UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 8, 2004

ProQuest Company

(Exact Name of Registrant as Specified in its Charter)

Delaware	**1-3246**	**36-3580106**
(State or Other Jurisdiction of Incorporation or Organization)	**(Commission File Number)**	**(I.R.S.Employer Identification No.)**

300 North Zeeb Road, Ann Arbor, Michigan	**48103-1553**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code: (734) 761-4700

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 420.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

(b) ProQuest Company announced in a press release dated September 13, 2004 that William J. White will step down as a member of the company s Board of Directors effective September 20, 2004. Mr. White s resignation was not as a result of a disagreement with management.

(c) ProQuest Company announced in a press release dated September 13, 2004 that Frederick J. Schwab and Michael S. Geltzeiler were appointed to the Board of Directors effective September 21, 2004.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

ProQuest Company announced in a press release dated September 13, 2004 that the bylaws have been amended on September 8, 2004, to expand the number of directors permitted to serve on the Board of Directors from nine to ten.

SIGNATURES

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

PROQUEST COMPANY

DATE: September 14, 2004

/s/ Kevin G. Gregory

Kevin G. Gregory
Senior Vice President, Chief Financial Officer, and
Assistant Secretary

EXHIBIT INDEX

Exhibit No.	**Document**
99.1	Press Release by ProQuest Company, dated September 13, 2004 announcing two newly appointed members to the Board of Directors and the departure of one member of the Board of Directors.

TD align="right">19,763   64,400

Total segment income (loss) before income taxes
(648,243) 452,978   (724,317) 912,754
Corporate and unallocated *(c)*
(158,366) (65,253) (224,840) (107,485)

Consolidated income (loss) from continuing operations before income taxes *(d)*
$(806,609) $387,725 $(949,157) $805,269

(a) *Corporate and unallocated includes interest income earned from short-term investments of cash and equivalents.*

(b) *Financial Services income before income taxes includes interest expense of $3.6 million and $4.8 million for the three months ended June 30, 2007 and 2006, respectively, and $8.2 million and $10.1 million for the six*

months ended June 30, 2007 and 2006, respectively. Financial Services income before income taxes includes interest income of $4.8 million and $7.1 million for the three months ended June 30, 2007 and 2006, respectively, and $11 million and $15.1 million for the six months ended June 30, 2007 and 2006, respectively.

(c) Corporate and unallocated includes amortization of capitalized interest of $96.4 million and $55.9 million for the three months ended June 30, 2007 and 2006, respectively, and $144.4 million and $97.1 million for the six months ended June 30, 2007 and 2006, respectively, and shared services that benefit all operating

segments, the costs of which are not allocated to the operating segments reported above.

(d) *Consolidated income (loss) before income taxes includes selling, general and administrative expenses of $322.5 million and $295.8 million for the three months ended June 30, 2007 and 2006, respectively, and $634.2 million and $613 million for the six months ended June 30, 2007 and 2006, respectively.*

Table of Contents

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

2. Segment information (continued)

	Valuation Adjustments and Write-Offs by Segment ($000 s omitted)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Land and community valuation adjustments:				
Northeast	$ 56,904	$	$ 56,904	$
Southeast	253		253	
Florida	100,134		102,499	
Midwest	96,944	8,014	109,187	8,072
Central	42,559	1,306	68,094	1,306
Southwest	105,308		114,752	
California	159,158		166,944	
Corporate and unallocated *(a)*	41,818		46,818	
Total valuation adjustments	$ 603,078	$ 9,320	$ 665,451	$ 9,378
Net realizable value adjustments (NRV) land held for sale:				
Northeast	$	$	$	$
Southeast	1,070		1,070	
Florida		10,353		10,353
Midwest		5,660		5,660
Central	3,750	1,253	4,022	1,265
Southwest	9,459	15,125	27,459	15,125
California	9,368		9,368	
Corporate and unallocated				
Total NRV adjustments land held for sale	$ 34,000	$ 22,038	$ 52,272	$ 22,050
Write-off of deposits and pre-acquisition costs *(b)*:				
Northeast	$ 14,892	3,474	38,173	4,205
Southeast	302	1,400	514	1,451
Florida	10,041	1,123	9,839	1,330
Midwest	2,596	6,047	6,978	8,465
Central	892	1,245	892	1,329
Southwest	16,169	8,729	34,316	9,193
California	13,284	9,162	18,955	9,851
Corporate and unallocated		(370)		74
	$ 58,176	$ 30,810	$ 109,667	$ 35,898

Total write-off of deposits and pre-acquisition costs

The Company also recorded an impairment of $54.1 million in the California reporting segment related to an investment in an unconsolidated joint venture.

(a) *Corporate and unallocated includes $41.8 million and $46.8 million of write-offs of capitalized interest related to land and community valuation adjustments recorded during the three and six months ended June 30, 2007, respectively.*

(b) *Includes settlements related to costs previously in dispute and considered non-recoverable.*

14

Table of Contents

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

2. Segment information (continued)

Total assets and inventory by reportable segment are as follows ($000 s omitted):

	Assets	Inventory
As of June 30, 2007:		
Northeast	$ 1,540,915	$ 1,267,126
Southeast	786,278	687,420
Florida	1,598,783	1,337,213
Midwest	785,527	750,899
Central	576,232	487,247
Southwest	3,099,019	2,743,846
California	1,771,066	1,608,189
Financial Services	440,924	
Total segment	10,598,744	8,881,940
Corporate and unallocated *(a)*	1,352,904	206,959
Consolidated	$ 11,951,648	$ 9,088,899
As of December 31, 2006:		
Northeast	$ 1,530,238	$ 1,167,454
Southeast	734,001	640,199
Florida	1,742,839	1,464,691
Midwest	902,833	842,714
Central	699,748	574,089
Southwest	3,100,927	2,691,505
California	1,953,240	1,761,000
Financial Services	951,206	
Total segment	11,615,032	9,141,652
Corporate and unallocated *(a)*	1,561,842	232,683
Consolidated	$ 13,176,874	$ 9,374,335

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

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

3. Inventory

Major components of the Company s inventory are as follows ($000 s omitted):

	June 30, 2007	December 31, 2006
Homes under construction	$ 3,234,237	$ 2,606,613
Land under development	4,412,097	5,478,244
Land held for future development	1,442,565	1,289,478
Total	$ 9,088,899	$ 9,374,335

15

Table of Contents

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

4. Investments in unconsolidated entities

The Company participates in a number of joint ventures with independent third parties. Many of these joint ventures purchase, develop and/or sell land and homes in the United States and Puerto Rico. If additional capital infusions are required and approved (or are necessary as a result of the limited recourse financing guarantees discussed below), the Company would need to contribute its pro rata portion of those capital needs in order not to dilute its ownership in the joint ventures.

At June 30, 2007 and December 31, 2006, aggregate outstanding debt of unconsolidated joint ventures was $793 million and $935.9 million, respectively. At June 30, 2007 and December 31, 2006, the Company s proportionate share of its joint venture debt was approximately $235.4 million and $312.8 million, respectively. The Company provided limited recourse guarantees for $226.3 million and $304.1 million of joint venture debt at June 30, 2007 and December 31, 2006, respectively. Accordingly, the Company may be liable, on a contingent basis, through limited guarantees with respect to a portion of the secured land acquisition and development debt. However, the Company would not be liable unless a joint venture was unable to perform its contractual borrowing obligations.

For the six months ended June 30, 2007, the Company made additional capital contributions to fund the cash requirements of existing joint ventures totaling approximately $95 million and received capital and earnings distributions from existing joint ventures totaling approximately $33 million. At June 30, 2007 and December 31, 2006, the Company had approximately $165.2 million and $150.7 million, respectively, invested in these joint ventures. These investments are included in the assets of the Company s Homebuilding segments and are primarily accounted for under the equity method.

5. Acquisitions and divestitures

In February 2006, Pulte Mortgage sold its investment in Hipotecaria Su Casita (Su Casita), a Mexico-based mortgage banking company. Remaining shareholders of Su Casita, who exercised their right of first refusal to acquire the shares, purchased Pulte Mortgage s 16.7% interest for net proceeds of approximately $49.2 million. As a result of this transaction, the Company recognized a pre-tax gain of approximately $31.6 million for the six months ended June 30, 2006.

6. Shareholders equity

Pursuant to the two $100 million stock repurchase programs authorized by the Board of Directors in October 2002 and 2005 and the $200 million stock repurchase authorization in February 2006 (for a total stock repurchase authorization of $400 million), the Company has repurchased a total of 9,688,900 shares for a total of $297.7 million, though there were no repurchases under these programs during the six months ended June 30, 2007. The Company had remaining authorization to purchase $102.3 million of common stock at June 30, 2007.

Accumulated other comprehensive income (loss)

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

	June 30, 2007	December 31, 2006
Foreign currency translation adjustments:		
Mexico	$ (167)	$ (316)
Fair value of derivatives, net of income taxes of $2,124 in 2007 and $1,637 in 2006	(3,473)	(2,670)
	$ (3,640)	$ (2,986)

Table of Contents

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

7. Income Taxes

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), effective January 1, 2007. FIN 48 creates a single model to address accounting for uncertainty in tax positions and clarifies accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The January 1, 2007 adoption of FIN 48 resulted in a $31.4 million increase in income tax liabilities and a corresponding charge to beginning retained earnings.

