional paid-in capital	1,209,148	1,114,739
Unearned compensation		(44)

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Accumulated other comprehensive loss	(5,496)	(14,380)
Retained earnings	4,751,120	3,419,401
Total shareholders' equity	5,957,342	4,522,274
	\$ 13,048,174	\$ 10,406,897

See Notes to Consolidated Financial Statements.

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PULTE HOMES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2005, 2004 and 2003
(000 s omitted, except per share data)

	2005	2004	2003
Revenues:			
Homebuilding	\$ 14,528,236	\$ 11,400,008	\$ 8,701,661
Financial Services	161,414	112,719	115,847
Other non-operating	4,885	1,749	3,281
Total revenues	14,694,535	11,514,476	8,820,789
Expenses:			
Homebuilding, principally cost of sales	12,302,018	9,818,336	7,733,697
Financial Services	93,574	71,528	53,253
Other non-operating, net	97,279	92,434	78,632
Total expenses	12,492,871	9,982,298	7,865,582
Other income:			
Equity income	75,350	60,146	38,801
Income from continuing operations before income taxes	2,277,014	1,592,324	994,008
Income taxes	840,126	598,751	376,460
Income from continuing operations	1,436,888	993,573	617,548
Income (loss) from discontinued operations	55,025	(7,032)	7,086
Net income	\$ 1,491,913	\$ 986,541	\$ 624,634
Per share data:			
Basic:			
Income from continuing operations	\$ 5.62	\$ 3.93	\$ 2.53
Income (loss) from discontinued operations	.22	(.03)	.03
Net income	\$ 5.84	\$ 3.91	\$ 2.56

Assuming dilution:

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Income from continuing operations	\$	5.47	\$	3.82	\$	2.46
Income (loss) from discontinued operations		.21		(.03)		.03
Net income	\$	5.68	\$	3.79	\$	2.48
Cash dividends declared	\$	.13	\$	.10	\$	.05
Number of shares used in calculation:						
Basic:						
Weighted-average common shares outstanding		255,492		252,590		244,323
Assuming dilution:						
Effect of dilutive securities stock options and restricted stock grants		7,309		7,644		7,137
Adjusted weighted-average common shares and effect of dilutive securities		262,801		260,234		251,460

See Notes to Consolidated Financial Statements.

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PULTE HOMES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
AND COMPREHENSIVE INCOME
For the years ended December 31, 2005, 2004 and 2003
(\$000 s omitted, except per share data)

	Common Stock	Additional Paid-in Capital	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Shareholders Equity, December 31, 2002	2,444	931,329	(9,866)	(35,371)	1,871,890	2,760,426
Stock option exercise, including tax benefit of \$28,742	64	68,171				68,235
Restricted stock award	12	(12)				
Restricted stock award amortization			9,210			9,210
Cash dividends declared \$.05 per share					(13,612)	(13,612)
Stock repurchases	(16)	(6,054)			(12,234)	(18,304)
Stock-based compensation		21,305				21,305
Comprehensive income:						
Net income					624,634	624,634
Change in fair value of derivatives, net of income taxes of \$(1,055), net of reclassification for net realized losses on derivatives of \$1,880 included in net income				1,682		1,682
Foreign currency translation adjustments				(5,453)		(5,453)
Total comprehensive income						620,863
Shareholders Equity, December 31, 2003	\$ 2,504	\$ 1,014,739	\$ (656)	\$ (39,142)	\$ 2,470,678	\$ 3,448,123
Stock option exercise, including tax benefit of	56	79,603				79,659

\$35,700						
Restricted stock award	4	(4)				
Restricted stock award amortization			612			612
Cash dividends declared \$.10 per share					(25,427)	(25,427)
Stock repurchases	(6)	(2,290)			(12,391)	(14,687)
Stock-based compensation		22,691				22,691
Comprehensive income:						
Net income					986,541	986,541
Change in fair value of derivatives, net of income taxes of \$(206), net of reclassification for net realized losses on derivatives of \$199 included in net income				336		336
Foreign currency translation adjustments				24,426		24,426

Total comprehensive income 1,011,303

Shareholders Equity, December 31, 2004

	\$ 2,558	\$ 1,114,739	\$ (44)	\$ (14,380)	\$ 3,419,401	\$ 4,522,274
Stock option exercise, including tax benefit of \$34,095	30	65,313				65,343
Restricted stock award	18	(18)				
Restricted stock award amortization			44			44
Cash dividends declared \$.13 per share					(33,550)	(33,550)
Stock repurchases	(36)	(16,566)			(126,644)	(143,246)
Stock-based compensation		45,680				45,680
Comprehensive income:						
Net income					1,491,913	1,491,913
Change in fair value of derivatives, net of income taxes of \$2,481, net of reclassification for net realized losses on derivatives of \$138 included in net income				(4,048)		(4,048)

Foreign currency translation adjustments				12,932		12,932
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Total comprehensive income						1,500,797
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Shareholders Equity, December 31, 2005	\$ 2,570	\$ 1,209,148	\$	\$ (5,496)	\$ 4,751,120	\$ 5,957,342
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See Notes to Consolidated Financial Statements.

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PULTE HOMES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2005, 2004 and 2003
(\$000 s omitted)

	2005	2004	2003
Cash flows from operating activities:			
Net income	\$ 1,491,913	\$ 986,541	\$ 624,634
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:			
Loss on sale of subsidiaries	13,124	33,150	
Amortization and depreciation	61,512	46,296	39,419
Stock-based compensation expense	45,724	23,303	30,515
Deferred income taxes	39,506	(22,967)	18,985
Distributions in excess (less than) earnings of affiliates	10,670	(21,625)	(36,186)
Other, net	(800)	3,332	775
Increase (decrease) in cash due to:			
Inventories	(1,688,571)	(2,056,563)	(1,371,163)
Residential mortgage loans available-for-sale	(341,429)	(155,575)	59,000
Other assets	(135,336)	29,573	(14,242)
Accounts payable, accrued and other liabilities	477,372	282,259	293,734
Income taxes	45,019	160,114	18,124
Net cash provided by (used in) operating activities	18,704	(692,162)	(336,405)
Cash flows from investing activities:			
Distributions from unconsolidated entities	107,978	66,067	43,606
Investments in unconsolidated entities	(161,926)	(196,997)	(13,827)
Investments in subsidiaries	(31,172)		
Proceeds from the sale of subsidiaries	142,866		
Proceeds from the sale of fixed assets	5,858	7,094	5,023
Capital expenditures	(88,887)	(75,219)	(39,120)
Other, net		500	
Net cash provided by (used in) investing activities	(25,283)	(198,555)	(4,318)
Cash flows from financing activities:			
Payment of senior notes and subordinated notes	(125,000)	(189,270)	(457,511)
Proceeds from borrowings	970,944	1,039,949	696,965
Repayment of borrowings		(44,892)	(118,168)
Issuance of common stock	31,248	43,959	39,493
Stock repurchases	(143,246)	(14,687)	(18,304)
Dividends paid	(33,550)	(25,427)	(13,612)

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Net cash provided by financing activities	700,396	809,632	128,863
Effect of exchange rate changes on cash and equivalents	333	(46)	(1,994)
Net increase (decrease) in cash and equivalents	694,150	(81,131)	(213,854)
Cash and equivalents at beginning of year	308,118	389,249	603,103
Cash and equivalents at end of year	\$ 1,002,268	\$ 308,118	\$ 389,249
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Interest, net of amount capitalized	\$ 42,789	\$ 37,055	\$ 42,885
Income taxes	\$ 747,325	\$ 453,287	\$ 337,590

See Notes to Consolidated Financial Statements.

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PULTE HOMES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies*Basis of presentation*

The consolidated financial statements include the accounts of Pulte Homes, Inc., 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 (See Note 3). The Company also has a mortgage banking company, Pulte Mortgage LLC (Pulte Mortgage), which is a subsidiary of Pulte Home Corporation.

In December 2005, the Company sold substantially all of its Mexico homebuilding operations realizing cash of \$131.5 million as further described in Note 3. For the years ended December 31, 2005, 2004 and 2003, the Mexico operations have been presented as discontinued operations in the Company's Consolidated Financial Statements.

In January 2005, the Company sold all of its Argentina operations, as further described in Note 3. At December 31, 2004, the Argentina operations were classified as held for sale. For the years ended December 31, 2004 and 2003, the Argentina operations have been presented as discontinued operations in the Company's Consolidated Financial Statements.

Restatement

Subsequent to the issuance of the Company's consolidated financial statements for the year ended December 31, 2005, 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 expanded its segment disclosure to include seven reportable homebuilding segments for the three years ended December 31, 2005 (see Note 2). This restatement has no impact on the Company's condensed consolidated balance sheets as of December 31, 2005 and 2004, consolidated statements of operations and related earnings per share amounts or its consolidated statement of cash flows or consolidated statements of shareholders equity for the years ended December 31, 2005, 2004 and 2003.

Use of estimates

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

Foreign currency

The financial statements of the Company's foreign subsidiaries in Argentina and Mexico were measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries were translated at exchange rates as of the balance sheet date. Revenues and expenses were translated at average exchange rates in effect during the year. Cumulative translation adjustments of \$7.6 million for the Company's Mexico homebuilding operations were recognized in December 2005 in connection with the sale of those operations. The cumulative translation adjustment of \$25.1 million for Argentina was recognized in December 2004 in connection with the classification of those operations as held for sale. Realized foreign currency transaction gains and losses are included in the Consolidated Statements of Operations. Realized foreign currency transaction (gains) losses of \$(1.6) million, \$300 thousand, and \$(70) thousand for the years ended December 31, 2005, 2004 and 2003, respectively were recorded in income from discontinued operations.

Cash and equivalents

For purposes of the Consolidated Statements of Cash Flows, commercial paper and time deposits with a maturity of three months or less when acquired are classified as cash equivalents.

Table of Contents**1. Summary of significant accounting policies (continued)***Investments in unconsolidated entities*

The equity method of accounting is used for joint ventures and associated entities over which the Company has significant influence; generally this represents partnership equity or common stock ownership interests of at least 20% and not more than 50% (See Note 4). Under the equity method of accounting, the Company recognizes its pro rata share of the profits and losses of these entities. Certain of these entities sell lots and provide construction services to the Company. Profits from such activities are deferred by the Company until which time the related homes are sold.

The cost method of accounting is used for investments in which the Company has less than a 20% ownership interest and does not have the ability to exercise significant influence.

Goodwill

At December 31, 2005 and 2004, the majority of goodwill, which represents the cost of acquired companies in excess of the fair value of the net assets at the acquisition date, resulted from the acquisition of Del Webb in 2001. All goodwill relates to the Company's Homebuilding operations, except for \$700 thousand, which relates to the Financial Services segment. In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, annually and when events or changes in circumstances indicate the carrying amount may not be recoverable, management evaluates the recoverability of goodwill by comparing the carrying value of the Company's reporting units to their fair value. Fair value is determined based on discounted future cash flows. The Company performed its annual impairment test during the fourth quarter of 2005 and determined there to be no impairment of goodwill.

Intangible assets

Intangible assets consist primarily of trademarks and tradenames acquired in connection with the 2001 acquisition of Del Webb and are included in the assets of the Company's Homebuilding operations. These intangible assets were valued at the acquisition date utilizing proven valuation procedures and are being amortized on a straight-line basis over a 20-year life. The acquired cost and accumulated amortization of the Company's intangible assets was \$163.5 million and \$36.3 million, respectively, at December 31, 2005, and \$163.5 million and \$28.1 million, respectively, at December 31, 2004. Amortization expense was \$8.2 million for the year ended December 31, 2005 and \$8.3 million for each of the years ended December 31, 2004 and 2003, respectively. Amortization expense for trademarks and tradenames is expected to be approximately \$8.2 million in each of the next 5 years.

Intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If impairment indicators exist, an assessment of undiscounted future cash flows for the assets related to these intangibles is evaluated accordingly. If the results of the analysis indicate impairment, the assets are adjusted to fair market value. During the years ended December 31, 2005, 2004 and 2003, there were no impairments of intangible assets.

Fixed assets and depreciation

Fixed assets are recorded at cost. Maintenance and repair costs are charged to earnings as incurred. Depreciation is computed principally by the straight-line method based upon estimated useful lives as follows: Vehicles, three to five years, model and office furniture, two to five years, and equipment, three to ten years. Fixed assets are included in Other Assets and totaled \$153.6 million net of accumulated depreciation of \$130.2 million at December 31, 2005 and \$126.1 million net of accumulated depreciation of \$101.7 million at December 31, 2004. Total depreciation expense for the years ended December 31, 2005, 2004 and 2003 was \$53.3 million, \$38 million, and \$31.2 million, respectively.

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****1. Summary of significant accounting policies (continued)***Advertising cost*

The Company expenses advertising costs as incurred. For the years ended December 31, 2005, 2004 and 2003, the Company incurred advertising costs of approximately \$94.1 million, \$87.1 million and \$79.7 million, respectively.