As of adoption, the Company had $86.7 million of gross unrecognized tax benefits, all of which, if recognized, would affect the effective tax rate. Additionally, the Company had $24.5 million of accrued interest and $13.3 million of accrued penalties as of January 1, 2007.

Effective in 2007, the Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. Interest related to unrecognized tax benefits was previously included in interest expense.

The Company is currently under examination by various taxing jurisdictions and anticipates finalizing the examinations with certain jurisdictions within the next twelve months. The final outcome of these examinations is not yet determinable. The statute of limitations for the Company s major tax jurisdictions remains open for examination for tax years 1998-2006.

8. Debt and Other Financing Arrangements

The Company repurchased $61.2 million of its 4.875% senior notes due 2009 during the three months ended June 30, 2007. These repurchases resulted in a net gain of approximately $500 thousand which is included in the Consolidated Statements of Operations within Other non-operating, net expenses.

On June 29, 2007, the Company amended its unsecured revolving credit facility, decreasing the borrowing availability from $2.01 billion to $1.86 billion and extending the maturity date from October 2010 to June 2012. Under the terms of the credit facility, 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 certain restrictive covenants, the most restrictive of which requires the Company not to exceed a debt-to-total capitalization ratio of 55%. The credit facility no longer contains an interest coverage ratio covenant that could create an event of default for the Company, but if the interest coverage ratio (as defined in the credit facility) is less than 2 to 1, LIBOR margin and letter of credit pricing under the credit facility increases in increments ranging from 0.125% to 0.375%. The credit facility s uncommitted accordion feature remains unchanged at $2.25 billion.

Pulte Mortgage reduced the amount of capacity available under its asset-backed commercial paper program from $550 million to $400 million effective June 1, 2007 as permitted by its existing agreement as the Company does not anticipate needing such capacity during 2007.

17

Table of Contents

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

9. Supplemental Guarantor information

At June 30, 2007, Pulte Homes, Inc. had the following outstanding senior note obligations: (1) $339 million, 4.875% due 2009, (2) $200 million, 8.125%, due 2011, (3) $499 million, 7.875%, due 2011, (4) $300 million, 6.25%, due 2013, (5) $500 million, 5.25%, due 2014, (6) $350 million, 5.2%, due 2015, (7) $150 million, 7.625%, due 2017, (8) $300 million, 7.875%, due 2032, (9) $400 million, 6.375%, due 2033, (10) $300 million, 6%, due 2035, and (11) $150 million, 7.375%, due 2046. Such obligations to pay principal, premium (if any), and interest are guaranteed jointly and severally on a senior basis by Pulte Homes, Inc. s 100%-owned Homebuilding subsidiaries (collectively, the Guarantors). Such guarantees are full and unconditional.

Supplemental consolidating financial information of the Company, including such information for the Guarantors, is presented below. Investments in subsidiaries are presented using the equity method of accounting. Separate financial statements of the Guarantors are not provided as the consolidating financial information contained herein provides a more meaningful disclosure to allow investors to determine the nature of the assets held by, and the operations of, the combined groups.

Table of Contents

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

9. Supplemental Guarantor information (continued)

CONDENSED CONSOLIDATING BALANCE SHEET
June 30, 2007
($000 s omitted)

	Unconsolidated				
	Pulte Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
ASSETS					
Cash and equivalents	$	$ 25,383	$ 49,269	$	$ 74,652
Unfunded settlements		40,566	(3,396)		37,170
House and land inventory		9,078,697	10,202		9,088,899
Land held for sale		389,582			389,582
Land, not owned, under option agreements		34,848			34,848
Residential mortgage loans available-for-sale			380,555		380,555
Investments in unconsolidated entities	1,448	150,812	12,957		165,217
Goodwill		374,977	700		375,677
Intangible assets, net		114,829			114,829
Other assets	45,143	727,997	76,870		850,010
Deferred income tax assets	423,626	372	16,211		440,209
Investment in subsidiaries	9,720,191	80,195	6,776,926	(16,577,312)	
	$ 10,190,408	$ 11,018,258	$ 7,320,294	$ (16,577,312)	$ 11,951,648
LIABILITIES AND SHAREHOLDERS EQUITY					
Liabilities:					
Accounts payable, accrued and other liabilities	$ 158,957	$ 1,528,341	$ 310,054	$	$ 1,997,352
Unsecured short-term borrowings	173,000				173,000
Collateralized short-term debt, recourse solely to applicable non-guarantor subsidiary assets			333,071		333,071
Income taxes	524				524
Senior notes	3,477,534				3,477,534
Advances (receivable) payable subsidiaries	410,226	(263,825)	(146,401)		
Total liabilities	4,220,241	1,264,516	496,724		5,981,481

Total shareholders equity	5,970,167	9,753,742	6,823,570	(16,577,312)	5,970,167
	$ 10,190,408	$ 11,018,258	$ 7,320,294	$ (16,577,312)	$ 11,951,648

19

Table of Contents

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

9. Supplemental Guarantor information (continued)

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2006
($000 s omitted)

	Unconsolidated				
	Pulte Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
ASSETS					
Cash and equivalents	$	$ 318,309	$ 232,983	$	$ 551,292
Unfunded settlements		68,757	3,840		72,597
House and land inventory		9,363,933	10,402		9,374,335
Land held for sale		465,823			465,823
Land, not owned, under option agreements		43,609			43,609
Residential mortgage loans available-for-sale			871,350		871,350
Investments in unconsolidated entities	1,448	133,195	16,042		150,685
Goodwill		374,977	700		375,677
Intangible assets, net		118,954			118,954
Other assets	46,490	814,136	121,408		982,034
Deferred income tax assets	155,178	65	15,275		170,518
Investment in subsidiaries	10,198,353	85,444	7,159,877	(17,443,674)	
	$ 10,401,469	$ 11,787,202	$ 8,431,877	$ (17,443,674)	$ 13,176,874
LIABILITIES AND SHAREHOLDERS EQUITY					
Liabilities:					
Accounts payable, accrued and other liabilities	$ 178,687	$ 1,692,037	$ 309,868	$	$ 2,180,592
Collateralized short-term debt, recourse solely to applicable non-guarantor subsidiary assets			814,707		814,707
Income taxes	66,267				66,267
Senior notes	3,537,947				3,537,947
Advances (receivable) payable subsidiaries	41,207	(144,645)	103,438		
Total liabilities	3,824,108	1,547,392	1,228,013		6,599,513
Total shareholders equity	6,577,361	10,239,810	7,203,864	(17,443,674)	6,577,361

$ 10,401,469	$ 11,787,202	$ 8,431,877	$ (17,443,674)	$ 13,176,874

20

Table of Contents

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

9. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF OPERATIONS
For the three months ended June 30, 2007
($000 s omitted)

		Unconsolidated			Consolidated
	Pulte Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Pulte Homes, Inc.
Revenues:					
Homebuilding	$	$ 1,993,498	$	$	$ 1,993,498
Financial services		3,903	23,459		27,362
Other non-operating		47	339		386
Total revenues		1,997,448	23,798		2,021,246
Expenses:					
Homebuilding:					
Cost of sales		2,373,499			2,373,499
Selling, general and administrative and other expense	8,744	329,278	29,925		367,947
Financial Services, principally interest	584	2,005	18,297		20,886
Other non-operating expenses, net	22,266	(7,123)	(4,771)		10,372
Intercompany interest	32,379	(32,379)			
Total expenses	63,973	2,665,280	43,451		2,772,704
Other Income:					
Equity income (loss)		(55,152)	1		(55,151)
Income (loss) before income taxes and equity in income of subsidiaries	(63,973)	(722,984)	(19,652)		(806,609)
Income taxes (benefit)	(23,436)	(269,148)	(6,474)		(299,058)
Income (loss) before equity in income of subsidiaries	(40,537)	(453,836)	(13,178)		(507,551)
Equity in income (loss) of subsidiaries	(467,014)	3,143	(356,595)	820,466	

Net income (loss)	$ (507,551)	$ (450,693)	$ (369,773)	$ 820,466	$ (507,551)

21

Table of Contents

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

9. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF OPERATIONS
For the six months ended June 30, 2007
($000 s omitted)

	Unconsolidated				
	Pulte Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Revenues:					
Homebuilding	$	$ 3,823,406	$	$	$ 3,823,406
Financial services		8,537	58,406		66,943
Other non-operating	7	1,065	1,258		2,330
Total revenues	7	3,833,008	59,664		3,892,679
Expenses:					
Homebuilding:					
Cost of sales		4,024,332			4,024,332
Selling, general and administrative and other expense	17,799	639,098	37,491		694,388
Financial Services, principally interest	1,341	4,096	41,879		47,316
Other non-operating expenses, net	44,087	(16,062)	(8,352)		19,673
Intercompany interest	64,723	(64,723)			
Total expenses	127,950	4,586,741	71,018		4,785,709
Other Income:					
Equity income (loss)		(56,204)	77		(56,127)
Income (loss) before income taxes and equity in income of subsidiaries	(127,943)	(809,937)	(11,277)		(949,157)
Income taxes (benefit)	(49,007)	(303,997)	(2,930)		(355,934)
Income (loss) before equity in income of subsidiaries	(78,936)	(505,940)	(8,347)		(593,223)
Equity in income (loss) of subsidiaries	(514,287)	10,076	(407,613)	911,824	

Net income (loss)	$ (593,223)	$ (495,864)	$ (415,960)	$ 911,824	$ (593,223)

22

Table of Contents

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

9. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF OPERATIONS
For the three months ended June 30, 2006
($000 s omitted)

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

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

23

Table of Contents

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

9. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF OPERATIONS
For the six months ended June 30, 2006
($000 s omitted)

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

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

24

Table of Contents

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

9. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF CASH FLOWS
For the six months ended June 30, 2007
($000 s omitted)

	Unconsolidated				
	Pulte Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Net cash provided by (used in) operating activities	$ (151,749)	$ (370,030)	$ 529,008	$	$ 7,229
Cash flows from investing activities:					
Distributions from unconsolidated entities		25,791	3,047		28,838
Investments in unconsolidated entities		(94,968)			(94,968)
Dividends received from subsidiaries	51	16,000		(16,051)	
Investment in subsidiaries	(36,958)	(1,045)		38,003	
Proceeds from sale of fixed assets		5,166	1		5,167
Capital expenditures		(30,762)	(1,846)		(32,608)
Net cash provided by (used in) investing activities	(36,907)	(79,818)	1,202	21,952	(93,571)
Cash flows from financing activities:					
Net repayments under Financial Services credit arrangements			(481,636)		(481,636)
Net borrowings under revolving credit facility	173,000				173,000
Repayment of other borrowings	(61,188)	(3,785)			(64,973)
Capital contributions from parent		10,958	27,045	(38,003)	
Advances (to) from affiliates	93,397	149,800	(243,197)		
Excess tax benefits from share-based awards	3,414				3,414
Issuance of common stock	5,620				5,620
Stock repurchases	(5,113)				(5,113)
Dividends paid	(20,474)	(51)	(16,000)	16,051	(20,474)

Net cash provided by (used in) financing activities	188,656	156,922	(713,788)	(21,952)	(390,162)
Effect of exchange rate changes on cash and equivalents			(136)		(136)
Net decrease in cash and equivalents		(292,926)	(183,714)		(476,640)
Cash and equivalents at beginning of period		318,309	232,983		551,292
Cash and equivalents at end of period	$	$ 25,383	$ 49,269	$	$ 74,652

25

Table of Contents

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

9. Supplemental Guarantor information (continued)

CONSOLIDATING STATEMENT OF CASH FLOWS
For the six months ended June 30, 2006
($000 s omitted)

	Unconsolidated				
	Pulte Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated Pulte Homes, Inc.
Net cash provided by (used in) operating activities	$ (359,198)	$ (1,163,978)	$ 469,718	$	$ (1,053,458)
Cash flows from investing activities:					
Distributions from unconsolidated entities		31,336			31,336
Investments in unconsolidated entities		(20,744)			(20,744)
Dividends received from subsidiaries		51,000	28	(51,028)	
Investment in subsidiaries	(247,066)	(68,739)	(224,303)	474,329	(65,779)
Proceeds from the sale of investments			49,216		49,216
Proceeds from the sale of fixed assets		533	1		534
Capital expenditures		(50,069)	(4,324)		(54,393)
Net cash provided by (used in) investing activities	(247,066)	(56,683)	(179,382)	423,301	(59,830)
Cash flows from financing activities:					
Net repayments under Financial Services credit arrangements			(415,973)		(415,973)
Net borrowings under revolving credit facility	614,500				614,500
Proceeds from other borrowings	150,000				150,000
Repayment of other borrowings		(17,519)			(17,519)
Capital contributions from parent		246,828	227,501	(474,329)	
Advances (to) from affiliates	(43,374)	216,745	(173,371)		
	1,794				1,794

Excess tax benefits from share-based awards					
Issuance of common stock	3,452				3,452
Stock repurchases	(99,614)				(99,614)
Dividends paid	(20,494)		(51,028)	51,028	(20,494)
Net cash provided by (used in) financing activities	606,264	446,054	(412,871)	(423,301)	216,146
Effect of exchange rate changes on cash and equivalents			(667)		(667)
Net decrease in cash and equivalents		(774,607)	(123,202)		(897,809)
Cash and equivalents at beginning of period		839,764	162,504		1,002,268
Cash and equivalents at end of period	$	$ 65,157	$ 39,302	$	$ 104,459

26

Table of Contents

Item 2. Management s Discussion And Analysis Of Financial Condition And Results Of Operations

Overview

During 2006 and 2007, the U.S. housing market was impacted by a lack of consumer confidence, decreased housing affordability, increased interest rates, and large supplies of resale and new home inventories and related pricing pressures. These conditions continued to deteriorate in the three months ended June 30, 2007. The result has been weakened demand for new homes, slower sales, higher cancellation rates, and increased price discounts and other sales incentives to attract homebuyers. Additionally, the availability of certain mortgage financing products became more constrained starting in February 2007 when the mortgage industry began to more closely scrutinize sub-prime, Alt-A, and other non-prime mortgage products. The combination of these homebuilding industry and related mortgage financing developments resulted in significant decreases in our revenues and gross margins during the first half of 2007 compared with the same period in the prior year. Additionally, we incurred total land-related charges of $881.5 million during the six months ended June 30, 2007, of which $749.4 million were incurred in the second quarter. These charges result from the write-off of deposit and pre-acquisition costs related to land transactions we no longer plan to pursue ($109.7 million through June 30, 2007), net realizable valuation adjustments related to land positions sold or held for sale ($52.3 million through June 30, 2007), impairments on land assets related to communities under development or to be developed in the future ($665.5 million through June 30, 2007), and an impairment of our investment in an unconsolidated joint venture ($54.1 million through June 30, 2007).

We continue to operate our business with the expectation that difficult market conditions will continue to impact us for at least the near term. We have adjusted our approach to land acquisition and construction practices and continue to shorten our land pipeline, reduce production volumes, and balance home price and profitability with sales pace. We are delaying planned land purchases and renegotiating land prices and have significantly reduced our total number of controlled lots owned and under option. Additionally, we are significantly reducing the number of speculative homes put into production. While we will continue to purchase select land positions where it makes strategic and economic sense to do so, we currently anticipate minimal investment in new land parcels this year. We have also closely evaluated and made reductions in selling, general and administrative expenses. During the second quarter of 2007, we announced a restructuring plan designed to reduce costs and improve ongoing operating efficiencies, which resulted in related charges of approximately $39.1 million during the quarter. Given the persistence of these difficult market conditions, improving the efficiency of our selling, general and administrative expenses will continue to be a significant area of focus. We believe that these measures will help to strengthen our market position and allow us to take advantage of opportunities that will develop in the future.

Given the continued weakness in new home sales and closings, visibility as to future earnings performance is limited. At this time, we estimate our third quarter 2007 earnings to be in the range of $0.10 to $0.20 per diluted share, exclusive of any additional impairments or other land-related charges. Our outlook is tempered with caution, as conditions in many of the markets we serve across the United States have become increasingly challenging in recent months. Our evaluation for land-related charges recorded to date assumed our best estimates of cash flows for the communities tested. If conditions in the homebuilding industry worsen in the future or if our strategy related to certain communities changes, we may be required to evaluate our assets, including additional projects, for additional impairments or write-downs, which could result in additional charges that might be significant.

Table of Contents

Overview (continued)

The following is a summary of our operating results for the three and six months ended June 30, 2007 and 2006 ($000 s omitted):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Pre-tax income (loss):				
Homebuilding operations	$ (803,191)	$ 380,822	$ (951,577)	$ 758,405
Financial Services operations	6,568	15,056	19,763	64,400
Other non-operating	(9,986)	(8,153)	(17,343)	(17,536)
Income (loss) from continuing operations before income taxes	(806,609)	387,725	(949,157)	805,269
Income taxes (benefit)	(299,058)	143,873	(355,934)	298,772
Income (loss) from continuing operations	(507,551)	243,852	(593,223)	506,497
Loss from discontinued operations		(833)		(833)
Net income (loss)	$ (507,551)	$ 243,019	$ (593,223)	$ 505,664
Per share data assuming dilution:				
Income (loss) from continuing operations	$ (2.01)	$ .94	$ (2.35)	$ 1.95
Loss from discontinued operations				
Net income (loss)	$ (2.01)	$ .94	$ (2.35)	$ 1.95

The following is a comparison of pre-tax income for the three and six months ended June 30, 2007 and 2006:

Homebuilding pre-tax loss was $803.2 million and $951.6 million for the three and six months ended June 30, 2007, respectively, compared with Homebuilding pre-tax income of $380.8 million and $758.4 million, respectively, for the same periods in the prior year. The pre-tax loss experienced by our Homebuilding operations resulted from lower settlement revenues combined with lower gross margins, restructuring charges of $39.1 million, and land-related charges totaling $749.4 million and $881.5 million for the three and six months ended June 30, 2007, respectively. Gross margins were unfavorably impacted by lower selling prices and increased sales incentives. Land-related charges for the three and six months ended June 30, 2007 consisted of write-offs of deposit and pre-acquisition costs related to land transactions we no longer plan to pursue ($58.2 million and $109.7 million, respectively), net realizable valuation adjustments related to land positions sold or held for sale ($34 million and $52.3 million, respectively), impairments on land assets related to communities under development or to be developed in the future ($603.1 million and $665.5 million, respectively), and an impairment of our investment in an unconsolidated joint venture ($54.1 million).