Employee benefits

The Company maintains one defined contribution plan that covers substantially all of the Company's employees. Company contributions to the plan are expensed as paid. The total Company contributions pursuant to the plan were approximately \$19.8 million, \$15 million and \$9.5 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Insurance

The Company has, and requires the majority of its subcontractors to have, general liability, property, errors and omissions, workers compensation and other business insurance. These insurance policies protect the Company against a portion of its risk of loss from claims, subject to certain self-insured retentions, deductibles, and other coverage limits. Through its captive insurance subsidiaries, the Company reserves for costs to cover its self-insured and deductible amounts under those policies and for any costs of claims and lawsuits, based on an analysis of the Company's historical claims, which includes an estimate of claims incurred but not yet reported. The Company's total reserves for such items were \$153.4 million and \$115.6 million at December 31, 2005 and 2004, respectively. Expenses related to such claims were approximately \$70.1 million, \$58.4 million, and \$40.9 million for the years ended December 31, 2005, 2004, and 2003, respectively.

Earnings per share

Basic earnings per share is computed by dividing income available to common shareholders (the numerator) by the weighted-average number of common shares, adjusted for nonvested shares of restricted stock (the denominator) for the period. Computing diluted earnings per share is similar to basic earnings per share, except that the denominator is increased to include the dilutive effects of options and nonvested shares of restricted stock. Any options that have an exercise price greater than the average market price are considered to be anti-dilutive, and are excluded from the diluted earnings per share calculation. For the year ended December 31, 2005, 2004, and 2003, the Company had 161,109, 129,390 and 156,632 anti-dilutive outstanding stock options, respectively, which were excluded from this calculation.

Fair values of financial instruments

The carrying amounts of cash and equivalents approximate their fair values due to their short-term nature.

The fair value of residential mortgage loans available-for-sale is estimated using the quoted market prices for securities backed by similar loans. Fair value exceeded cost by approximately \$10.8 million and \$6.9 million at December 31, 2005 and 2004, respectively.

Carrying amounts for financial derivative instruments reported in the balance sheet approximate fair value as the amounts reported are based on current market prices. The estimated fair values of financial instruments were determined by management using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret the market data and develop the estimated fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. Changes in the fair value of these instruments would not have a significant impact on the Company's results of operations. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. At December 31, 2005, derivative assets, included in other assets, in the balance sheet, totaled \$5.3 million and derivative liabilities, included in accrued and other liabilities, totaled \$7.5 million. At December 31, 2004, derivative assets totaled \$3.8 million and derivative liabilities totaled \$3.5 million.

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****1. Summary of significant accounting policies (continued)***Fair values of financial instruments (continued)*

The fair values of subordinated debentures and senior notes are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of similar issues.

Disclosures about the fair value of financial instruments are based on pertinent information available to management as of December 31, 2005. Although management is not aware of any factors that would significantly affect the reasonableness of the fair value amounts, such amounts were not comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

Stock-based compensation

The Company currently has several stock-based employee compensation plans. Effective January 1, 2003, the Company adopted the preferable fair value recognition provisions of 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 recognizes compensation expense on an accelerated basis, based on the fair value provisions of SFAS No. 123. Additionally, the Company recognizes compensation expense on the graded vesting method over the vesting periods of the applicable stock options, generally four years. The graded vesting method provides for vesting of portions of the overall awards at interim dates and results in greater expense recorded in earlier years than the straight-line method. Grants made prior to January 1, 2003 continue to be 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 is 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.

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, Accounting for Stock-Based Compensation, to all stock-based employee compensation. 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 in 2005, 2004 and 2003, respectively: weighted-average dividend yields of .39%, .33% and .44%, expected volatility of 40.1%, 36.6% and 35.3%, weighted-average risk-free interest rates of 4.6%, 3.80% and 3.57%, and weighted-average expected lives of 5.62 years, 5.92 years and 6.76 years.

	Years Ended December 31,		
	(\$000 s omitted, except per share data)		
	2005	2004	2003
Net income, as reported	\$ 1,491,913	\$ 986,541	\$ 624,634
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	14,705	9,922	8,972
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(16,119)	(15,245)	(11,456)
Pro forma net income	\$ 1,490,499	\$ 981,218	\$ 622,150
Earnings per share:			
Basic-as reported	\$ 5.84	\$ 3.91	\$ 2.56

Basic-pro forma	\$	5.83	\$	3.88	\$	2.55
Diluted-as reported	\$	5.68	\$	3.79	\$	2.48
Diluted-pro forma	\$	5.67	\$	3.77	\$	2.47

The Company also recorded compensation expense for restricted stock awards, net of related tax effects, of \$13.3 million, \$4.4 million, and \$9.9 million for the years ended December 31, 2005, 2004 and 2003, respectively. These amounts have been excluded from the above reconciliation, as they would have no impact on pro forma net income as presented.

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****1. Summary of significant accounting policies (continued)***New accounting pronouncements*

In June 2005, the Financial Accounting Standards Board (FASB) ratified its Emerging Issues Task Force consensus in Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (Issue 04-5). This guidance states that the general partner in a limited partnership is presumed to control that limited partnership, with limited exceptions. The Company does not expect the provisions of Issue 04-5 to impact its current accounting treatment for limited partnerships because the Company is not a general partner. Issue 04-5 is effective June 29, 2005 for new limited partnerships and existing limited partnerships where the partnership agreement has been modified and is otherwise effective for the first fiscal period beginning after December 15, 2005 for all other limited partnerships.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* a replacement of APB Opinion No. 20 and FASB Statement No. 3 (SFAS 154). This Statement replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement requires retrospective application to financial statements of prior periods for changes in accounting principle. This Statement is effective January 1, 2006 and has been determined to have no impact on the Company's results of operations or its financial position.

On December 15, 2004, the FASB issued SFAS No. 123(R), *Share-Based Payment*, which amends SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS No. 123(R) requires that all share-based payments to employees, including grants of employee stock options, be accounted for at fair value. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. Under SFAS No. 123(R), the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The Company previously adopted the fair-value-based method of accounting for share-based payments under SFAS No. 123 effective January 1, 2003 using the prospective method described in SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*. Currently, the Company uses the Black-Scholes option pricing model to estimate the value of stock options granted to employees, and will continue to use this model upon adoption of SFAS 123(R). Because SFAS No. 123(R) must be applied not only to new awards but to previously granted awards that are not fully vested on the effective date, and the Company adopted SFAS No. 123 using the prospective transition method (which applied only to awards granted, modified or settled after the adoption date), compensation cost for some previously granted awards that was not recognized under SFAS No. 123 will be recognized under SFAS No. 123(R). In addition, 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. The Company currently recognizes the related compensation cost ratably over the nominal vesting period. For awards granted after the adoption of SFAS No. 123(R), the Company will record 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. Because these amounts are not significant, the adoption of SFAS No. 123(R) is not expected to have a material impact on the Company's results of operations or financial position. This statement is effective for fiscal periods beginning after December 15, 2005.

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. 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 were recorded during 2005, and resulted in a reduction in the Company's federal income tax rate (see Note 9).

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****1. Summary of significant accounting policies (continued)****Homebuilding***Inventories*

Finished inventories are stated at the lower of accumulated cost or net realizable value. Inventories under development or held for development are stated at accumulated cost, unless certain facts indicate such cost would not be recovered from the cash flows generated by future disposition. In this instance, such inventories are measured at fair value.

Sold units are expensed on a specific identification basis. Under the specific identification basis, cost of sales includes the construction cost of the home, an average lot cost by project based on land acquisition and development costs, and closing costs and commissions. Construction cost of the home includes amounts paid through the closing date of the home, plus an accrual for costs incurred but not yet paid, based on an analysis of budgeted construction cost. This accrual is reviewed for accuracy based on actual payments made after closing compared to the amount accrued, and adjustments are made if needed. Total project land acquisition and development costs are based on an analysis of budgeted costs compared to actual costs incurred to date and estimates to complete. Adjustments to estimated total project land acquisition and development costs for the project affect the amount of future lots costed.

The Company capitalizes interest cost into homebuilding inventories. Each layer of capitalized interest is amortized over a period that approximates the average life of communities under development. Interest expense is allocated over the period based on the cyclical timing of unit settlements. The Company capitalized interest in the amount of \$185.8 million, \$156.1 million and \$136.3 million and expensed to home cost of sales \$179.6 million, \$133 million and \$78.7 million in 2005, 2004 and 2003, respectively.

Major components of the Company's inventory at December 31, 2005 and 2004 were (\$000's omitted):

	2005	2004
Homes under construction	\$ 3,136,708	\$ 2,551,921
Land under development	4,844,913	4,009,839
Land held for future development	774,472	679,590
Total	\$ 8,756,093	\$ 7,241,350

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 December 31, 2005 and 2004, the Company classified \$76.7 million and \$106.4 million, respectively, as land, not owned, under option agreements on the balance sheet, representing the fair value of land under contract, including deposits of \$13.4 million and \$18.9 million, respectively. The corresponding liability has been classified within accrued and other liabilities on the balance sheet.

Land option agreements that did not require consolidation under FIN 46 at December 31, 2005 and 2004, had a total purchase price of \$7.6 billion and \$6.3 billion, respectively. In connection with these agreements, the Company had deposits and advanced costs of \$431.4 million and \$311.7 million, included in other assets at December 31, 2005 and 2004, respectively.

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****1. Summary of significant accounting policies (continued)****Homebuilding (continued)***Land held for sale*

At December 31, 2005 and 2004, the Company had approximately \$257.7 million and \$230.1 million of land held for sale related to its Homebuilding operations. Land held for sale is recorded at the lower of cost or fair value less costs to sell.

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 in 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 allowance for warranties and adjusts the amount as necessary.

Changes to the Company's allowance for warranties for the years ended December 31, 2005 and 2004, are as follows (\$000's omitted):

	2005	2004
January 1	\$ 83,397	\$ 61,569
Warranty reserves provided	158,192	111,062
Payments and other adjustments	(129,292)	(89,234)
December 31	\$ 112,297	\$ 83,397

Revenues

Homebuilding revenues are recorded when the sales of homes are completed and ownership has transferred to the customer. Unfunded settlements are deposits in transit on homes for which the sale was completed.

Start-up costs

Costs and expenses associated with entry into new homebuilding markets and opening new communities in existing markets are expensed when incurred.

Financial Services*Mortgage servicing rights*

The Company allocates the cost of mortgage loans originated and purchased between the mortgage loans and the right to service those mortgage loans, based on relative fair value, on the date the loan is sold.

The Company sells its servicing rights on a flow basis through fixed price servicing sales contracts. Due to the short period of time the servicing rights are held, generally less than four months, the Company does not amortize the servicing asset. Furthermore, there are no impairment issues since the servicing rights are recorded based on the value in the servicing sales contracts. The servicing sales contracts provide for the reimbursement of payments made by the purchaser if loans prepay within specified periods of time, usually 90 days after sale or securitization. The Company established reserves for this liability of \$5.2 million and \$3.8 million at December 31, 2005 and 2004, respectively, included in accrued and other liabilities, at the time the sale was recorded. During 2005, 2004 and 2003, total servicing rights recognized were \$31.7 million, \$25.3 million, and \$36.7 million, respectively.

Residential mortgage loans available-for-sale

Residential mortgage loans available-for-sale are stated at the lower of aggregate cost or market value. Unamortized net mortgage discounts totaled \$4.8 million and \$2.1 million at December 31, 2005 and 2004, respectively. These discounts are not amortized as interest revenue during the period the loans are held for sale.

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PULTE HOMES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Summary of significant accounting policies (continued)

Financial Services (continued)

Residential mortgage loans available-for-sale (continued)

Gains and losses from sales of mortgage loans are recognized when the loans are sold. The Company hedges its residential mortgage loans available-for-sale. Gains and losses from closed commitments and futures contracts are matched against the related gains and losses on the sale of mortgage loans. During 2005, 2004 and 2003, net gains from the sale of mortgages were \$81.1 million, \$50.3 million, and \$64.4 million, respectively, which have been included in Financial Services revenue.

Interest income on mortgage loans

Interest income is accrued from the date a mortgage loan is originated until the loan is sold.

Mortgage servicing, origination and commitment fees

Mortgage servicing fees represent fees earned for servicing loans for various investors. Servicing fees are based on a contractual percentage of the outstanding principal balance, or a contracted set fee in the case of certain sub-servicing, and are credited to income when related mortgage payments are received. Loan origination fees, commitment fees and certain direct loan origination costs on funded loans are deferred as an adjustment to the cost of the related mortgage loan until such loan is sold.

Derivative instruments and hedging activities

The Company recognizes all of its derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as either a fair value hedge or a cash flow hedge.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change.

Market risks arise from commitments to lend, movements in interest rates and cancelled or modified commitments to lend. In order to reduce these risks, the Company uses derivative financial instruments. These financial instruments include cash forward placement contracts on mortgage-backed securities, whole loan investor commitments, options on treasury futures contracts, and options on cash forward placement contracts on mortgage-backed securities. The Company does not use any derivative financial instruments for trading purposes. A commitment to lend at a specified interest rate is a derivative instrument (interest rate is locked to the borrower). When the Company commits to lend to the borrower, the Company enters into one of the aforementioned derivative financial instruments to economically hedge the rate lock derivative. The changes in the value of the loan commitment and the derivative financial instrument are recognized in current earnings during the period of change. At December 31, 2005, commitments by the Company to originate mortgage loans totaled \$292.1 million at interest rates prevailing at the date of commitment.

Since the Company can terminate a loan commitment if the borrower does not comply with the terms of the contract, and some loan commitments may expire without being drawn upon, these commitments do not necessarily represent future cash requirements. The Company evaluates the creditworthiness of these transactions through its normal credit policies.

Cash forward placement contracts on mortgage-backed securities are commitments to either purchase or sell a specified financial instrument at a specified future date for a specified price and may be settled in cash, by offsetting the position, or through the delivery of the financial instrument. Options on treasury futures contracts and options on

mortgage-backed securities grant the purchaser, for a premium payment, the right to either purchase or sell a specified treasury futures contract or a specified mortgage-backed security, respectively, for a specified price within a specified period of time or on a specified date from or to the writer of the option.

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PULTE HOMES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Summary of significant accounting policies (continued)

Derivative instruments and hedging activities (continued)

Mandatory cash forward contracts on mortgage-backed securities are the predominant derivative financial instruments used to minimize the market risk during the period from when the Company extends an interest rate lock to a loan applicant until the time the loan is sold to an investor. Whole loan investor commitments are obligations of the investor to buy loans at a specified price within a specified time period. At December 31, 2005, the Company had unexpired cash forward contracts and whole loan investor commitments of \$1.1 billion. Options on cash forward contracts on mortgage-backed securities are used in the same manner as mandatory cash forward contracts, but provide protection from interest rates rising, while still allowing an opportunity for profit if interest rates fall. Options on the treasury futures contracts are used as cross hedges on various loan product types and to protect the Company from unexpected increases, cancellations or modifications in lending commitments. There were no outstanding options on treasury futures contracts at December 31, 2005.

The Company enters into derivative instruments to economically hedge portions of its forecasted cash flow from sales of mortgage-backed securities with derivative financial instruments. At December 31, 2005, the maximum length of time that the Company was exposed to the variability in future cash flows of derivative instruments was approximately 80 days. During the year ended December 31, 2005, the Company did not recognize any material net gains or losses related to an ineffective portion of the hedging instrument. In addition, the Company did not recognize any material net gains or losses during the year ended December 31, 2005 for cash flow hedges that were discontinued because the forecasted transaction did not occur. At December 31, 2005, the Company expects to reclassify \$18 thousand, net of taxes, of net losses on derivative instruments from accumulated other comprehensive income to earnings during the next twelve months from sales of mortgage-backed securities.

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****2. Segment information (as restated)**

Subsequent to the issuance of the Company's consolidated financial statements for the year ended December 31, 2005, 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 homebuilding reportable segments for the years ended December 31, 2005, 2004 and 2003. The restatement has no impact on the Company's consolidated balance sheets as of December 31, 2005 and 2004, consolidated statements of operations and related earnings per share amounts, consolidated statements of cash flows or consolidated statements of shareholders' equity for the years ended December 31, 2005, 2004 and 2003.

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. Sales of single-family detached homes, as a percentage of total unit sales, decreased to 72% in 2005, from 80% in 2004 and 83% in 2003. This trend can be attributed to an increase in sales of townhouses, condominiums and duplexes, which are most popular among our first-time and active adult homebuyers. Home sale revenues for detached and attached homes were \$11.2 billion and \$3.2 billion in 2005, \$9.2 billion and \$1.9 billion in 2004 and \$7.1 billion and \$1.4 billion in 2003, respectively.

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 the Company's 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.

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

2. Segment information (continued) (as restated)

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.

Each reportable segment follows the same accounting policies described in Note 1 Summary of Significant Accounting Policies to the consolidated financial statements.

	Operating Data by Segment (\$000 s omitted)		
	2005	2004	2003
Revenues:			
Northeast	\$ 1,868,900	\$ 1,484,042	\$ 1,061,753
Southeast	994,785	776,346	735,960
Florida	2,271,050	1,306,024	966,801
Midwest	1,759,066	1,652,139	1,382,414
Central	1,137,125	979,659	956,901
Southwest	3,277,424	2,979,639	1,982,714
California	3,219,886	2,222,159	1,615,118
Financial Services	161,414	112,719	115,847
Total segment revenues	14,689,650	11,512,727	8,817,508
Corporate and unallocated (a)	4,885	1,749	3,281
Consolidated revenues	\$ 14,694,535	\$ 11,514,476	\$ 8,820,789
Income (loss) from continuing operations before income taxes:			
Northeast	\$ 326,399	\$ 267,494	\$ 161,978
Southeast	86,683	53,502	45,580
Florida	475,939	198,975	159,917
Midwest	149,063	175,845	162,846
Central	1,729	45,736	84,053
Southwest	745,163	647,179	287,644
California	654,940	379,765	238,810
Financial Services	70,586	47,429	68,846
Total segment income before income taxes	2,510,502	1,815,925	1,209,674
Corporate and unallocated (b)	(233,488)	(223,601)	(215,666)
Consolidated income from continuing operations before income taxes	\$ 2,277,014	\$ 1,592,324	\$ 994,008

- (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 \$250 million, \$212.4 million and \$186.3 million for the years ended December 31, 2005, 2004 and 2003 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 (continued) (as restated)

	Operating Data by Segment (\$000 s omitted)		
	2005	2004	2003
Depreciation and amortization:			
Northeast	\$ 3,382	\$ 2,869	\$ 2,407
Southeast	2,185	1,422	862
Florida	6,737	5,239	3,185
Midwest	2,798	1,459	628
Central	4,272	2,224	1,688
Southwest	7,300	7,178	4,881
California	8,110	4,336	2,485
Financial Services	6,565	5,633	1,749
Total segment depreciation and amortization	41,349	30,360	17,885
Corporate and unallocated (a)	20,163	15,936	21,534
Consolidated depreciation and amortization	\$ 61,512	\$ 46,296	\$ 39,419

(a) Corporate and unallocated depreciation and amortization includes depreciation of corporate fixed assets and amortization of intangible assets.

	Operating Data by Segment (\$000 s omitted)		
	2005	2004	2003
Equity income (loss):			
Northeast	\$ 1,175	\$ 1,732	\$ 658
Southeast			
Florida		1,362	499
Midwest	1,310	1,427	1,210
Central			
Southwest	20,757	16,603	28,545

California	(539)	(69)	
Financial Services	726	3,979	4,384
Total segment equity income	23,429	25,034	35,296
Corporate and unallocated (b)	51,921	35,112	3,505
Consolidated equity income	\$ 75,350	\$ 60,146	\$ 38,801

(b) For the years ended December 31, 2005 and 2004, corporate and unallocated equity income includes approximately \$44.2 million and \$28.5 million, respectively, of earnings related to the Company's 50% joint venture that supplies and installs basic building components and operating systems.

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

2. Segment information (continued) (as restated)

	Assets	Inventory
As of December 31, 2005:		
Northeast	\$ 1,676,368	\$ 1,252,923
Southeast	651,306	572,948
Florida	1,522,628	1,305,645
Midwest	1,030,659	923,893
Central	1,018,036	801,674
Southwest	2,192,893	1,961,703
California	2,126,576	1,721,746
Financial Services	1,052,578	
Total segment	11,271,044	8,540,532
Corporate and unallocated (a)	1,777,130	215,561
Consolidated	\$ 13,048,174	\$ 8,756,093
As of December 31, 2004:		
Northeast	\$ 1,340,857	\$ 1,077,664
Southeast	478,507	386,114
Florida	1,103,298	950,607
Midwest	937,285	853,488
Central	866,091	646,145
Southwest	1,845,324	1,632,583
California	1,732,544	1,484,670
Financial Services	719,505	
Total segment	9,023,411	7,031,271
Corporate and unallocated (a)	1,383,486	210,079
Consolidated	\$ 10,406,897	\$ 7,241,350

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

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

3. Discontinued operations

First Heights

In the first quarter of 1994, the Company adopted a plan of disposal for First Heights and announced its strategy to exit the thrift industry and increase its focus on housing and related mortgage banking. First Heights sold all but one of its 32 bank branches and related deposits to two unrelated purchasers. The sale was substantially completed during the fourth quarter of 1994. Although the Company expected to complete the plan of disposal within a reasonable period of time, contractual disputes precluded the Company from completing the disposal in accordance with its original plan.

In August 2005, the United States Court of Appeals affirmed the United States Court of Federal Claims final judgment, in its entirety, that the Company had been damaged by approximately \$48.7 million as a result of the United States government's breach of contract in connection with the enactment of Section 13224 of the Omnibus Budget Reconciliation Act of 1993. In December 2005, the Company received payment of the judgment in the amount of \$48.7 million, which was recorded as income from discontinued operations.

In September 2005, First Heights received notice confirming the voluntary dissolution of the First Heights Bank. The Office of Thrift Supervision also canceled First Heights' charter. Accordingly, the day-to-day activities of First Heights, which had been principally devoted to supporting residual regulatory compliance matters and the litigation with the United States government (See Note 11), have now ceased.

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. Discontinued operations (continued)***First Heights (continued)*

Revenues of this discontinued operation were \$10 thousand, \$8 thousand, and \$6 thousand for the years ended December 31, 2005, 2004 and 2003. For the years ended December 31, 2005, 2004 and 2003, discontinued thrift operations reported after-tax income of \$56.5 million, \$10.5 million and \$7.3 million, respectively. The after-tax income for the years ended December 31, 2005, 2004 and 2003 include approximately \$7.8 million, \$10.8 million and \$7.9 million, respectively, of net income related to the recognition of income tax benefits resulting from the favorable resolution of certain tax matters.

Mexico Homebuilding Operations

In January 2005, the minority shareholders of Pulte Mexico S. de R.L. de C.V. (Pulte Mexico) exercised a put option under the terms of a reorganization agreement dated as of December 31, 2001, to sell their shares to the Company, the consummation of which resulted in the Company owning 100% of Pulte Mexico. In March 2005, the Company purchased 60% of the minority interest of Pulte Mexico for approximately \$18.7 million in cash. In June 2005, the Company purchased the remaining 40% of the minority interest of Pulte Mexico for approximately \$12.5 million in cash. The Company assigned approximately \$17.6 million of the purchase price premium to house and land inventory, which was amortized through cost of sales as homes were sold. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed, of \$5.3 million, was recorded as goodwill.

In December 2005, the Company sold substantially all of its Mexico homebuilding operations to a consortium of purchasers involved in residential and commercial real estate development. The disposition of the Mexico operations will allow the Company to invest additional resources in the U.S. housing market. The Company realized cash of \$131.5 million related to the sale. The sale of these operations did not include the Company's investment in the capital stock of a mortgage company in Mexico as well as various non-operating entities, which are not considered to be material to the Company's results of operations or its financial position.

Revenues of these discontinued operations were \$201 million, \$185.8 million and \$172.3 million for the years ended December 31, 2005, 2004 and 2003, respectively. For the years ended December 31, 2005, 2004 and 2003, discontinued Mexico homebuilding operations reported total after-tax income (losses) of (\$1.5) million, \$4.4 million and \$1.7 million, respectively. For the years ended December 31, 2005, 2004 and 2003, Mexico reported pre-tax operating income of \$4.6 million, \$8.2 million and \$4.6 million, respectively.

For the year ended December 31, 2005, the Company recognized a pre-tax loss of \$6.6 million (after-tax loss of \$13.1 million) related to the sale of its Mexico homebuilding operations. The pre-tax loss on sale includes the accounting recognition of the economic losses related to accumulated foreign currency translation adjustments of \$7.6 million, which had previously been reported in other comprehensive income, as well as the write-off of \$5.3 million of goodwill related to the January 2005 acquisition of the minority shareholder interests. At December 31, 2005, the Mexico operations have been presented as discontinued operations in the consolidated financial statements, while previously, they were included in the Company's Homebuilding operations. Certain amounts previously reported in the 2004 and 2003 financial statements and notes thereto were reclassified to conform to the 2005 presentation.

Concurrent with the sale of its Mexico homebuilding operations, the Company elected to repatriate all of its earnings from its Mexico operations in accordance with the American Jobs Creation Act of 2004 (Internal Revenue Code Section 965, Temporary Dividends Received Deduction) and recorded \$4.8 million of related income taxes, which have been included in the Mexico loss on sale from discontinued operations.

Argentina Operations

In January 2005, the Company sold all of its Argentina operations to an Argentine company involved in residential and commercial real estate development. The disposition of these operations was the chosen action to improve the Company's overall returns. At December 31, 2004, the Argentina operations were classified as held for sale and

presented as discontinued operations in the consolidated financial statements, while previously they were included in the Company's Homebuilding operations.

Total assets to be disposed of at December 31, 2004 were \$15.4 million. These assets consisted primarily of cash and inventories and have been included in Other Assets. Total liabilities to be disposed of at December 31, 2004 were \$13.7 million and consisted primarily of accounts payable and other accrued liabilities. The liabilities associated with the disposal have been classified in accrued and other liabilities.

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. Discontinued operations (continued)***Argentina Operations (continued)*

Revenues of these discontinued Argentine operations were \$24.6 million and \$37 million for the years ended December 31, 2004 and 2003, respectively. For the years ended December 31, 2004 and 2003 discontinued Argentine operations reported total after-tax losses of \$22 million and \$1.9 million, respectively. For the years ended December 31, 2004 and 2003, Argentina reported after-tax operating losses of \$1.4 million and \$1.9 million, respectively. In addition, the Company recognized a pre-tax loss of \$33.2 million (\$20.6 million after-tax) on the write-down of the Argentina operations to fair value less costs to sell. The pre-tax loss includes the accounting recognition of the economic losses related to accumulated foreign currency translation adjustments of \$25.1 million (\$15.6 million after-tax), which had previously been reported in other comprehensive income.