Pre-tax income from our Financial Services business segment decreased 56% and 69% for the three and six months ended June 30, 2007, respectively, compared with the prior year periods. Pre-tax income for the six months ended June 30, 2006 includes a one-time gain of $31.6 million related to the sale of our investment in Su Casita, a Mexican mortgage banking company, during the first quarter of 2006. Capture rates were 92.6%

and 91.0% for the three months ended June 30, 2007 and 2006, respectively, and 92.8% and 90.2% for the six months ended June 30, 2007 and 2006, respectively.

The increase in non-operating expenses for the three months ended June 30, 2007, compared with the same period in the prior year was due primarily to a reduction in net interest income partially offset by a decrease in incentive compensation. The decrease in non-operating expenses for the six months ended June 30, 2007, compared with the same period in the prior year was due primarily to a decrease in incentive compensation.

Table of Contents

Homebuilding Operations Summary

The following table presents a summary of pre-tax income (loss) and unit information for our Homebuilding operations for the three and six months ended June 30, 2007 and 2006 ($000 s omitted):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Home sale revenue (settlements)	$ 1,901,825	$ 3,304,960	$ 3,691,107	$ 6,193,794
Land sale revenue	91,673	13,095	132,299	39,013
Home cost of sales *(a)*	(2,254,881)	(2,608,042)	(3,849,352)	(4,834,008)
Land cost of sales *(b)*	(118,618)	(32,461)	(174,980)	(53,604)
Selling, general and administrative expense	(295,213)	(265,404)	(576,866)	(550,153)
Equity income (expense) *(c)*	(55,243)	(1,337)	(56,263)	(121)
Other income (expense), net *(d)*	(72,734)	(29,989)	(117,522)	(36,516)
Pre-tax income	$ (803,191)	$ 380,822	$ (951,577)	$ 758,405
Unit settlements	5,938	9,879	11,358	18,481
Average selling price	$ 320	$ 335	$ 325	$ 335
Net new orders:				
Units	7,532	9,455	16,031	20,180
Dollars	$ 2,427,000	$ 3,121,000	$ 5,339,000	$ 6,804,000
Backlog at June 30:				
Units			14,928	19,516
Dollars			$ 5,227,000	$ 6,911,000

(a) Includes homebuilding interest expense, which represents the amortization of capitalized interest. Home cost of sales also includes land and community valuation adjustments of $603.1 million and $9.3 million for the three months ended June 30, 2007 and 2006, respectively, and

$665.5 million and $9.4 million for the six months ended June 30, 2007 and 2006, respectively.

(b) *Includes net realizable value adjustments for land held for sale of $34 million and $22 million for the three months ended June 30, 2007 and 2006, respectively, and $52.3 and $22.1 million for the six months ended June 30, 2007 and 2006, respectively.*

(c) *Includes land and community valuation adjustments for one of our unconsolidated joint ventures of $54.1 million for the three and six months ended June 30, 2007.*

(d) *Includes the write-off of deposits and pre-acquisition costs for land option contracts we no longer plan to pursue of $58.2 million and $30.8 million* *for the three months ended June 30, 2007 and 2006, respectively, and $109.7 million and $35.9 million for the six months ended June 30, 2007 and 2006, respectively.*

Home sale revenues for the three and six months ended June 30, 2007 were lower than those for the prior years by $1.4 billion and $2.5 billion, or 42% and 40%, respectively. The decrease in home sale revenues for the three and six months ended June 30, 2007 compared with the prior year periods was attributable to 40% and 39% decreases, respectively, in the number of homes closed combined with 4% and 3% decreases, respectively, in the average selling price. The decreases in average selling price reflect a combination of factors, including changes in product mix and geographic mix of homes closed during the period as well as lower market selling prices. The average selling price decreased in the majority of our Homebuilding segments in both periods compared with the prior year.

Homebuilding gross profit margins from home settlements were negative 18.6% for the three months ended June 30, 2007, compared with a positive 21.1% for the same period in the prior year. For the six months ended June 30, 2007, Homebuilding gross profit margins were negative 4.3% compared with a positive 22.0% for the same period in 2006. Homebuilding gross margins were negatively impacted by $603.1 million and $665.5 million of charges for the three and six months ended June 30, 2007 related to land and community impairments in 139 and 174 communities, respectively, compared with land and community impairments of $9.3 million and $9.4 million, respectively, in the prior year periods. In addition, increased selling incentives also impacted our operations.

Homebuilding Operations Summary (continued)

We acquire land primarily for the construction of our homes for sale to homebuyers. 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. 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 will often sell select parcels of land within or adjacent to our communities to retail and commercial establishments. On occasion, we also will sell lots within our communities to other homebuilders. Gross profits from land sales for the three months ended June 30, 2007 had a negative margin contribution of $26.9 million, compared with a negative margin contribution of $19.4 million for the same period in 2006. Gross profits from land sales for the six months ended June 30, 2007 had a negative margin contribution of $42.7 million, compared with a negative margin contribution of $14.6 million for the same period in 2006. The gross profit contributions from specific land sales transactions were approximately $7.1 million and $9.6 million for the three and six months ended June 30, 2007, respectively. These margin contributions were offset by $34 million and $52.3 million of net realizable value adjustments related to commercial and residential land held for disposition. The three and six months ended June 30, 2006 included negative net realizable value adjustments of $22 million and $22.1 million, respectively. Revenues and their related gains/losses may vary significantly between periods, depending on the timing of land sales. We continue to evaluate our existing land positions to ensure the most effective use of capital. As of June 30, 2007, we had $389.6 million of land held for sale.

Selling, general and administrative expenses as a percentage of home settlement revenues was 15.5% for the three months ended June 30, 2007 compared with 8.0% for the same period in the prior year. For the six months ended June 30, 2007, selling, general and administrative expenses as a percentage of home settlement revenues was 15.6% compared with 8.9% in the prior year. These increases are attributable primarily to reduced overhead leverage as a result of the significant decrease in revenues, lower absorption into inventory of overhead costs due to lower construction volume, net increases in insurance-related expenses of $30.3 million and $40 million for the three and six months ended June 30, 2007, respectively, and employee severance benefits of approximately $31 million incurred in connection with the restructuring plan announced in the second quarter of 2007.

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, which totaled $58.2 million and $30.8 million for the three months ended June 30, 2007 and 2006, respectively, and $109.7 million and $35.9 million for the six months ended June 30, 2007 and 2006, respectively. For the three months ended June 30, 2007, the Company also recorded $7.7 million of asset impairment and lease termination costs related to the restructuring plan announced in the second quarter of 2007.

Unit settlements decreased 40% and 39% for the three and six months ended June 30, 2007, respectively, to 5,938 units and 11,358 units compared with the same periods in 2006. The average selling price for homes closed decreased 4% and 3% to $320,000 and $325,000, respectively, for the three and six months ended June 30, 2007 compared with the same periods in the prior year. For the three and six months ended June 30, 2007, unit net new orders decreased 20% and 21%, respectively, to 7,532 and 16,031 units, compared with the same periods in 2006. Cancellation rates for the three months ended both June 30, 2007 and 2006 were 28%. Most markets have experienced a substantial increase in resale and new home inventory, and this, combined with declining consumer confidence, decreased housing affordability, increased interest rates, difficulties experienced by customers in selling their existing homes, and the more restrictive mortgage financing market, has resulted in higher cancellation rates and reduced net new orders during 2007 compared with 2006. The dollar value of net new orders decreased 22% for both the three and six months ended June 30, 2007, compared with the same periods in 2006. For the quarter ended June 30, 2007, we had 702 active selling communities, which is comparable with the same period in the prior year. Ending backlog, which represents orders for homes that have not yet closed, was 14,928 units at June 30, 2007 with a dollar value of $5.2 billion.

At June 30, 2007 and December 31, 2006, our Homebuilding operations controlled approximately 191,700 and 232,200 lots, respectively. Approximately 146,000 and 158,800 lots were owned, and approximately 42,500 and 63,700 lots were under option agreements approved for purchase at June 30, 2007 and December 31, 2006, respectively. In addition, there were approximately 3,200 and 9,700 lots under option agreements, pending approval, at June 30, 2007 and December 31, 2006, respectively. For the three and six months ended June 30, 2007, we withdrew from contracts for land purchases representing approximately 20,000 lots valued at $768 million and approximately 30,700 lots valued at $1.4 billion, respectively.

Table of Contents

Homebuilding Operations Summary (continued)

The total purchase price related to approved land under option for use by our Homebuilding operations at future dates approximated $2.8 billion at June 30, 2007. In addition, the total purchase price related to land under option pending approval was valued at approximately $147.5 million at June 30, 2007. Land option agreements, which may be cancelled at our discretion, may extend over several years and are secured by deposits and pre-acquisition costs totaling $316.2 million, of which $4 million is unconditionally refundable and $6.5 million is related to deposits that our Homebuilding operations have made in regards to lots optioned from an unconsolidated joint venture in which we have an equity interest. This balance excludes $58.9 million of contingent payment obligations which may or may not become actual obligations of the Company dependent upon the occurrence of specified future events.