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. During 2005, the Company invested approximately \$37.3 million in three new joint ventures that develop and/or sell land within the United States.

In January 2004, the Company invested \$35 million for a 50% ownership interest in an entity that supplies and installs basic building components and operating systems, with an option to purchase the remaining 50% interest in the entity in July 2006 or earlier in certain circumstances. Effective January 2006, the Company exercised its option to purchase the remaining 50% interest in this entity.

At December 31, 2005 and 2004, aggregate outstanding debt of unconsolidated joint ventures was \$882.2 million and \$58.1 million, respectively. The increase in debt at December 31, 2005 is a result of the growth in the number of joint venture arrangements as well as increased land development activities for these entities. The Company's proportionate share of its joint venture debt as of December 31, 2005 was approximately \$294 million, for which the Company provides limited recourse debt guarantees, of approximately \$288 million. 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 December 31, 2005, we do not anticipate the Company will incur any significant costs under these guarantees.

For the year ended December 31, 2005, we made additional capital contributions to these joint ventures totaling approximately \$124.6 million and received capital distributions from these entities totaling approximately \$108 million. At December 31, 2005 and 2004, the Company had approximately \$286.6 million and \$237.6 million, respectively, invested in these joint ventures. These investments are included in the assets of the Company's Homebuilding operations. A majority of these investments are accounted for under the equity method, except for the Company's ownership interest in a Mexican mortgage banking company, as described below.

In February 2005, 25% of the Company's investment in the capital stock of a mortgage banking company in Mexico was redeemed for a gain of approximately \$620 thousand. The Company's remaining ownership interest of 16.66% is accounted for under the cost method. At December 31, 2005 and 2004, the Company's investment in this entity, which is included in the assets of the Financial Services segment, was approximately \$15.1 million and \$21.1 million, respectively. The Company does not have any purchase or investment commitments to this entity. Furthermore, the Company has not guaranteed any of the indebtedness of this entity, which approximated \$2.1 billion and \$1.7 billion at December 31, 2005 and 2004, respectively.

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

5. Senior notes and subordinated notes

The Company's senior notes and subordinated notes at book value are summarized as follows (\$000's omitted):

	December 31,	
	2005	2004
7.3% unsecured senior notes, issued by Pulte Homes, Inc., redeemed in October 2005	\$	\$ 124,991
4.875% unsecured senior notes, issued by Pulte Homes, Inc. due 2009, not redeemable prior to maturity, guaranteed on a senior basis by Pulte Homes, Inc. and certain of its 100% owned subsidiaries	399,268	399,060
8.125% unsecured senior notes, issued by Pulte Homes, Inc. due 2011, not redeemable prior to maturity, guaranteed on a senior basis by Pulte Homes, Inc. and certain of its 100% owned subsidiaries	199,371	199,249
7.875% unsecured senior notes, issued by Pulte Homes, Inc. due 2011, redeemable prior to maturity, guaranteed on a senior basis by Pulte Homes, Inc. and certain of its 100% owned subsidiaries	496,026	495,571
6.25% unsecured senior notes, issued by Pulte Homes, Inc. due 2013, redeemable prior to maturity, guaranteed on a senior basis by Pulte Homes, Inc. and certain of its 100% owned subsidiaries	297,960	297,675
5.25% unsecured senior notes, issued by Pulte Homes, Inc. due 2014, redeemable prior to maturity, guaranteed on a senior basis by Pulte Homes, Inc. and certain of its 100% owned subsidiaries	499,720	499,687
5.2% unsecured senior notes, issued by Pulte Homes, Inc. due 2015, redeemable prior to maturity, guaranteed on a senior basis by Pulte Homes, Inc. and certain of its 100% owned subsidiaries	349,407	
7.625% unsecured senior notes, issued by Pulte Homes, Inc. due 2017, not redeemable prior to maturity, guaranteed on a senior basis by Pulte Homes, Inc. and certain of its 100% owned subsidiaries	148,722	148,613
7.875% unsecured senior notes, issued by Pulte Homes, Inc. due 2032, redeemable prior to maturity, guaranteed on a senior basis by Pulte Homes, Inc. and certain of its 100% owned subsidiaries	298,847	298,804
6.375% unsecured senior notes, issued by Pulte Homes, Inc. due 2033, redeemable prior to maturity, guaranteed on a senior basis by Pulte Homes, Inc. and certain of its 100% owned subsidiaries	397,975	397,900
6.0% unsecured senior notes, issued by Pulte Homes, Inc. due 2035, redeemable prior to maturity, guaranteed on a senior basis by Pulte Homes, Inc. and certain of its 100% owned subsidiaries	299,231	

	\$ 3,386,527	\$ 2,861,550
Estimated fair value	\$ 3,421,959	\$ 3,124,413

Refer to Note 12 for supplemental consolidating financial information of the Company.

Total senior note and subordinated note principal maturities during the five years after 2005 are as follows: 2006 \$0; 2007 \$0; 2008 \$0; 2009 \$400 million; 2010 \$0; and thereafter \$3 billion.

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Senior notes and subordinated notes (continued)**

The Company's \$125 million, 7.3% unsecured senior notes were repaid in October 2005 using its revolving credit facility and cash provided by operations.

In February 2005, the Company sold \$350 million of 5.2% senior notes, which mature on February 15, 2015, and \$300 million of 6% senior notes, which mature on February 15, 2035, which are guaranteed by Pulte Homes, Inc. and certain of its 100%-owned subsidiaries. These notes are unsecured and rank equally with all of the Company's other unsecured and unsubordinated indebtedness. Proceeds from the sale were used to repay the indebtedness of the Company's revolving credit facility and for general corporate purposes, including continued investment in the Company's business.

6. Other financing arrangements*Corporate/Homebuilding*

In October 2005, the Company restructured and amended the 5-year unsecured revolving credit facility, increasing the borrowing availability from \$1.38 billion to \$1.615 billion, and extending the maturity date from September 2009 to October 2010, with pricing more favorable to the Company. The Company subsequently increased the credit facility to \$1.66 billion. The credit facility includes an uncommitted accordion feature, under which the credit facility may be increased to \$2.25 billion. The Company has 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 the Company not to exceed a debt-to-total capitalization ratio of 60%, as defined in the agreement.

The following is a summary of aggregate borrowing information related to this facility (\$000's omitted):

	2005	2004	2003
Available credit lines at year-end	\$1,660,000	\$1,310,000	\$850,000
Unused credit lines at year-end (a)	\$1,168,000	\$ 994,000	\$693,000
Maximum amount outstanding at the end of any month (b)	\$ 47,000	\$ 631,000	\$
Average monthly indebtedness (c)	\$ 22,000	\$ 187,000	\$ 2,000
Range of interest rates during the year	3.22 to 7.00%	2.08 to 5.25%	2.08 to 4.25%
Weighted-average rate at year-end	5.24%	2.91%	2.22%

(a) *Reduced by letters of credit outstanding of \$492 million and \$316 million at December 31, 2005 and 2004, respectively.*

(b) *Excludes letters of credit outstanding of \$468 million for 2005 and*

*\$309 million for
2004,
respectively.*

*(c) Excludes letters
of credit
outstanding,
which averaged
\$389 million
and
\$241 million for
2005 and 2004,
respectively.*

At December 31, 2005, other financing included limited recourse collateralized financing arrangements totaling \$28.6 million. These financing arrangements have maturities ranging primarily from one to four years, a weighted average interest rate of 1.36%, are generally collateralized by certain land positions and have no recourse to any other assets. These arrangements have been classified as accrued and other liabilities in the Consolidated Balance Sheets.

Financial Services

Notes payable to banks (collateralized short-term debt) are secured by residential mortgage loans available-for-sale. The carrying amounts of such borrowings approximate fair value.

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****6. Other financing arrangements (continued)***Financial Services (continued)*

Pulte Mortgage supports its operations through the use of a revolving credit facility and an asset-backed commercial paper conduit. In July 2004, Pulte Mortgage expanded the capacity on its revolving credit facility from \$355 million to \$390 million. This credit facility bears interest at LIBOR plus an established margin and expires June 30, 2006. In September 2004, Pulte Mortgage amended its commercial paper conduit, which is a \$550 million committed line of credit, which bears interest based on A1/P1 commercial paper plus an established margin and expires August 2006. The amendment increased a sub-limit for eligible collateral, eliminated the \$50 million quarterly accordion feature, and made pricing more favorable to Pulte Mortgage. The asset-backed commercial paper program was temporarily increased to \$600 million in December 2005 due to high year-end volume. It was reduced back to \$550 million in January 2006. The bank credit agreement requires PMLLC to pay a fee for the committed credit line. PMLLC provides compensating balances, in the form of escrows and other custodial funds, in order to further reduce interest rates. The bank credit agreements contain restrictive covenants, the most restrictive of which requires Pulte Mortgage to maintain a minimum tangible net worth of \$30 million and funded debt cannot exceed 12 times tangible net worth.

During the three years ended December 31, 2005, Pulte Mortgage provided compensating balances, in the form of escrows and other custodial funds, in order to further reduce interest rates.

The following is aggregate borrowing information (\$000 s omitted):

	2005	2004	2003
Available credit lines at year-end	\$990,000	\$940,000	\$860,000
Unused credit lines at year-end	\$ 97,000	\$324,000	\$381,000
Maximum amount outstanding at the end of any month	\$893,000	\$616,000	\$483,000
Average monthly indebtedness	\$423,000	\$297,000	\$391,000
Range of interest rates during the year	0.65 to 5.12%	0.65 to 3.06%	0.45 to 2.31%
Weighted-average rate at year-end	4.89%	2.82%	1.59%

7. Shareholders equity

Pursuant to the two \$100 million stock repurchase programs authorized by our Board of Directors in October 2002 and 2005 (for a total stock repurchase authorization of \$200 million), the Company has repurchased a total of 6,120,800 shares for a total of \$180.5 million. At December 31, 2005, the Company had remaining authorization to purchase common stock aggregating \$19.5 million.

In July 2005, the Company's Board of Directors declared a two-for-one stock split effected in the form of a 100 percent stock dividend. The additional shares of common stock were distributed on September 1, 2005, to the shareholders of record as of August 15, 2005. In December 2003, the Company announced a two-for-one stock split effected in the form of a 100 percent stock dividend. The distribution was made on January 2, 2004. All share and per share amounts have been restated to retroactively reflect the stock splits.

Accumulated other comprehensive income (loss)

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

	December 31,	
	2005	2004
Foreign currency translation adjustments:		
Mexico	(1,586)	(14,518)
Fair value of derivatives, net of income taxes of \$2,397 in 2005 and \$(84) in 2004	(3,910)	138

\$ (5,496) \$ (14,380)

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****8. Stock compensation plans and management incentive compensation**

The Company has fixed stock option plans for both employees (the Employee Plans) and for nonemployee directors (the Director Plan); information related to the active plans is as follows:

Plan Name	Shares Authorized
<i>Employee Plans</i>	
Pulte Homes, Inc. 2004 Stock Incentive Plan	12,000,000
Pulte Homes, Inc. 2002 Stock Incentive Plan	12,000,000
Pulte Corporation 2000 Stock Incentive Plan for Key Employees	10,000,000

Director Plan

2000 Stock Plan for Nonemployee Directors	1,000,000
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As of December 31, 2005, 12,017,978 stock options remain available for grant under the Employee Plans, which can also be used for awards to nonemployee directors.

The Employee Plans primarily provide for the grant of options (both non-qualified options and incentive stock options as defined in each respective plan), stock appreciation rights and restricted stock to key employees of the Company or its subsidiaries (as determined by the Compensation Committee of the Board of Directors) for periods not exceeding ten years. Options granted under the Employee Plans vest incrementally in periods ranging from six months to four years. Under the Director Plan, nonemployee directors are entitled to an annual distribution of 3,600 shares of common stock and options to purchase an additional 16,000 shares. All options granted under the Director Plan are non-qualified, vest immediately and are exercisable on the date of grant. Options granted under the Director Plan are exercisable for ten years from the grant date.

A summary of the status of the Company's stock options for the years ended December 31, 2005, 2004 and 2003 is presented below (000's omitted except per share data):

	2005		2004		2003	
	Shares	Weighted-Average Per Share Exercise Price	Shares	Weighted-Average Per Share Exercise Price	Shares	Weighted-Average Per Share Exercise Price
Outstanding, beginning of year	17,802	\$ 15	21,554	\$ 12	24,577	\$ 9
Granted	2,543	40	2,238	28	4,002	21
Exercised	(3,136)	(10)	(5,181)	(8)	(6,270)	(6)
Forfeited	(359)	(21)	(809)	(15)	(755)	(11)
Outstanding, end of year	16,850	\$ 19	17,802	\$ 15	21,554	\$ 12
Options exercisable at year-end	9,937	\$ 12	9,220	\$ 10	9,437	\$ 8

Weighted-average per share fair value of options granted during the year	\$ 17.31	\$ 11.37	\$ 8.79
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Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****8. Stock compensation plans and management incentive compensation (continued)**

The following table summarizes information about fixed stock options outstanding at December 31, 2005:

Range of Per Share Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31 (000 s omitted)	Weighted- Average Remaining Contract Life	Weighted- Average Per Share Exercise Price	Number Exercisable at December 31 (000 s omitted)	Weighted- Average Per Share Exercise Price
\$0.01 to \$13.00	8,707	5.6	\$ 10	7,859	\$ 10
\$13.01 to \$20.00	228	6.9	\$ 15	228	\$ 15
\$20.01 to \$31.00	5,400	8.3	\$ 24	1,706	\$ 22
\$31.01 to \$41.00	2,515	9.9	\$ 40	144	\$ 39

The Company awarded 1,761,334, 801,036 and 1,088,708 shares of restricted stock to certain key employees during 2005, 2004, and 2003, respectively, under the Employee Plans. In connection with the restricted stock awards, of which a majority cliff vest at the end of three years, the Company recorded compensation expense of \$21.1 million, \$7.1 million and \$16 million during 2005, 2004, and 2003, respectively.

9. Income taxes

The following table reconciles the statutory federal income tax rate to the effective income tax rate for continuing operations:

	2005	2004	2003
Income taxes at federal statutory rate	35.00%	35.00%	35.00%
Effect of state and local income taxes, net of federal tax	2.25	1.97	2.04
Settlement of state tax issues and other	(.35)	.63	.84
Effective rate	36.90%	37.60%	37.88%

The Company's net deferred tax asset (liability) is as follows (\$000 s omitted):

	At December 31,	
	2005	2004
Deferred tax liabilities:		
Capitalized items, principally real estate basis differences, deducted for tax, net	\$(104,501)	\$(46,994)
Trademarks and tradenames	(48,261)	(51,359)
	(152,762)	(98,353)
Deferred tax assets:		
Non-deductible reserves and other	132,976	117,572
State net operating loss carryforwards	2,533	3,920
State credit carryforwards	10,779	11,230

	146,288	132,722
Asset valuation allowance	(1,266)	(2,603)
Net deferred tax asset (liability)	\$ (7,740)	\$ 31,766

Various state net operating losses aggregating \$50.6 million expire in years 2015 through 2023. Net operating losses are generally available to offset the Company's taxable income in future years. Management believes that certain of these state net operating losses will not be utilized prior to their expiration. As such, a valuation allowance has been recorded as indicated above. State credit carryforwards include a state credit voucher of \$10.8 million that is expected to be realized by the Company no later than 2006.

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****9. Income taxes (continued)**

In the fourth quarter of 2005, the Company repatriated the earnings of its Mexican subsidiaries. The earnings were distributed pursuant to the provisions of the American Jobs Creation Act of 2004 (Internal Revenue Code Section 965, Temporary Dividends Received Deduction). The income taxes associated with such repatriation, \$4.8 million, were recorded within the Mexico discontinued operations for the year ended December 31, 2005.

The American Jobs Creation Act of 2004 provides a 3% tax deduction on qualified domestic production activities income for 2005. 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 FASB 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, this deduction was accounted for as a special deduction under SFAS No. 109 and reduced 2005 income tax expense.

Components of current and deferred income tax expense (benefit) for continuing operations are as follows (\$000 omitted):

	Current	Deferred	Total
Year ended December 31, 2005			
Federal	\$ 743,639	\$ 35,042	\$ 778,681
State and other	56,981	4,464	61,445
	\$ 800,620	\$ 39,506	\$ 840,126
Year ended December 31, 2004			
Federal	\$ 581,853	\$ (20,531)	\$ 561,322
State and other	39,866	(2,437)	37,429
	\$ 621,719	\$ (22,968)	\$ 598,751
Year ended December 31, 2003			
Federal	\$ 335,774	\$ 15,067	\$ 350,841
State and other	21,701	3,918	25,619
	\$ 357,475	\$ 18,985	\$ 376,460

10. Leases

The Company leases certain property and equipment under non-cancelable leases. Office and equipment leases are generally for terms of three to five years and generally provide renewal options for terms of up to an additional three years. Model home leases are generally for shorter terms approximating one year with renewal options on a month-to-month basis. In most cases, management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. The future minimum lease payments required under operating leases that have initial or remaining non-cancelable terms in excess of one year are as follows (\$000 omitted):

Years Ending December 31,

2006	\$ 52,392
2007	43,465
2008	36,570

2009	32,179
2010	22,834
After 2010	43,679
Total minimum lease payments	\$ 231,119

Net rental expense for the years ended December 31, 2005, 2004 and 2003 was \$73.1 million, \$55.7 million, and \$47.9 million, respectively. Certain leases contain purchase options and generally provide that the Company shall pay for insurance, taxes and maintenance.

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****11. Commitments and contingencies**

In the normal course of business, the Company acquires rights under options or option-type agreements to purchase land to be used in homebuilding operations at future dates. The total purchase price applicable to land under option that has been approved for purchase approximated \$5.7 billion and \$4.1 billion at December 31, 2005 and 2004, respectively. The total purchase price applicable to land under option that has not been approved for purchase approximated \$1.9 billion and \$2.4 billion at December 31, 2005 and 2004, respectively. At December 31, 2005 and 2004, the Company, in the normal course of business, had outstanding letters of credit and performance bonds of \$2.3 billion and \$1.8 billion, respectively.

The Company could be required to repurchase loans sold to investors that have not been underwritten in accordance with the investor guidelines (defective loans). The Company, in the normal course of business, indemnifies investors for defective loans that they have purchased. As of December 31, 2005 and 2004, the Company had been notified of \$4.1 million and \$6.6 million of defective loans, respectively. The Company assesses the risk of loss on these indemnifications and establishes reserves for them. At December 31, 2005 and 2004, reserves for indemnification on defective loans are reflected in accrued and other liabilities and amounted to \$242 thousand and \$390 thousand, respectively.

The Company is involved in various litigation incidental to its continuing business operations. Management does not believe that this litigation will have a material adverse impact on the results of operations, financial position or cash flows of the Company.

Storm Water Discharge Practices

In April 2004, the Company received a request for information from the United States Environmental Protection Agency (EPA) pursuant to Section 308 of the Clean Water Act. The request seeks information about storm water discharge practices in connection with homebuilding projects completed or underway by the Company. The Company has provided the EPA with this information. Although the matter has since been referred to the United States Department of Justice (DOJ) for enforcement, the EPA has asked that the Company engage in pre-filing negotiations to resolve the matter short of litigation. The Company continues to participate actively in these negotiations. If the negotiations fail and the DOJ alleges that the Company has violated regulatory requirements applicable to storm water discharges, the government may seek injunctive relief and penalties. The Company believes that it has defenses to any such allegations. At this time, however, the Company can neither predict the outcome of this inquiry, nor can it currently estimate the costs that may be associated with its eventual resolution.

First Heights-related litigation

Pulte Homes, Inc. was a party to a lawsuit relating to First Heights 1988 acquisition from the Federal Savings and Loan Insurance Corporation (FSLIC) and First Heights ownership of five failed Texas thrifts. The lawsuit was filed on December 26, 1996, in the United States Court of Federal Claims (Washington, D.C.) by Pulte Homes, Inc., Pulte Diversified Companies, Inc. and First Heights (collectively, the Pulte Parties) against the United States. The Pulte Parties asserted breach of contract on the part of the United States in connection with the enactment of Section 13224 of the Omnibus Budget Reconciliation Act of 1993 (OBRA). That provision repealed portions of the tax benefits that the Pulte Parties claim they were entitled to under the contract to acquire the failed Texas thrifts. The Pulte Parties also asserted other claims concerning the contract, including that the United States (through the FDIC as receiver) improperly attempted to amend the failed thrifts pre-acquisition tax returns and that this attempt was made in an effort to deprive the Pulte Parties of tax benefits for which they had contracted.

On August 17, 2001, the United States Court of Federal Claims ruled that the United States government is liable to the Pulte Parties for breach of contract by enacting Section 13224 of OBRA. In September 2003, the United States Court of Federal Claims issued final judgment that the Pulte Parties had been damaged by approximately \$48.7 million as a result of the United States government s breach of contract with them. The United States government and the Pulte Parties appealed the final judgment to the United States Court of Appeals for the Federal Circuit in October 2003.

In August 2005, the Appeals Court affirmed the United States Court of Federal Claims judgment, in its entirety. In December 2005, the Company received payment of the judgment in the amount of \$48.7 million, which was recorded as income from discontinued operations.

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PULTE HOMES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Supplemental Guarantor information

At December 31, 2005, 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Supplemental Guarantor information (continued)

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2005

(\$000 s omitted)

	Pulte	Unconsolidated		Eliminating	Consolidated
	Homes, Inc.	Guarantor	Non-Guarantor	Entries	Pulte Homes, Inc.
		Subsidiaries	Subsidiaries		
ASSETS					
Cash and equivalents	\$	\$ 839,764	\$ 162,504	\$	\$ 1,002,268
Unfunded settlements		226,417	(69,754)		156,663
House and land inventories		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		127,204			127,204
Other assets	41,873	870,238	111,628		1,023,739
Investment in subsidiaries	11,154,107	88,972	3,142,458	(14,385,537)	
	\$ 11,197,428	\$ 11,800,813	\$ 4,435,470	\$ (14,385,537)	\$ 13,048,174
LIABILITIES AND SHAREHOLDERS EQUITY					
Liabilities:					
Accounts payable, accrued and other liabilities	\$ 177,105	\$ 2,161,341	\$ 245,614	\$	\$ 2,584,060
Collateralized short-term debt, recourse solely to applicable non-guarantor subsidiary assets			893,001		893,001
Income taxes	219,504				219,504
Deferred income tax liability	13,535	(84)	(5,711)		7,740
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

Shareholders Equity:					
Common stock	2,570	182	383	(565)	2,570
Additional paid-in capital	1,209,148	7,196,144	2,066,733	(9,262,877)	1,209,148
Accumulated other comprehensive loss	(5,496)	(1,603)	(1,603)	3,206	(5,496)
Retained earnings	4,751,120	3,995,578	1,129,723	(5,125,301)	4,751,120
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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Supplemental Guarantor information (continued)**CONSOLIDATING BALANCE SHEET****DECEMBER 31, 2004**

(\$000 s omitted)

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
ASSETS					
Cash and equivalents	\$	\$ 185,375	\$ 122,743	\$	\$ 308,118
Unfunded settlements		158,795	(40,324)		118,471
House and land inventories		7,224,777	16,573		7,241,350
Land held for sale		230,086			230,086
Land, not owned, under option agreements		106,380			106,380
Residential mortgage loans available-for- sale			697,077		697,077
Investments in unconsolidated entities	44	222,358	36,466		258,868
Goodwill		306,993	700		307,693
Intangible assets		135,454			135,454
Other assets	33,770	663,847	274,017		971,634
Deferred income tax asset	31,037	120	609		31,766
Investment in subsidiaries	8,725,758	75,162	2,201,365	(11,002,285)	
	\$ 8,790,609	\$ 9,309,347	\$ 3,309,226	\$ (11,002,285)	\$ 10,406,897
LIABILITIES AND SHAREHOLDERS EQUITY					
Liabilities:					
Accounts payable, accrued and other liabilities	\$ 154,958	\$ 1,758,644	\$ 288,250	\$	\$ 2,201,852
Collateralized short-term debt, recourse solely to applicable non-guarantor subsidiary assets			617,415		617,415
Income taxes	203,806				203,806
Deferred income tax liability					
Senior notes and subordinated notes	2,861,550				2,861,550
Advances (receivable) payable subsidiaries	1,048,021	(1,239,413)	191,392		
Total liabilities	4,268,335	519,231	1,097,057		5,884,623

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Shareholders Equity:					
Common stock	2,558	182	3,383	(3,565)	2,558
Additional paid-in capital	1,114,739	6,421,208	1,471,290	(7,892,498)	1,114,739
Unearned compensation	(44)				(44)
Accumulated other comprehensive loss	(14,380)	(2,145)	(14,380)	16,525	(14,380)
Retained earnings	3,419,401	2,370,871	751,876	(3,122,747)	3,419,401
Total shareholders equity	4,522,274	8,790,116	2,212,169	(11,002,285)	4,522,274
	\$ 8,790,609	\$ 9,309,347	\$ 3,309,226	\$ (11,002,285)	\$ 10,406,897

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

12. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF OPERATIONS

For the year ended December 31, 2005

(\$000 s omitted)

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Revenues:					
Homebuilding	\$	\$ 14,528,236	\$	\$	\$ 14,528,236
Financial Services		29,496	131,918		161,414
Other non-operating	289	3,682	914		4,885
Total revenues	289	14,561,414	132,832		14,694,535
 Expenses:					
Homebuilding:					
Cost of sales		11,144,968			11,144,968
Selling, general and administrative and other expense	18,011	1,139,129	(90)		1,157,050
Financial Services, principally interest	2,146	8,632	82,796		93,574
Other non-operating, net	128,461	(21,545)	(9,637)		97,279
Intercompany interest	162,552	(162,552)			
Total expenses	311,170	12,108,632	73,069		12,492,871
 Other Income:					
Equity income		66,902	8,448		75,350
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(310,881)	2,519,684	68,211		2,277,014
Income taxes (benefit)	(119,172)	933,434	25,864		840,126
Income (loss) from continuing operations before equity in income of subsidiaries	(191,709)	1,586,250	42,347		1,436,888
Income (loss) from discontinued operations	57,898		(2,873)		55,025