Homebuilding Segment Operations

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. During the three months ended June 30, 2007, we merged our Rocky Mountain Area with our Nevada Area to form the Mountain West Area. The operating data by segment for the Central and Southwest reportable segments have been reclassified to reflect this change. We conduct our operations in 51 markets, located throughout 26 states, and have presented our reportable Homebuilding segments as follows:

Northeast:	Northeast Area includes the following states: *Connecticut, Delaware, Maryland, Massachusetts, 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, Minnesota, Ohio*
Central:	Central Area includes the following states: *Kansas, Missouri, Texas*
Southwest:	Mountain West and Southwest Areas include the following states: *Arizona, Colorado, 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 (continued)

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

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Home sale revenue (settlements) ($000 s omitted):				
Northeast	$ 233,018	$ 389,832	$ 396,140	$ 743,620
Southeast	298,752	298,931	526,833	523,394
Florida	236,707	577,178	529,077	1,082,493
Midwest	175,002	274,255	310,275	502,418
Central	136,237	238,927	298,349	434,423
Southwest	511,397	926,310	1,004,073	1,668,528
California	310,712	599,527	626,360	1,238,918
	$ 1,901,825	$ 3,304,960	$ 3,691,107	$ 6,193,794
Income (loss) before income taxes ($000 s omitted):				
Northeast	(67,609)	$ 46,733	$ (100,533)	$ 82,416
Southeast	26,616	22,477	40,524	34,352
Florida	(122,388)	132,062	(120,927)	246,272
Midwest	(106,835)	(7,265)	(127,874)	(7,747)
Central	(52,631)	4,124	(78,984)	11,127
Southwest	(102,012)	166,954	(119,390)	311,849
California	(229,952)	72,837	(236,896)	170,085
Unallocated	(148,380)	(57,100)	(207,497)	(89,949)
	$ (803,191)	$ 380,822	$ (951,577)	$ 758,405
Unit settlements:				
Northeast	533	819	904	1,535
Southeast	1,024	1,129	1,779	2,004
Florida	859	1,889	1,886	3,518
Midwest	594	917	1,040	1,666
Central	631	1,327	1,361	2,462
Southwest	1,636	2,656	3,135	4,913
California	661	1,142	1,253	2,383
	5,938	9,879	11,358	18,481
Net new orders units:				
Northeast	856	790	1,560	1,518
Southeast	1,018	1,523	2,024	3,096
Florida	1,074	1,112	2,596	2,914

Midwest	895	1,020	1,654	2,231
Central	808	1,433	1,497	2,828
Southwest	2,106	2,627	4,769	5,352
California	775	950	1,931	2,241
	7,532	9,455	16,031	20,180
Unit backlog:				
Northeast			1,573	1,576
Southeast			1,953	2,672
Florida			1,922	3,481
Midwest			1,813	1,848
Central			1,304	2,084
Southwest			4,505	5,698
California			1,858	2,157
			14,928	19,516

32

Table of Contents

Homebuilding Segment Operations (continued)

	As of June 30, 2007	As of December 31, 2006
Controlled Lots:		
Northeast	18,585	27,524
Southeast	20,376	23,332
Florida	40,308	48,640
Midwest	14,866	18,436
Central	17,303	19,421
Southwest	59,248	69,579
California	20,977	25,291
	191,663	232,223

Northeast:

During the second quarter of 2007, Northeast home sale revenues decreased 40% compared with the prior year period due to a 35% decrease in unit settlements combined with an 8% decrease in the average selling price. Revenue declines occurred in each market in the Northeast. The loss before income taxes was primarily attributable to this reduction in revenues combined with a significant decline in gross margin and $56.9 million of land impairment charges related to 12 communities. There were no impairments in the prior year period. Northeast also wrote off $14.9 million of deposits and pre-acquisition costs ($3.5 million in the prior year period) associated with land transactions we no longer plan to pursue in Maryland and Pennsylvania, resulting in a reduction of approximately 2,200 controlled lots. Net new orders increased 8% due largely to a successful sales promotion near the end of the quarter which also helped the cancellation rate improve slightly to 16% compared with 17% in the prior year period. The number of active communities decreased slightly from the prior year quarter.

For the six months ended June 30, 2007, Northeast home sale revenues decreased 47% compared with the prior year period due to a 41% decrease in unit settlements combined with a 10% decrease in the average selling price. The loss before income taxes was primarily attributable to this reduction in revenues combined with a significant decline in gross margin and $56.9 million of land impairment charges related to 12 communities. There were no significant impairments in the prior year period. Northeast also wrote off $38.2 million of deposits and pre-acquisition costs ($4.2 million in the prior year period) associated with land transactions we no longer plan to pursue in Maryland and Pennsylvania, resulting in a reduction of approximately 8,700 controlled lots. Net new orders increased 3% due largely to a successful sales promotion near the end of the second quarter of 2007.

Southeast:

Our Southeast segment contributed positively to operating results in both the three and six months ended June 30, 2007 due to strength in local demographic factors and a continued shift in our product mix toward higher price point customers, especially in regards to active adult buyers as large active adult communities were opened in our Charlotte, Raleigh, and Georgia markets at various points during 2006. Home sale revenues were flat compared with the prior year period due to a 9% decrease in unit settlements offset by a 10% increase in the average selling price, primarily in our Georgia and Charlotte markets. Income before income taxes increased 18% compared with the prior year period due primarily to a small increase in gross margins. There were no significant impairments or land-related charges in the second quarter of either 2007 or 2006, though we did decide in the second quarter of 2007 to no longer pursue land transactions consisting of approximately 3,000 lots. Net new orders declined by 33% compared with the prior year period partially due to the prior year period including new orders from the successful openings of our large active adult communities in our Charlotte, Raleigh, and Georgia markets. The cancellation rate increased to 27% compared with 19% in the prior year period, primarily due to the significant reduction in gross new orders. The number of active communities increased slightly from the prior year quarter.

For the six months ended June 30, 2007, Southeast home sale revenues increased 1% compared with the prior year period due to an 11% decrease in unit settlements combined with a 13% increase in the average selling price. Income before income taxes increased 18% compared with the prior year period due primarily to a small increase in gross margins. There were no significant impairments or land-related charges in either the six months ended June 30, 2007 or 2006, though we did decide in 2007 to no longer pursue land transactions consisting of approximately 3,700 lots. Net new orders declined by 35% compared with the prior year period partially due to the prior year period including new orders from the successful openings of our large active adult communities in our Charlotte, Raleigh, and Georgia markets.

Table of Contents

Homebuilding Segment Operations (continued)

Florida:

Our Florida segment continues to be challenged due to the combination of a significant decrease in demand combined with high levels of new and existing home inventories, especially in the southern portion of the state, including our markets in Fort Myers, Sarasota, and Southeast Florida. During the second quarter of 2007, Florida home sale revenues decreased 59% compared with the prior year period due to a 55% decrease in unit settlements combined with a 10% decrease in the average selling price. Revenue declines occurred in substantially every market in part due to the size and strength of the backlog in Florida at the beginning of 2006 compared with 2007. The loss before income taxes was primarily attributable to this reduction in revenues combined with a significant decline in gross margin and $100.1 million in impairments in 23 communities. Florida also recorded $10.4 million in valuation adjustments related to land held for sale and wrote off $10 million of deposits and pre-acquisition costs associated with land transactions we no longer plan to pursue, resulting in a reduction of approximately 6,300 lots under control, primarily in Tampa. There were no significant impairments or land-related charges in the prior year period. Net new orders declined by 3% due to the difficult market conditions and a continued high cancellation rate of 26%, which was a reduction from a cancellation rate of 31% in the prior year period. The number of active communities increased moderately from the prior year quarter.

For the six months ended June 30, 2007, Florida home sale revenues decreased 51% compared with the prior year period due to a 46% decrease in unit settlements combined with a 9% decrease in the average selling price. The loss before income taxes was primarily attributable to this reduction in revenues combined with a significant decline in gross margin and $102.5 million in impairments in 26 communities. Florida also recorded $10.4 million in valuation adjustments related to land held for sale and wrote off $9.8 million of deposits and pre-acquisition costs associated with land transactions we no longer plan to pursue, resulting in a reduction of approximately 6,300 lots under control, primarily in Tampa. There were no significant impairments or land-related charges in the prior year period. Net new orders declined by 11% due to the difficult market conditions.

Midwest:

Our Midwest segment continues to face difficult local economic conditions in all of its markets. During the second quarter of 2007, Midwest home sale revenues decreased 36% compared with the prior year period due to a 35% decrease in unit settlements. Average selling prices were flat. The increase in the loss before income taxes was primarily attributable to the reduction in revenues, a moderate decline in gross margin, $96.9 million of impairments in 40 communities throughout the segment, and $2.6 million of write-offs of deposits and pre-acquisition costs, which resulted in a reduction of approximately 500 controlled lots, primarily in Illinois and Michigan. Midwest recorded impairments and land-related charges of $19.7 million in the prior year period. Net new orders declined by 12% due to the difficult market conditions while the cancellation rate increased slightly to 19% compared with 18% in the prior year period. The number of active communities decreased slightly compared with the prior year quarter.

For the six months ended June 30, 2007, Midwest home sale revenues decreased 38% compared with the prior year period due to a 38% decrease in unit settlements. Average selling prices were flat. The loss before income taxes was primarily attributable to this reduction in revenues combined with a decline in gross margin and $109.2 million in impairments in 44 communities. Midwest also wrote off $7.0 million of deposits and pre-acquisition costs associated with land transactions we no longer plan to pursue, resulting in a reduction of approximately 2,400 controlled lots throughout the Midwest. Impairments and land-related charges totaled $22.2 million in the prior year period. Net new orders declined by 26% due to the difficult market conditions.