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Income (loss) before equity in net income of subsidiaries	(133,811)	1,586,250	39,474		1,491,913
Equity in net income (loss) of subsidiaries:					
Continuing operations	1,628,597	31,163	594,348	(2,254,108)	
Discontinued operations	(2,873)			2,873	
	1,625,724	31,163	594,348	(2,251,235)	
Net income	\$ 1,491,913	\$ 1,617,413	\$ 633,822	\$ (2,251,235)	\$ 1,491,913

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

12. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF OPERATIONS

For the year ended December 31, 2004

(\$000 s omitted)

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Revenues:					
Homebuilding	\$	\$ 11,400,008	\$	\$	\$ 11,400,008
Financial Services		21,521	91,198		112,719
Other non-operating	103	1,330	316		1,749
Total revenues	103	11,422,859	91,514		11,514,476
 Expenses:					
Homebuilding:					
Cost of sales		8,789,140			8,789,140
Selling, general and administrative and other expense	8,908	1,008,464	11,824		1,029,196
Financial Services, principally interest	1,088	5,885	64,555		71,528
Other non-operating, net	99,288	(2,584)	(4,270)		92,434
Intercompany interest	102,416	(102,416)			
Total expenses	211,700	9,698,489	72,109		9,982,298
 Other Income:					
Equity income		49,462	10,684		60,146
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(211,597)	1,773,832	30,089		1,592,324
Income taxes (benefit)	(79,870)	669,527	9,094		598,751
Income (loss) from continuing operations before equity in income of subsidiaries	(131,727)	1,104,305	20,995		993,573
Income (loss) from discontinued operations	23,220		(30,252)		(7,032)

Income (loss) before equity in net income of subsidiaries	(108,507)	1,104,305	(9,257)		986,541
Equity in net income (loss) of subsidiaries:					
Continuing operations	1,125,300	19,128	409,072	(1,553,500)	
Discontinued operations	(30,252)			30,252	
	1,095,048	19,128	409,072	(1,523,248)	
Net income	\$ 986,541	\$ 1,123,433	\$ 399,815	\$ (1,523,248)	\$ 986,541

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****12. Supplemental Guarantor information (continued)****CONSOLIDATING STATEMENT OF OPERATIONS****For the year ended December 31, 2003****(\$000 s omitted)**

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Revenues:					
Homebuilding	\$	\$ 8,701,661	\$	\$	\$ 8,701,661
Financial Services		16,491	99,356		115,847
Other non-operating	42	2,602	637		3,281
Total revenues	42	8,720,754	99,993		8,820,789
Expenses:					
Homebuilding:					
Cost of sales		6,885,249			6,885,249
Selling, general and administrative and other expense	10,910	829,871	7,667		848,448
Financial Services, principally interest		4,851	48,402		53,253
Other non-operating, net	83,637	(4,816)	(189)		78,632
Total expenses	94,547	7,715,155	55,880		7,865,582
Other Income:					
Equity income		30,913	7,888		38,801
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(94,505)	1,036,512	52,001		994,008
Income taxes (benefit)	(38,234)	396,090	18,604		376,460
Income (loss) from continuing operations before equity in income of subsidiaries	(56,271)	640,422	33,397		617,548
Income (loss) from discontinued operations	7,543		(457)		7,086
	(48,728)	640,422	32,940		624,634

Income (loss) before equity in
net income of subsidiaries

Equity in net income (loss) of
subsidiaries:

Continuing operations	673,819	34,481	231,826	(940,126)	
Discontinued operations	(457)			457	
	673,362	34,481	231,826	(939,669)	
Net income	\$ 624,634	\$ 674,903	\$ 264,766	\$ (939,669)	\$ 624,634

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****12. Supplemental Guarantor information (continued)****CONSOLIDATING STATEMENT OF CASH FLOWS****For the year ended December 31, 2005****(\$000 s omitted)**

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Cash flows from operating activities:					
Net income	\$ 1,491,913	\$ 1,617,413	\$ 633,822	\$ (2,251,235)	\$ 1,491,913
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:					
Equity in income of subsidiaries	(1,625,724)	(31,163)	(594,348)	2,251,235	
Loss on sale of subsidiaries	4,773		8,351		13,124
Amortization and depreciation		52,988	8,524		61,512
Stock-based compensation expense	45,724				45,724
Deferred income taxes	44,572	36	(5,102)		39,506
Distributions in excess (less than) earnings of affiliates		16,517	(5,847)		10,670
Other, net	1,419	(306)	(1,913)		(800)
Increase (decrease) in cash due to:					
Inventories		(1,691,745)	3,174		(1,688,571)
Residential mortgage loans available-for-sale			(341,429)		(341,429)
Other assets	(13,402)	(105,654)	(16,280)		(135,336)
Accounts payable, accrued and other liabilities	22,428	386,808	68,136		477,372
Income taxes	(290,732)	326,604	9,147		45,019
Net cash provided by (used in) operating activities	(319,029)	571,498	(233,765)		18,704
Distributions from unconsolidated entities		107,978			107,978
Investments in unconsolidated entities		(161,926)			(161,926)
Dividends received from subsidiaries	1,362	20,011		(21,373)	

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Investment in subsidiaries	(791,488)	(2,543)	(735,918)	1,498,777	(31,172)
Proceeds from sales of subsidiaries			142,866		142,866
Proceeds from sale of fixed assets		5,858			5,858
Capital expenditures		(76,807)	(12,080)		(88,887)
Net cash provided by (used in) investing activities	(790,126)	(107,429)	(605,132)	1,477,404	(25,283)

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

12. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF CASH FLOWS (continued)

For the year ended December 31, 2005

(\$000 s omitted)

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Cash flows from financing activities:					
Payment of senior notes and subordinated notes	\$ (125,000)	\$	\$	\$	\$ (125,000)
Proceeds from borrowings	648,557	46,801	275,586		970,944
Repayment of borrowings					
Capital contributions from parent		782,878	715,899	(1,498,777)	
Advances (to) from affiliates	731,146	(637,997)	(93,149)		
Issuance of common stock	31,248				31,248
Stock repurchases	(143,246)				(143,246)
Dividends paid	(33,550)	(1,362)	(20,011)	21,373	(33,550)
Net cash provided by (used in) financing activities	1,109,155	190,320	878,325	(1,477,404)	700,396
Effect of exchange rate changes on cash and cash equivalents			333		333
Net increase in cash and equivalents		654,389	39,761		694,150
Cash and equivalents at beginning of year		185,375	122,743		308,118
Cash and equivalents at end of year	\$	\$ 839,764	\$ 162,504	\$	\$ 1,002,268

Table of Contents**PULTE HOMES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****12. Supplemental Guarantor information (continued)****CONSOLIDATING STATEMENT OF CASH FLOWS****For the year ended December 31, 2004****(\$000 s omitted)**

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Cash flows from operating activities:					
Net income	\$ 986,541	\$ 1,123,433	\$ 399,815	\$ (1,523,248)	\$ 986,541
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:					
Equity in income of subsidiaries	(1,095,048)	(19,128)	(409,072)	1,523,248	
Loss on Argentina write-down			33,150		33,150
Amortization and depreciation		39,191	7,105		46,296
Stock-based compensation expense	23,303				23,303
Deferred income taxes	(22,238)	(120)	(609)		(22,967)
Distributions in excess (less than) earnings of affiliates		(10,972)	(10,653)		(21,625)
Other, net	1,246	501	1,585		3,332
Increase (decrease) in cash due to:					
Inventories		(2,065,563)	9,000		(2,056,563)
Residential mortgage loans available-for-sale			(155,575)		(155,575)
Other assets	47,332	(17,996)	237		29,573
Accounts payable, accrued and other liabilities	5,386	227,809	49,064		282,259
Income taxes	(107,608)	261,912	5,810		160,114
Net cash used in operating activities	(161,086)	(460,933)	(70,143)		(692,162)
Distributions from unconsolidated entities		62,000	4,067		66,067
Investments in unconsolidated entities		(196,488)	(509)		(196,997)
Dividends received from subsidiaries	8,526	21,000		(29,526)	

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Investment in subsidiaries	(995,074)	(1,905)	(533,816)	1,530,795	
Proceeds from sale of fixed assets		7,070	24		7,094
Capital expenditures		(62,783)	(12,436)		(75,219)
Other net			500		500
Net cash provided by (used in) investing activities	(986,548)	(171,106)	(542,170)	1,501,269	(198,555)

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

12. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF CASH FLOWS (continued)

For the year ended December 31, 2004

(\$000 s omitted)

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Cash flows from financing activities:					
Payment of senior notes and subordinated notes	\$ (112,000)	\$ (77,270)	\$	\$	\$ (189,270)
Proceeds from borrowings	898,615		141,334		1,039,949
Repayment of borrowings		(44,648)	(244)		(44,892)
Capital contributions from parent		1,019,926	510,869	(1,530,795)	
Advances (to) from affiliates	354,225	(377,424)	23,199		
Issuance of common stock	43,959				43,959
Stock repurchases	(14,687)				(14,687)
Dividends paid	(25,427)	(8,526)	(21,000)	29,526	(25,427)
Net cash provided by (used in) financing activities	1,144,685	512,058	654,158	(1,501,269)	809,632
Effect of exchange rate changes on cash and cash equivalents			(46)		(46)
Net increase (decrease) in cash and equivalents	(2,949)	(119,981)	41,799		(81,131)
Cash and equivalents at beginning of year	2,949	305,356	80,944		389,249
Cash and equivalents at end of year	\$	\$ 185,375	\$ 122,743	\$	\$ 308,118

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

12. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF CASH FLOWS

For the year ended December 31, 2003

(\$000 s omitted)

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Cash flows from operating activities:					
Net income	\$ 624,634	\$ 674,903	\$ 264,766	\$ (939,669)	\$ 624,634
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:					
Equity in income of subsidiaries	(673,362)	(34,481)	(231,826)	939,669	
Amortization and depreciation		36,410	3,009		39,419
Stock-based compensation expense	30,515				30,515
Deferred income taxes	18,985				18,985
Distributions in excess (less than) earnings of affiliates		(28,964)	(7,222)		(36,186)
Other, net	1,150	(2,413)	2,038		775
Increase (decrease) in cash due to:					
Inventories		(1,377,875)	6,712		(1,371,163)
Residential mortgage loans available-for-sale			59,000		59,000
Other assets	(26,850)	9,393	3,215		(14,242)
Accounts payable, accrued and other liabilities	18,222	253,714	21,798		293,734
Income taxes	(145,718)	162,014	1,828		18,124
Net cash provided by (used in) operating activities	(152,424)	(307,299)	123,318		(336,405)
Distributions from unconsolidated entities		42,005	1,601		43,606
Investments in unconsolidated entities		(9,627)	(4,200)		(13,827)
Dividends received from subsidiaries	1,107,549	16,000	1,069,503	(2,193,052)	
Investment in subsidiaries	(3,497,651)	(1,910)		3,499,561	

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Advances from affiliates	106,461			(106,461)	
Proceeds from sale of fixed assets		5,023			5,023
Capital expenditures		(28,405)	(10,715)		(39,120)
Net cash provided by (used in) investing activities	(2,283,641)	23,086	1,056,189	1,200,048	(4,318)
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PULTE HOMES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF CASH FLOWS (continued)

For the year ended December 31, 2003

(\$000 s omitted)

	Pulte Homes, Inc.	Unconsolidated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Cash flows from financing activities:					
Payment of senior notes and subordinated notes	\$ (275,000)	\$ (182,511)	\$	\$	\$ (457,511)
Proceeds from borrowings	694,937		2,028		696,965
Repayment of borrowings		(35,230)	(82,938)		(118,168)
Capital contributions from parent		3,472,607	26,954	(3,499,561)	
Advances (to) from affiliates	2,011,500	(2,098,843)	(19,118)	106,461	
Issuance of common stock	39,493				39,493
Stock repurchases	(18,304)				(18,304)
Dividends paid	(13,612)	(1,107,549)	(1,085,503)	2,193,052	(13,612)
Net cash provided by (used in) financing activities	2,439,014	48,474	(1,158,577)	(1,200,048)	128,863
Effect of exchange rate changes on cash and cash equivalents			(1,994)		(1,994)
Net increase (decrease) in cash and equivalents	2,949	(235,739)	18,936		(213,854)
Cash and equivalents at beginning of year		541,095	62,008		603,103
Cash and equivalents at end of year	\$ 2,949	\$ 305,356	\$ 80,944	\$	\$ 389,249

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Pulte Homes, Inc.