Central:

Home sale revenues for the Central segment decreased 43% during the second quarter of 2007 compared with the prior year period due to a 52% decrease in unit settlements. This lower unit volume was partially offset by a 20% increase in average selling prices. The increase in average selling prices occurred primarily in our Dallas, Houston, and San Antonio markets and reflects a change in community mix toward higher average selling price communities. The loss before income taxes was primarily attributable to the reduction in revenues and $42.6 million of impairments in 11 communities located primarily in Dallas and San Antonio. Central also recorded $3.8 million of net realizable value adjustments on land held for sale and wrote off $900 thousand of deposits and pre-acquisition costs, which resulted in a reduction of approximately 400 controlled lots in Dallas and Austin. Central recorded impairments and land-related charges of $3.8 million in the prior year period. Net new orders declined by 44% due to the difficult market conditions and an increased cancellation rate of 28% compared with a cancellation rate of 26% in the prior year period. The number of active communities decreased significantly compared with the prior year quarter.

Table of Contents

Homebuilding Segment Operations (continued)

Central (continued):

For the six months ended June 30, 2007, Central home sale revenues decreased 31% compared with the prior year period due to a 45% decrease in unit settlements. This lower unit volume was partially offset by a 24% increase in average selling prices. The loss before income taxes was primarily attributable to this reduction in revenues and $68.1 million in impairments in 30 communities. Central also recorded $4 million of net realizable value adjustments on land held for sale and wrote off $900 thousand of deposits and pre-acquisition costs, which resulted in a reduction of approximately 800 controlled lots, primarily in Dallas. Central recorded impairments and land-related charges of $3.9 million in the prior year period. Net new orders declined by 47% due to the difficult market conditions.

Southwest:

Market conditions in our Southwest segment remain very competitive. During the second quarter of 2007, Southwest home sale revenues decreased 45% compared with the prior year period due to a 38% decrease in unit settlements combined with a 10% decrease in the average selling price. The loss before income taxes was primarily attributable to the reduction in revenues combined with a significant decline in gross margin and $105.3 million in impairments in 23 communities. The largest portion of these impairments was recorded in Las Vegas, though there were also significant impairments recorded in Phoenix and Denver. Southwest also recorded $9.5 million of net realizable value adjustments on land held for sale and wrote off $16.2 million of deposits and pre-acquisition costs, which resulted in a reduction of approximately 4,900 controlled lots in Phoenix. Southwest recorded land-related charges of $23.9 million in the prior year period. Net new orders decreased by 20% due to a sharp decline in net new orders in Las Vegas. The cancellation rate improved slightly to 32% compared with 34% in the prior year period. The number of active communities decreased slightly compared with the prior year quarter.

For the six months ended June 30, 2007, Southwest home sale revenues decreased 40% compared with the prior year period due to a 36% decrease in unit settlements combined with a 6% decrease in average selling prices. The loss before income taxes was primarily attributable to this decrease in revenues combined with a significant decline in gross margin and $114.8 million in impairments in 26 communities. Southwest also recorded $27.5 million of net realizable value adjustments on land held for sale and wrote off $34.3 million of deposits and pre-acquisition costs, which resulted in a reduction of approximately 5,600 controlled lots, substantially all of which were in Las Vegas and Phoenix. Southwest recorded impairments and land-related charges of $24.3 million in the prior year period. Net new orders declined by 11% due to the difficult market conditions, though they were aided by the opening of a large community in Tucson in the first quarter of 2007.

California:

Our California operations have been impacted by significantly weakened demand for new homes, affordability issues, and an excess supply of resale inventory, especially in Sacramento, Bay Area, North Inland Empire, and the Coastal market in Southern California. California home sale revenues decreased 48% during the second quarter of 2007 compared with the prior year period due to a 42% decrease in unit settlements combined with a 10% decrease in the average selling price. The loss before income taxes was primarily attributable to the decrease in revenues as well as a significant decline in gross margin. California recorded $159.2 million of impairments in 27 communities, $9.4 million of net realizable value adjustments on land held for sale, and $13.3 million of write-offs relating to deposits and pre-acquisition costs associated with land transactions we no longer plan to pursue, resulting in a reduction of approximately 2,800 controlled lots, primarily in the Bay Area. In addition, California s results include an impairment of $54.1 million for an unconsolidated joint venture. California recorded land-related charges of $9.2 million in the prior year period. Net new orders declined by 18% due to the difficult market conditions. The cancellation rate essentially remained flat at 40% compared with 39% in the prior year period. The number of active communities was flat with the prior year period.

For the six months ended June 30, 2007, California home sale revenues decreased 49% compared with the prior year period due to a 47% decrease in unit settlements combined with a 4% decrease in average selling prices. The loss before income taxes was primarily attributable to this reduction in revenues combined with a significant decline in gross margin and $166.9 million in impairments in 33 communities. California recorded $9.4 million of net realizable value adjustments on land held for sale and wrote off $19 million of deposits and pre-acquisition costs, which resulted in a reduction of approximately 3,200 controlled lots located primarily in the Bay Area. Also included in California s results is an impairment of $54.1 million for an unconsolidated joint venture. California recorded land-related charges of $9.9 million in the prior year period. Net new orders declined by 14% due to the difficult market conditions.

Financial Services Operations

We conduct our Financial Services business, which includes mortgage and title operations, through Pulte Mortgage and other subsidiaries. The following table presents selected financial information for our Financial Services operations ($000 s omitted):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net gain from sale of mortgages	$ 15,310	$ 22,314	$ 40,136	$ 48,818
Mortgage origination and servicing fees	2,518	3,500	5,502	7,212
Interest income	4,775	7,066	11,010	15,067
Title services	3,903	6,826	8,537	12,681
Other revenues	856	761	1,758	1,546
Total Financial Services revenues	27,362	40,467	66,943	85,324
Expenses	(20,886)	(25,536)	(47,316)	(52,776)
Gain on sale of equity investment				31,635
Equity income	92	125	136	217
Income before income taxes	$ 6,568	$ 15,056	$ 19,763	$ 64,400
Total originations:				
Loans	5,300	9,498	10,458	17,589
Principal	$ 1,176,700	$ 2,022,600	$ 2,319,700	$ 3,766,800
Originations for Pulte customers:				
Loans	5,257	9,442	10,379	17,502
Principal	$ 1,166,500	$ 2,008,900	$ 2,303,700	$ 3,745,400

Mortgage origination unit volume decreased 44% and 41% while mortgage origination principal volume decreased 42% and 38% for the three and six months ended June 30, 2007, respectively, compared with the same periods in the prior year. The decrease in unit volume is attributable to lower home settlements in 2007 compared with 2006, partially offset by an increase in the capture rates to 92.6% and 92.8% for the three and six months ended June 30, 2007, respectively, compared with 91% and 90.2%, respectively, in the same periods in the prior year. Our capture rate represents loan originations from our Homebuilding business as a percent of total loan opportunities, excluding cash settlements, from our Homebuilding business. The decrease in mortgage origination principal volume resulted from the reduced settlement volume partially offset by a slight increase in the average loan size. Our Homebuilding customers continue to account for substantially all loan production, representing nearly 100% of unit production for the three and six months ended June 30, 2007 and 2006.

During the three and six months ended June 30, 2007, there was a shift away from adjustable rate mortgages (ARMs), which generally have a lower profit per loan than fixed rate products. ARMs represented 10% of total funded origination dollars and 7% of total funded origination units for the three months ended June 30, 2007, compared with 33% and 26%, respectively, in the prior year period. For the six months ended June 30, 2007, ARMs represented 12% of total funded origination dollars and 9% of total funded origination units compared with 34% and 27%, respectively, in the prior year period. Interest-only mortgages, a type of ARM, represented 74% of funded ARM origination dollars and 77% of funded ARM origination units for the three months ended June 30, 2007, compared with 76% and 80%, respectively, in the prior year period. For the six months ended June 30, 2007, interest-only mortgages represented 78% of funded ARM origination dollars and 79% of funded ARM origination units, compared with 77% and 80% in the prior year period, respectively. Interest-only mortgages represented 7% and 25% of total funded origination dollars for the three months ended June 30, 2007 and 2006, respectively. For the six months ended June 30, 2007 and 2006, interest-only mortgages represented 10% and 26%, respectively, of total funded origination dollars.

Our customers average FICO scores for the three months ended June 30, 2007 and 2006 were 746 and 743, respectively, and 745 and 743 for the six months ended June 30, 2007 and 2006, respectively. Average Combined Loan-to-Value was 82% for both the three months ended June 30, 2007 and 2006 and 83% and 82% for the six months ended June 30, 2007 and 2006, respectively. At June 30, 2007, our loan application backlog decreased to $3.2 billion compared with $4.1 billion at June 30, 2006 due primarily to the lower backlog in our Homebuilding operations.