We have audited the accompanying consolidated balance sheets of Pulte Homes, Inc. (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pulte Homes, Inc. at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2, the accompanying consolidated financial statements have been restated to revise the Company's segment disclosures.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Pulte Homes, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 30, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Detroit, Michigan

January 30, 2006, except for Note 2, as to which the date is December 20, 2006

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PULTE HOMES, INC.
UNAUDITED QUARTERLY INFORMATION
(000 s omitted, except per share data)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2005					
Homebuilding:					
Revenues	\$2,486,294	\$3,213,430	\$3,750,669	\$5,077,843	\$14,528,236
Cost of sales	1,877,227	2,458,880	2,863,617	3,945,244	11,144,968
Income before income taxes	359,569	499,402	619,392	820,459	2,298,822
Financial Services:					
Revenues	\$ 30,276	\$ 36,258	\$ 42,383	\$ 52,497	\$ 161,414
Income before income taxes	10,084	15,526	19,043	25,933	70,586
Other non-operating:					
Revenues	\$ 1,248	\$ 1,257	\$ 1,120	\$ 1,260	\$ 4,885
Loss before income taxes	(22,756)	(29,106)	(24,733)	(15,799)	(92,394)
Consolidated results:					
Revenues	\$2,517,818	\$3,250,945	\$3,794,172	\$5,131,600	\$14,694,535
Income from continuing operations before income taxes	346,897	485,822	613,702	830,593	2,277,014
Income taxes	129,350	180,635	231,285	298,856	840,126
Income from continuing operations	217,547	305,187	382,417	531,737	1,436,888
Income (loss) from discontinued operations (a),(b)	695	(1,476)	13,004	42,802	55,025
Net income	\$ 218,242	\$ 303,711	\$ 395,421	\$ 574,539	\$ 1,491,913
Per share data (c):					
Basic:					
Income from continuing operations	\$.85	\$ 1.19	\$ 1.49	\$ 2.08	\$ 5.62
Income (loss) from discontinued operations (a),(b)		(.01)	.05	.17	.22
Net income	\$.86	\$ 1.19	\$ 1.54	\$ 2.25	\$ 5.84
Weighted-average common shares outstanding	254,868	255,874	256,081	255,139	255,492
Assuming dilution:					
Income from continuing operations	\$.83	\$ 1.16	\$ 1.45	\$ 2.03	\$ 5.47
Income (loss) from discontinued operations (a),(b)		(.01)	.05	.16	.21

Net income	\$	.83	\$	1.15	\$	1.50	\$	2.19	\$	5.68
Adjusted weighted-average common shares and effect of dilutive securities		262,753		263,677		263,908		262,443		262,801

(a) *In January 2005, the Company sold all of its Argentina operations. For all periods reported, the Argentina operations have been presented as discontinued operations (see Note 3 of our Consolidated Financial Statements).*

(b) *In December 2005, the Company sold substantially all of its Mexico homebuilding operations. For all periods reported, the Mexico homebuilding operations have been presented as discontinued operations (see Note 3 of our Consolidated Financial Statements).*

(c) *All share and per share amounts have been restated to retroactively reflect the two-for-one stock splits*

*which were
distributed to
shareholders on
September 1,
2005 and
January 2, 2004.*

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PULTE HOMES, INC.
UNAUDITED QUARTERLY INFORMATION
(000 s omitted, except per share data)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2004					
Homebuilding:					
Revenues	\$ 1,965,682	\$ 2,450,473	\$ 2,885,121	\$ 4,098,732	\$ 11,400,008
Cost of sales	1,535,936	1,907,839	2,204,210	3,141,155	8,789,140
Income before income taxes	222,418	318,422	429,918	664,822	1,635,580
Financial Services:					
Revenues	\$ 24,572	\$ 23,874	\$ 27,706	\$ 36,567	\$ 112,719
Income before income taxes	10,089	8,369	11,294	17,677	47,429
Other non-operating:					
Revenues	\$ 897	\$ 562	\$ 125	\$ 165	\$ 1,749
Loss before income taxes	(20,228)	(23,868)	(24,570)	(22,019)	(90,685)
Consolidated results:					
Revenues	\$ 1,991,151	\$ 2,474,909	\$ 2,912,952	\$ 4,135,464	\$ 11,514,476
Income from continuing operations before income taxes	212,279	302,923	416,642	660,480	1,592,324
Income taxes	80,365	114,941	158,153	245,292	598,751
Income from continuing operations	131,914	187,982	258,489	415,188	993,573
Income (loss) from discontinued operations (a),(b)	(285)	(379)	11,447	(17,815)	(7,032)
Net income	\$ 131,629	\$ 187,603	\$ 269,936	\$ 397,373	\$ 986,541
Per share data (c):					
Basic:					
Income from continuing operations	\$.53	\$.74	\$ 1.02	\$ 1.63	\$ 3.93
Income (loss) from discontinued operations (a),(b)			.05	(.07)	(.03)
Net income	\$.53	\$.74	\$ 1.07	\$ 1.56	\$ 3.91
Weighted-average common shares outstanding	250,602	252,508	253,133	254,214	252,590
Assuming dilution:					
Income from continuing operations	\$.51	\$.73	\$.99	\$ 1.59	\$ 3.82
Income (loss) from discontinued operations (a),(b)			.04	(.07)	(.03)

Net income	\$	.51	\$	.73	\$	1.03	\$	1.52	\$	3.79
Adjusted weighted-average common shares and effect of dilutive securities		257,658		258,711		260,970		261,412		260,234

(a) *In January 2005, the Company sold all of its Argentina operations. For all periods reported, the Argentina operations have been presented as discontinued operations (see Note 3 of our Consolidated Financial Statements).*

(b) *In December 2005, the Company sold substantially all of its Mexico homebuilding operations. For all periods reported, the Mexico homebuilding operations have been presented as discontinued operations (see Note 3 of our Consolidated Financial Statements).*

(c) *All share and per share amounts have been restated to retroactively reflect the two-for-one stock splits*

*which were
distributed to
shareholders on
September 1,
2005 and
January 2, 2004.*

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

This Item is not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure 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 December 31, 2005. 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 December 31, 2005.

Internal Control Over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles and reflect management's judgments and estimates concerning events and transactions that are accounted for or disclosed.

Management is also responsible for establishing and maintaining effective internal control over financial reporting. The Company's internal control over financial reporting includes those policies and procedures that pertain to the Company's ability to record, process, summarize and report reliable financial data. Management recognizes that there are inherent limitations in the effectiveness of any internal control and effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Additionally, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

In order to ensure that the Company's internal control over financial reporting is effective, management regularly assesses such controls and did so most recently for its financial reporting as of December 31, 2005. Management's assessment was based on criteria for effective internal control over financial reporting described in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management asserts that the Company has maintained effective internal control over financial reporting as of December 31, 2005.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this annual report, has issued an attestation report on management's assertion with respect to the effectiveness of the Company's internal control over financial reporting as of December 31, 2005.

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Internal Control Over Financial Reporting (continued)

b) Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Pulte Homes, Inc.

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that Pulte Homes, Inc. maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Pulte Homes, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Pulte Homes, Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Pulte Homes, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Pulte Homes, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2005 and our report dated January 30, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Detroit, Michigan

January 30, 2006

(c) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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ITEM 9B. OTHER INFORMATION

This Item is not applicable.

ITEM 9C. CEO/CFO CERTIFICATIONS

The Company has filed the certification of our chief executive officer with the New York Stock Exchange (NYSE) for 2005 as required pursuant to Section 303A.12(a) of the NYSE Listed Company Manual, and we have filed the Sarbanes-Oxley Section 302 certifications of our chief executive officer and chief financial officer with the Securities and Exchange Commission, which are attached hereto as exhibits 31(a) and 31(b).

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this Item with respect to our executive officers is set forth in Item 4A. Information required by this Item with respect to members of our Board of Directors will be contained in the Proxy Statement for the 2006 Annual Meeting of Shareholders (2006 Proxy Statement) under the captions Election of Directors and Audit Committee and in the chart disclosing Audit Committee membership and is incorporated herein by this reference. Information required by this Item with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 will be contained in the 2006 Proxy Statement under the caption Section 16(a) Beneficial Ownership Reporting Compliance, and is incorporated herein by this reference. Information required by this Item with respect to our code of ethics will be contained in the 2006 Proxy Statement under the caption Guidelines; Code of Ethics and is incorporated herein by this reference.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item will be contained in the 2006 Proxy Statement under the captions Compensation of Named Executive Officers and Director Compensation and is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item will be contained in the 2006 Proxy Statement under the captions Beneficial Security Ownership and Equity Compensation Plan Information and is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this Item will be contained in the 2006 Proxy Statement under the caption Certain Relationships and Related Transactions and is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this Item will be contained in the 2006 Proxy Statement under the captions Audit and Non-Audit Fees and Audit Committee Preapproval Policies and is incorporated herein by reference.

Table of Contents**PART IV****ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this Annual Report on Form 10-K/A:

(1) Financial Statements

	Page Herein
Consolidated Balance Sheets at December 31, 2005 and 2004	42
Consolidated Statements of Operations for the years ended December 31, 2005, 2004 and 2003	43
Consolidated Statements of Shareholders' Equity and Comprehensive Income for the years ended December 31, 2005, 2004 and 2003	44
Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2004 and 2003	45
Notes to Consolidated Financial Statements	46

(2) Financial Statement Schedule

All schedules are omitted since the required information is not present, is not present in amounts sufficient to require submission of the schedule or because the required information is included in the financial statements or notes thereto.

(3) Exhibits

The following exhibits are filed with this Report or incorporated by reference:

Exhibit Number and Description

- (2) and (10) (a) Plan and Agreement of merger dated as of April 30, 2001, among Del Webb Corporation, Pulte Corporation and Pulte Acquisition Corporation (Incorporated by reference to Exhibit 2.1 of our Registration Statement on Form S-4, Registration No. 333-62518)
- (3) (a) Articles of Incorporation, as amended, of Pulte Homes, Inc. (Incorporated by reference to Exhibit 3.1 of our Registration Statement on Form S-4, Registration No. 333-62518)
- (b) By-laws, as amended, of Pulte Homes, Inc. (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K dated September 15, 2004)
- (4) (a) Senior Note Indenture dated as of October 24, 1995, among Pulte Corporation, certain of its subsidiaries, as Guarantors, and The First National Bank of Chicago, as Trustee, covering Pulte Corporation's 7.3% unsecured senior notes due 2005 (\$125,000,000 aggregate principal amount outstanding) and 7.625% unsecured senior notes due 2017 (\$150,000,000 aggregate principal amount outstanding). (Incorporated by reference to Exhibit (c) 1 of our Current Report on Form 8-K dated October 20, 1995).
- (b) Indenture Supplement dated as of August 27, 1997, among Pulte Corporation, Bank One Trust Company, National Association (as successor Trustee to The First National Bank of Chicago), and certain subsidiaries of Pulte Corporation (Incorporated by reference to Exhibit 4.2 of our Current Report on Form 8-K dated October 6, 1997)
- (c) Indenture Supplement dated as of March 20, 1998, among Pulte Corporation, Bank One Trust Company, National Association (as successor Trustee to The First National Bank of Chicago), and certain subsidiaries of Pulte Corporation (Incorporated by reference to Exhibit 4.2 of our Current Report on Form 8-K dated March 24, 1998)

- (d) Indenture Supplement dated January 31, 1999, among Pulte Corporation, Bank One Trust Company, National Association (as successor Trustee to The First National Bank of Chicago), and certain subsidiaries of Pulte Corporation (Incorporated by reference to Exhibit 4.2 of our Current Report on Form 8-K dated March 3, 1999)

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- (4) (e) Indenture Supplement dated February 21, 2001, among Pulte Homes, Inc., Bank One Trust Company, National Association (as successor Trustee to The First National Bank of Chicago), and certain subsidiaries of Pulte Homes, Inc. (Incorporated by reference to Exhibit 4(j) to our Annual Report on Form 10-K for the year ended December 31, 2003)
- (f) Indenture Supplement dated August 6, 2001, among Pulte Homes, Inc., Bank One Trust Company, National Association (as successor Trustee to The First National Bank of Chicago), and certain subsidiaries of Pulte Homes, Inc. (Incorporated by reference to Exhibit 4.8 of our Registration Statement on Form S-4, Registration No. 333-70786)
- (g) Indenture Supplement dated June 12, 2002, among Pulte Homes, Inc., Bank One Trust Company, National Association (as successor Trustee to The First National Bank of Chicago), and certain subsidiaries of Pulte Homes, Inc. (Incorporated by reference to Exhibit 4(m) to our Annual Report on Form 10-K for the year ended December 31, 2003)
- (h) Indenture Supplement dated February 3, 2003, among Pulte Homes, Inc., Bank One Trust Company, National Association (as successor Trustee to The First National Bank of Chicago), and certain subsidiaries of Pulte Homes, Inc. (Incorporated by reference to Exhibit 4(n) to our Annual Report on Form 10-K for the year ended December 31, 2003)
- (i) Indenture Supplement dated May 22, 2003, among Pulte Homes, Inc., Bank One Trust Company, National Association (as successor Trustee to The First National Bank of Chicago), and certain subsidiaries of Pulte Homes, Inc. (Incorporated by reference to Exhibit 4(o) to our Annual Report on Form 10-K for the year ended December 31, 2003)
- (j) Indenture Supplement dated January 16, 2004, among Pulte Homes, Inc., J.P. Morgan Trust Company, National Association (as successor Trustee to Bank One Trust Company, National Association, which was successor Trustee to The First National Bank of Chicago), and certain subsidiaries of Pulte Homes, Inc. (Incorporated by reference to Exhibit 4(p) to our Annual Report on Form 10-K for the year ended December 31, 2003)
- (k) Indenture Supplement dated July 9, 2004, among Pulte Homes, Inc., J.P. Morgan Trust Company, National Association (as successor Trustee to Bank One Trust Company, National Association, which was successor Trustee to The First National Bank of Chicago), and certain subsidiaries of Pulte Homes, Inc. (Incorporated by reference to Exhibit 4(n) of our Annual Report on Form 10-K for the year ended December 31, 2004)
- (l) Indenture Supplement dated February 10, 2005, among Pulte Homes, Inc., J.P. Morgan Trust Company, National Association (as successor Trustee to Bank One Trust Company, National Association, which was successor Trustee to the First National Bank of Chicago), and certain subsidiaries of Pulte Homes, Inc. (Incorporated by reference to Exhibit 4(o) of our Annual Report on Form 10-K for the year ended December 31, 2004)
- (m) Registration Rights Agreement dated August 6, 2001, among Pulte Homes, Inc. and Solomon Smith Barney, Inc. as the Initial Purchaser Representative (Incorporated by reference to Exhibit 4.23 of our Registration Statement on Form S-4, Registration No. 333-70786)
- (n)