Table of Contents

Financial Services Operations (continued)

Based on principal dollars, approximately 4% of the loans we originated in the second quarter of 2007 were considered sub-prime loans, which we define as first mortgages with FICO scores below 620. Approximately 16% of second quarter 2007 originations were considered Alt-A loans, which we define as non-full documentation first mortgages with FICO scores of 620 or higher. The remaining 80% of second quarter 2007 originations were prime loans, which we define as full documentation first mortgages with FICO scores of 620 or higher. Because we sell our loans monthly on a flow basis and retain only limited risk for sold loans for a short period of time, we believe that our Financial Services operations do not have any material direct risks related to sub-prime and Alt-A loans. However, the availability of certain mortgage financing products has become more constrained in 2007 as the mortgage industry is now more closely scrutinizing sub-prime, Alt-A, and other non-conforming mortgage products. These developments have had and may continue to have a material adverse effect on the overall demand for new housing and thereby on the results of operations of both our Homebuilding and Financial Services businesses.

Pre-tax income of our Financial Services operations for the three months ended June 30, 2007 was $6.6 million compared with $15.1 million for the prior year period. This decrease in pre-tax income was primarily due to the decline in mortgage loans originated. For the six months ended June 30, 2007, pre-tax income of our Financial Services operations was $19.8 compared with $64.4 million for the prior year period. During February 2006, we sold our investment in Su Casita, a Mexico-based mortgage banking company. As a result of this transaction, we recognized a pre-tax gain of approximately $31.6 million for the six months ended June 30, 2006. Excluding this gain, pre-tax income decreased significantly for the six months ended June 30, 2007 compared with the same period in the prior year due to the decrease in mortgage loan originations. This decrease was partially offset by a slight increase in average loan size and the shift in product mix toward more profitable loans, including an increased mix of fixed rate and agency loans. For the three and six months ended June 30, 2007, 21% and 23%, respectively, of total origination dollars were from brokered loans, which are less profitable to us, compared with 21% for both periods in the prior year.

Interest income for the three and six months ended June 30, 2007 was 32% and 27% lower than the prior year periods, respectively, primarily due to the significant decrease in volume offset slightly by an improved loan yield. For the three and six months ended June 30, 2007, revenues from our title operations decreased 43% and 33%, respectively, compared with the prior year periods due primarily to the significant reduction in home settlements. Expenses decreased 18% and 10% for the three and six months ended June 30, 2007, respectively, due to the decrease in volume offset by slightly higher operating expenses and loan loss reserves.

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

Table of Contents

Other Non-Operating

Other non-operating expenses consist 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 other non-operating expenses for the three and six months ended June 30, 2007 and 2006 ($000 s omitted):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net interest expense (income)	$ 552	$ (1,569)	$ (402)	(2,659)
Other expenses, net	9,434	9,722	17,745	20,195
Loss before income taxes	$ 9,986	$ 8,153	$ 17,343	$ 17,536

The decrease in other expenses, net is due primarily to reduced incentive compensation resulting from reduced profitability and a $500 thousand gain on the repurchase of outstanding debt.

Interest capitalized into homebuilding inventory is charged to home cost of sales based on the cyclical timing of our unit settlements over a period that approximates the average life cycle of our communities. Interest expense for the three and six months ended June 30, 2007 includes $41.8 million and $46.8 million, respectively, of capitalized interest related to inventory impairments. Information related to interest capitalized into homebuilding inventory is as follows ($000 s omitted):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Interest in inventory at beginning of period	$ 247,998	$ 245,253	$ 235,596	$ 229,798
Interest capitalized	60,865	65,100	121,225	121,724
Interest expensed	(96,422)	(55,899)	(144,380)	(97,068)
Interest in inventory at end of period	$ 212,441	$ 254,454	$ 212,441	$ 254,454
Interest incurred *	$ 61,803	$ 66,984	$ 123,153	$ 125,466

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

by our financial services operations.

Income Taxes

Our income tax liability and related effective tax rate are affected by a number of factors. Income taxes were provided at an effective tax rate of 37.1% during the three months ended both June 30, 2007 and 2006 and 37.5% and 37.1% for the six months ended June 30, 2007 and 2006, respectively. The increase in the effective tax rate resulted primarily from the adoption of FASB Interpretation No. 48 (FIN 48) and a change in the overall state tax rate associated with the geographical mix of income and certain other tax matters.

Liquidity and Capital Resources

We finance our homebuilding land acquisitions, development and construction activities by using internally-generated funds and existing credit arrangements. We routinely monitor current operational requirements and financial market conditions to evaluate the use of available financing sources, including securities offerings. Based on our current financial condition and credit relationships, we believe that our operations and borrowing resources will provide for our current and long-term capital requirements. However, we continue to evaluate the impact of market conditions on our liquidity and may determine that modifications are necessary if market conditions deteriorate or if the current difficult market conditions extend beyond our expectations.

Liquidity and Capital Resources (continued)

At June 30, 2007, we had cash and equivalents of $74.7 million and borrowings of $173 million outstanding under our unsecured revolving credit facility. We also had $3.5 billion of senior notes outstanding. Other financing included limited recourse land-collateralized financing totaling $19.1 million. Sources of our working capital include our cash and equivalents, our $1.86 billion committed unsecured revolving credit facility and Pulte Mortgage s $805 million committed credit arrangements.

Our debt-to-total capitalization ratio, excluding our collateralized debt, was approximately 37.9% at June 30, 2007, and approximately 37.5% net of cash and equivalents.

We repurchased $61.2 million of our 4.875% senior notes due 2009 during the three months ended June 30, 2007. These repurchases resulted in a net gain of $500 thousand, which is included in our Consolidated Statements of Operations within Other non-operating, net expenses.

On June 29, 2007, we amended our unsecured revolving credit facility, decreasing the borrowing availability from $2.01 billion to $1.86 billion and extending the maturity date from October 2010 to June 2012. Under the terms of the credit facility, 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 certain restrictive covenants, the most restrictive of which requires that we not exceed a debt-to-total capitalization ratio of 55%. The credit facility no longer contains an interest coverage ratio covenant that could create an event of default for us, but if the interest coverage ratio (as defined in the credit facility) is less than 2 to 1, LIBOR margin and letter of credit pricing under the credit facility increases in increments ranging from 0.125% to 0.375%. The credit facility s uncommitted accordion feature remains unchanged at $2.25 billion.

Pulte Mortgage provides mortgage financing for many of our home sales and uses its own funds and borrowings made available pursuant to various committed and uncommitted credit arrangements. At June 30, 2007, Pulte Mortgage had committed credit arrangements of $805 million comprised of a $405 million bank revolving credit facility and a $400 million asset-backed commercial paper program. The credit agreements require Pulte Mortgage to maintain a consolidated tangible net worth of at least the higher of $50 million or eighty-five percent of the average month-end tangible net worth of the preceding calendar year ($52.6 million for 2007) and restricts funded debt to 15 times tangible net worth. At June 30, 2007, Pulte Mortgage had $333.1 million outstanding under its committed credit arrangements.

Pursuant to the two $100 million stock repurchase programs authorized by our Board of Directors in October 2002 and 2005, and the $200 million stock repurchase authorization in February 2006 (for a total stock repurchase authorization of $400 million), we have repurchased a total of 9,688,900 shares for a total of $297.7 million though there were no repurchases under these programs during the six months ended June 30, 2007. We had remaining authorization to purchase common stock aggregating $102.3 million at June 30, 2007.

Our net cash provided by operating activities for the six months ended June 30, 2007 was $7.2 million, compared with net cash used in operating activities of $1.1 billion for the six months ended June 30, 2006. For the six months ended June 30, 2007, we focused on right-sizing our land and house inventory to better match current market conditions, as we invested approximately $1.6 billion less in inventory compared with the same period in 2006. Cash flows were also affected by a net loss incurred for the six months ended June 30, 2007 compared with net income incurred for the same period in the prior year. We also incurred significant write-downs of land and deposits and pre-acquisition costs in the six months ended June 30, 2007. Deferred income taxes and income taxes payable changed as a result of the net loss recorded during the six months ended June 30, 2007.

Cash used in investing activities was $93.6 million for the six months ended June 30, 2007, compared with $59.8 million for the six months ended June 30, 2006. During the six months ended June 30, 2007, we made $95 million of capital contributions to, and received $28.8 million in capital distributions from, our unconsolidated joint ventures. We also funded $32.6 million in capital expenditures. During the six months ended June 30, 2006, we invested approximately $65.8 million, net of cash acquired, to purchase the remaining 50% of an entity that installs basic building components and operating systems. In addition, we received cash of $49.2 million for the sale of our investment in Su Casita, a Mexico-based mortgage banking company. Also, we made $20.7 million of capital contributions to and received $31.3 million in capital distributions from our unconsolidated joint ventures for the six months ended June 30, 2006. Further, we funded approximately $54.4 million in capital expenditures.

Table of Contents

Liquidity and Capital Resources (continued)

Net cash used in financing activities totaled $390.2 million for the six months ended June 30, 2007, compared with $216.1 million for the six months ended June 30, 2006. For the six months ended June 30, 2007, repayments under Financial Services credit arrangements were $481.6 million while repayments under other borrowings were $65 million, including the repurchase of $61.2 million of our 4.875% senior notes due 2009. We also had net borrowings of $173 million under our revolving credit facility for the six months ended June 30, 2007. Additionally, we expended $5.1 million related to shares surrendered by employees for payment of minimum tax obligations upon the vesting of restricted stock and paid $20.5 million in dividends for the six months ended June 30, 2007. For the six months ended June 30, 2006, repayments under Financial Services credit arrangements were $416 million while repayments under other borrowings were $17.5 million. We had net borrowings of $614.5 million under our unsecured revolving credit facility and issued $150 million of senior notes for the six months ended June 30, 2006. Additionally, we expended $97.3 million for stock repurchases, $2.3 million related to shares surrendered by employees for payment of minimum tax obligations upon the vesting of restricted stock and paid $20.5 million in dividends for the six months ended June 30, 2006.