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Form of Pulte Homes, Inc. Guarantee Agreement (Incorporated by reference to Exhibit 4.32 of our Registration Statement on Form S-3, Registration No. 333-86806)

- (10) (a) 1990 Stock Incentive Plan for Key Employees (Filed with the Proxy Statement dated April 3, 1990 and as an exhibit of our Registration Statement on Form S-8, Registration No. 33-40102)

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- (10) (b) 1994 Stock Incentive Plan for Key Employees (Incorporated by reference to our Proxy Statement dated March 31, 1994, and as Exhibit 4.1 of our Registration Statement on Form S-8, Registration No. 33-98944)
- (c) 1995 Stock Incentive Plan for Key Employees (Incorporated by reference to our Proxy Statement dated March 31, 1995, and as Exhibit 4.1 of our Registration Statement on Form S-8, Registration No. 33-99218)
- (d) 1997 Stock Plan for Nonemployee Directors (Incorporated by reference to our Proxy Statement dated March 27, 1998, and as Exhibit 4.3 of our Registration Statement on Form S-8, Registration No. 333-52047)
- (e) Pulte Homes, Inc. 401(k) Plan (Incorporated by reference to Exhibit 4.3 of our Registration Statement on Form S-8, No. 333-115570)
- (f) Credit Agreement among Pulte Homes, Inc. as Borrower, the Lenders Identified Herein, and Bank One, NA, as Administrative Agent, dated as of October 1, 2003 (Incorporated by reference to Exhibit 10 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2003)
- (g) Amended and Restated Credit Agreement among Pulte Homes, Inc., as Borrower, The Lenders Identified Herein, Bank One, NA, as Administrative Agent, and Citicorp North America, INC., as Syndication Agent and Barclays Bank PLC, BNP Paribas, Comerica Bank Deutsche Bank Trust Company Americas, Merrill Lynch Bank USA, SunTrust Bank, The Royal Bank of Scotland PLC, UBS Loan Finance LLC and Wachovia Bank, National Association, as Documentation Agents and Bank of America, N.A. Calyon New York Branch, Guaranty Bank, Mizuho Corporate Bank, LTD., PNC Bank, National Association, and The Bank of Tokyo-Mitsubishi, LTD., Chicago Branch as Managing Agents and Fifth Third Bank, Eastern Michigan, Standard Federal Bank N.A., and Washington Mutual Bank, FA as Co-Agents dated as of September 16, 2004 and J.P. Morgan Securities Inc., as Lead Arranger and Sole Bookrunner (Incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004)
- (h) Intercreditor and Subordination Agreement, dated October 1, 2003, among Asset Seven Corp., Pulte Realty Corporation, certain subsidiaries of Pulte Homes, Inc., Bank One, NA, as Administrative Agent, and Bank One Trust Company, National Association, as Trustee (Incorporated by reference to Exhibit 10(f) to our Annual Report on Form 10-K for the year ended December 31, 2003)
- (i) Second Amended and Restated Credit Agreement among Pulte Homes, Inc., as Borrower, The Lenders Identified therein, JP Morgan Chase Bank, NA, as Administrative Agent, and Citigroup Global Markets, Inc., as Syndication Agent and Barclays Bank PLC, BNP Paribas, Calyon New York Branch, Comerica Bank, Deutsche Bank Trust Company Americas, Merrill Lynch Bank USA, The Royal Bank of Scotland PLC, Suntrust Bank, UBS Loan Finance LLC, and Wachovia Bank, National Association, as Documentation Agents and The Bank of Tokyo-Mitsubishi, Ltd., Chicago Branch, Bank of America, N.A., Guaranty Bank, Lloyds TSB Bank PLC, Mizuho Corporate Bank, Ltd., and PNC Bank, National Association as Managing Agents and LaSalle Bank National Association, Washington Mutual Bank, AmSouth Bank, Fifth Third Bank, A Michigan Bank Corporation, and U.S. Bank, National Association, as Co-Agents dated as of October 31, 2005 (Incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q

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for the quarter ended September 30, 2005)

- (j) Long-Term Incentive Plan (Incorporated by reference to our Proxy Statement dated March 31, 2000)
- (k) Pulte Corporation 2000 Stock Plan for Nonemployee Directors (Incorporated by reference to Exhibit 4.3 of our Registration Statement on Form S-8, Registration No. 333-66286)
- (l) Pulte Corporation 2000 Incentive Plan for Key Employees (Incorporated by reference to Exhibit 4.3 of our Registration Statement on Form S-8, Registration No. 333-66284)
- (m) Pulte Homes, Inc. 2002 Stock Incentive Plan (Incorporated by reference to our Proxy Statement dated April 3, 2002 and as Exhibit 4.3 of our Registration Statement on Form S-8, No. 333-123223)

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- (10) (n) Pulte Homes, Inc. Senior Management Annual Incentive Plan (Incorporated by reference to our Proxy Statement dated March 27, 2003)
- (o) Pulte Homes, Inc. 2004 Stock Incentive Plan (Incorporated by reference to our Proxy Statement dated March 29, 2004 and as Exhibit 4.4 of our Registration Statement on Form S-8, No. 333-123223)
- (p) Del Webb Corporation Director Stock Plan (Incorporated by reference to Exhibit 4.3 of our Registration Statement on Form S-8, Registration No. 333-66322)
- (q) Del Webb Corporation 1993 Executive Long-Term Incentive Plan (Incorporated by reference to Exhibit 4.7 of our Registration Statement on Form S-8, Registration No. 333-66322)
- (r) Del Webb Corporation 1995 Director Stock Plan (Incorporated by reference to Exhibit 4.4 of our Registration Statement on Form S-8, Registration No. 333-66322)
- (s) Del Webb Corporation 1995 Executive Long-Term Incentive Plan (Incorporated by reference to Exhibit 4.8 of our Registration Statement on Form S-8, Registration No. 333-66322)
- (t) Master Repurchase Agreement, dated as of December 22, 2000, between Pulte Mortgage Corporation and Pulte Funding, Inc. (Incorporated by reference to Exhibit 10 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2003)
- (u) Collection and Paying Agreement dated as of August 23, 2002, by and among Pulte Mortgage LLC, Pulte Funding, Inc., Bank One, NA, Credit Lyonnais New York Branch and LaSalle Bank National Association (Incorporated by reference to Exhibit 10(u) of our Annual Report on Form 10-K for the year ended December 31, 2005)
- (v) Fourth Amended and Restated Security and Collateral Agency Agreement, dated as of June 30, 2004, by and among Pulte Mortgage, LLC, Bank One, NA (Incorporated by reference to Exhibit 10(v) of our Annual Report on Form 10-K for the year ended December 31, 2005)
- (w) Amendment One to the Collection and Paying Agreement dated as of August 23, 2002, by and among Pulte Mortgage LLC, Pulte Funding, Inc., Bank One, NA, Credit Lyonnais New York Branch and LaSalle Bank National Association (Incorporated by reference to Exhibit 10(w) of our Annual Report on Form 10-K for the year ended December 31, 2005)
- (x) Fifth Amended and Restated Revolving Credit Agreement by and among Pulte Mortgage LLC, The Lenders Party thereto, and Bank One, NA, As Administrative Agent and Bank One Capital Markets, Inc. As Lead Arranger and Sole Book Runner And LaSalle Bank National Association, As Collateral Agent dated as of June 30, 2004 (Incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2004)
- (y) Amendment For A Permanent Increase To The Aggregate Commitment to the Fifth Amended and Restated Revolving Credit Agreement made as of July 30, 2004 by and among Pulte Mortgage LLC, Bank One, NA, as agent under the Credit Agreement and SunTrust Bank and The Bank of Tokyo-Mitsubishi, LTD., Chicago Branch (Incorporated by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004)

- (z) Second Amended and Restated Loan Agreement, dated as of August 19, 2005, by and among Pulte Funding, Inc., Atlantic Asset Securitization Corp., Jupiter Securitization Corporation, La Fayette Asset Securitization Corporation, Calyon New York Branch, JP Morgan Chase Bank, NA, Lloyds TSB Bank PLC and Pulte Mortgage, LLC (Incorporated by reference to Exhibit 10(z) of our Annual Report on Form 10-K for the year ended December 31, 2005)

- (aa) Second Amended and Restated Addendum to Master Repurchase Agreement, dated as of August 19, 2005, between Pulte Mortgage, LLC, and Pulte Funding, Inc. (Incorporated by reference to Exhibit 10(aa) of our Annual Report on Form 10-K for the year ended December 31, 2005)

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- (10) (ab) Second Amended and Restated Collateral Agency Agreement, dated as of August 19, 2005, by and among Pulte Funding, Inc., Calyon New York Branch and LaSalle Bank National Association (Incorporated by reference to Exhibit 10(ab) of our Annual Report on Form 10-K for the year ended December 31, 2005)
- (ac) Second Amendment to the Fifth Amended and Restated Revolving Credit Agreement, dated as of December 27, 2005, by and among Pulte Mortgage, LLC and JP Morgan Chase Bank, NA (Incorporated by reference to Exhibit 10(ac) of our Annual Report on Form 10-K for the year ended December 31, 2005)
- (ad) Omnibus Amendment, dated as of December 27, 2005, by and among Pulte Funding, Inc., Pulte Mortgage, LLC, Atlantic Asset Securitization Corp., La Fayette Asset Securitization, Calyon New York Branch, Lloyds TSB Bank PLC, JP Morgan Chase Bank, NA, Jupiter Securitization Corp., LaSalle Bank, NA (Incorporated by reference to Exhibit 10(ad) of our Annual Report on Form 10-K for the year ended December 31, 2005)
- (ae) Second Omnibus Amendment, dated as of January 12, 2006, by and among Pulte Funding, Inc., Pulte Mortgage, LLC, Atlantic Asset Securitization Corp., La Fayette Asset Securitization, Calyon New York Branch, Lloyds TSB Bank PLC, JP Morgan Chase Bank, NA, Jupiter Securitization Corp., LaSalle Bank, NA (Incorporated by reference to Exhibit 10(ae) of our Annual Report on Form 10-K for the year ended December 31, 2005)
- (12) Ratio of Earnings to Fixed Charges at December 31, 2005 (Incorporated by reference to Exhibit 12 of our Annual Report on Form 10-K for the year ended December 31, 2005)
- (21) Subsidiaries of the Registrant (Incorporated by reference to Exhibit 21 of our Annual Report on Form 10-K for the year ended December 31, 2005)
- (23) Consent of Independent Registered Public Accounting Firm (Filed herewith)
- (31) (a) Rule 13a-14(a) Certification by Richard J. Dugas, Jr., President and Chief Executive Officer (Filed herewith)
- (b) Rule 13a-14(a) Certification by Roger A. Cregg, Executive Vice President and Chief Financial Officer (Filed herewith)
- (32) Certification Pursuant to 18 United States Code § 1350 and Rule 13a-14(b) of the Securities Exchange Act of 1934 (Filed herewith)
- (99) (a) Settlement and Termination Agreement, dated October 12, 2001, between Federal Deposit Insurance Corporation, as Manager of the FSLIC Resolution Fund; First Heights Bank, a Federal Savings Bank; Pulte Diversified Companies, Inc.; and Pulte Homes, Inc. f/k/a Pulte Corporation (Incorporated by reference to Exhibit 99(a) of our Annual Report on Form 10-K for the year ended December 31, 2001)
- (b) Agreement dated October 6, 2004, between Pulte Homes, Inc. and Leo J. Taylor (Incorporated by reference to Exhibit 99.1 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004)

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.
(Registrant)

Date: December 22, 2006

By: /s/ Roger A. Cregg
Roger A. Cregg
Executive Vice President
and Chief Financial Officer

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Exhibit Index

Exhibit No.	Exhibit Description
(23)	Consent of Independent Registered Public Accounting Firm (Filed herewith)
(31)	(a) Rule 13a-14(a) Certification by Richard J. Dugas, Jr., President and Chief Executive Officer (Filed herewith)
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