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.

Off-Balance Sheet Arrangements

At June 30, 2007 and December 31, 2006, aggregate outstanding debt of unconsolidated joint ventures was $793 million and $935.9 million, respectively. At June 30, 2007 and December 31, 2006, our proportionate share of joint venture debt was approximately $235.4 million and $312.8 million, respectively. We provided limited recourse guarantees for $226.3 million and $304.1 million of joint venture debt at June 30, 2007 and December 31, 2006, respectively. 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, unless a joint venture was unable to perform its contractual borrowing obligations.

If additional capital infusions are required and approved by our unconsolidated joint ventures (or required by the limited recourse financing guarantees discussed above), we would have to contribute our pro rata portion of those capital needs in order not to dilute our ownership in the joint ventures.

New Accounting Pronouncements

See Note 1 to the Condensed Consolidated Financial Statements included elsewhere in this Form 10-Q.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates during the three months ended June 30, 2007 compared with those disclosed in Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operations,* included in our Annual Report on Form 10-K for the year ended December 31, 2006.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative disclosure:

We are subject to interest rate risk on our rate-sensitive financing to the extent long-term rates decline. For fixed-rate debt, changes in interest rates generally affect the fair market value of the debt instrument but not our earnings or cash flows. The following table sets forth, as of June 30, 2007, our principal cash flows by scheduled maturity, weighted-average interest rates and estimated fair market values for our long-term debt obligations ($000 s omitted):

	As of June 30, 2007 for the years ended December 31,							
	2007	2008	2009	2010	2011	There-after	Total	Fair Value
Fixed interest rate debt:								
Senior notes	$	$	$338,812	$	$698,563	$2,450,000	$3,487,375	$3,349,243
Average interest rate			4.88%		7.95%	6.24%	6.45%	
Limited recourse collateralized financing	$ 923	$4,043	$ 11,453	$1,833	$ 853	$	$ 19,105	$ 19,105
Average interest rate	5.49%	1.90%	.87%	8.27%	7.25%		2.31%	

Qualitative disclosure:

There has been no material change to the qualitative disclosure found in Item 7A., *Quantitative and Qualitative Disclosures about Market Risk,* of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Special Notes Concerning Forward-Looking Statements

As a cautionary note, except for the historical information contained herein, certain matters discussed in Item 2., *Management s Discussion and Analysis of Financial Condition and Results of Operations* and Item 3., *Quantitative and Qualitative Disclosures About Market Risk*, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among other things, (1) general economic and business conditions; (2) interest rate changes and the availability of mortgage financing; (3) the relative stability of debt and equity markets; (4) competition; (5) the availability and cost of land and other raw materials used in our homebuilding operations; (6) the availability and cost of insurance covering risks associated with our business; (7) shortages and the cost of labor; (8) weather related slowdowns; (9) slow growth initiatives and/or local building moratoria; (10) governmental regulation, including the interpretation of tax, labor and environmental laws; (11) changes in consumer confidence and preferences; (12) required accounting changes; (13) terrorist acts and other acts of war; and (14) other factors over which we have little or no control. See our Annual Report on Form 10-K for the year ended December 31, 2006 and our other public filings with the Securities and Exchange Commission for a further discussion of these and other risks and uncertainties applicable to our business. We undertake no duty to update any forward-looking statement whether as a result of new information, future events or changes in our expectations.

Item 4. Controls and Procedures

Management, including our President & Chief Executive Officer and Executive Vice President & Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2007. Based upon, and as of the date of that evaluation, our President & Chief Executive Officer and

Executive Vice President & Chief Financial Officer concluded that the disclosure controls and procedures were effective as of June 30, 2007.

There was no change in our internal control over financial reporting during the quarter ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

The following is a discussion of the material changes in our risk factors as previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006 as supplemented by our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007:

If the market value of our land and homes drops significantly, our profits could decrease.

The market value of land, building lots and housing inventories can fluctuate significantly as a result of changing market conditions and the measures we employ to manage inventory risk may not be adequate to insulate our operations from a severe drop in inventory values. We acquire land for expansion into new markets and for replacement of land inventory and expansion within our current markets. If housing demand decreases below what we anticipated when we acquired our inventory, we may not be able to make profits similar to what we have made in the past, we may experience less than anticipated profits and/or we may not be able to recover our costs when we sell and build homes. When market conditions are such that land values are not appreciating, option arrangements previously entered into may become less desirable, at which time we may elect to forego deposits and pre-acquisition costs and terminate the agreement. In the face of adverse market conditions, we may have substantial inventory carrying costs, we may have to write-down our inventory to its fair value, and/or we may have to sell land or homes at a loss.

As a result of the changing market conditions in the homebuilding industry which occurred during 2006 and 2007, our land inventories and communities under development demonstrated impairment indicators which were evaluated for potential impairment. Consequently, we incurred total land-related charges of $881.5 million during the six months ended June 30, 2007, of which $749.4 million were incurred in the second quarter of 2007. These charges result from the write-off of deposit and pre-acquisition costs related to land transactions we no longer plan to pursue ($109.7 million through June 30, 2007), net realizable valuation adjustments related to land positions sold or held for sale ($52.3 million through June 30, 2007), impairments on land assets related to communities under development or to be developed in the future ($665.5 million through June 30, 2007), and an impairment of our investment in an unconsolidated joint venture ($54.1 million through June 30, 2007). It is possible that the estimated cash flows from these projects may change and could result in a future need to record additional valuation or net realizable adjustments. Additionally, if conditions in the homebuilding industry worsen in the future or if our strategy related to certain communities changes, we may be required to evaluate our assets, including additional projects, for additional impairments or write-downs, which could result in additional charges that might be significant.

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
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)
April 1, 2007 through April 30, 2007				$ 102,342(1)
May 1, 2007 through May 31, 2007				$ 102,342(1)
June 1, 2007 through June 30, 2007	13,424	$ 26.07		$ 102,342(1)
Total	13,424	$ 26.07		

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

a total of 9,688,900 shares for a total of $297.7 million. There are no expiration dates for the programs.

(2) During June 2007, 13,424 shares were surrendered by employees for payment of minimum tax obligations upon the vesting of restricted stock, and were not repurchased as part of our publicly announced stock repurchase programs.

Table of Contents

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

Our Annual Meeting of Shareholders was held on May 10, 2007. The following matters were considered and acted upon, with the results indicated below.

	Shares Voted For	Shares Withheld
Election of Directors -		
William J. Pulte	189,903,167	43,608,803
Richard J. Dugas, Jr.	189,986,895	43,525,075
David N. McCammon	178,517,518	54,994,452
Francis J. Sehn	189,532,959	43,979,011

The following directors have terms of office that will expire in 2008 or 2009 and accordingly, were not up for election at our Annual Meeting of Shareholders held on May 10, 2007:

2008	2009
D. Kent Anderson	Debra J. Kelly-Ennis
John J. Shea	Bernard W. Reznicek
William B. Smith	Alan E. Schwartz
Brian P. Anderson	
Patrick J. O Leary	

	For	Against	Abstaining	Non-Votes
To ratify the appointment of Ernst & Young LLP.	229,194,951	3,247,658	1,069,361	0
A shareholder proposal requesting the election of directors by a majority, rather than a plurality, vote.	99,848,516	110,982,190	1,334,389	21,346,875
A shareholder proposal requesting the declassification of the Board of Directors.	128,947,539	81,500,088	1,717,468	21,346,875
A shareholder proposal requesting the formation of a Majority Vote Shareholder Committee.	46,763,180	162,233,550	3,168,365	21,346,875
A shareholder proposal regarding the use of performance-based options.	94,488,435	116,292,118	1,384,542	21,346,875

44

Table of Contents

Item 6. Exhibits
Exhibit Number and Description

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)
3(b)	Certificate of Amendment to the Articles of Incorporation of Pulte Homes, Inc. (Dated May 16, 2005) (Incorporated by reference to Exhibit 3(a) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006)
3(c)	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)	Any instrument with respect to long-term debt, where the securities authorized thereunder do not exceed 10% of the total assets of Pulte Homes, Inc. and its subsidiaries, has not been filed; these instruments relate to (a) long-term senior and subordinated debt of the Company issued pursuant to supplements to the indenture filed as Exhibit 4(a) to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which supplements have also been filed with the SEC as exhibits to various Company registration statements or to reports incorporated by reference in such registration statements and (b) other long-term debt of the Company. The Company agrees to furnish a copy of such instruments to the SEC upon request.
10(a)	Third Amended and Restated Credit Agreement dated June 20, 2007 (Incorporated by reference to Exhibit 10(a) of our Current Report on Form 8-K dated July 3, 2007)
31(a)	Rule 13a-14(a) Certification by Richard J. Dugas, Jr., President and Chief Executive Officer
31(b)	Rule 13a-14(a) Certification by Roger A. Cregg, Executive Vice President and Chief Financial Officer
32	Certification Pursuant to 18 United States Code § 1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934

Table of Contents

SIGNATURES

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

PULTE HOMES, INC.

/s/ Roger A. Cregg

Roger A. Cregg
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and duly authorized officer)
Date: August 8, 2007
46