PULTEGROUP INC/MI/
Form 10-Q
July 21, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016

or

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

Commission File Number 1-9804

PULTEGROUP, INC.
(Exact name of registrant as specified in its charter)

MICHIGAN	38-2766606
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3350 Peachtree Road NE, Suite 150
Atlanta, Georgia 30326
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (404) 978-6400

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

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

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

Smaller reporting company [ ]

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

Number of shares of common stock outstanding as of July 15, 2016: 343,619,974

1

PULTEGROUP, INC.
INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2016 (Unaudited)	December 31, 2015 (Note)
ASSETS		
Cash and equivalents	$229,187	$ 754,161
Restricted cash	26,484	21,274
House and land inventory	6,629,464	5,450,058
Land held for sale	85,781	81,492
Residential mortgage loans available-for-sale	364,004	442,715
Investments in unconsolidated entities	52,500	41,267
Other assets	681,168	660,835
Intangible assets	161,372	110,215
Deferred tax assets, net	1,277,096	1,394,879
	$9,507,056	$ 8,956,896
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable	$340,847	$ 327,725
Customer deposits	252,259	186,141
Accrued and other liabilities	1,269,263	1,284,273
Income tax liabilities	33,980	57,050
Financial Services debt	189,557	267,877
Term loan	499,212	498,423
Senior notes	2,103,821	1,576,082
	4,688,939	4,197,571
Shareholders' equity	4,818,117	4,759,325
	$9,507,056	$ 8,956,896

Note: The Condensed Consolidated Balance Sheet at December 31, 2015 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Homebuilding				
Home sale revenues	$1,751,882	$1,243,077	$3,146,125	$2,331,235
Land sale revenues	4,950	6,460	7,437	24,002
	1,756,832	1,249,537	3,153,562	2,355,237
Financial Services	43,082	30,754	78,930	58,352
Total revenues	1,799,914	1,280,291	3,232,492	2,413,589
Homebuilding Cost of Revenues:				
Home sale cost of revenues	1,374,509	953,280	2,463,838	1,794,425
Land sale cost of revenues	4,403	5,312	6,430	18,691
	1,378,912	958,592	2,470,268	1,813,116
Financial Services expenses	26,180	20,767	52,298	43,308
Selling, general, and administrative expenses	192,333	130,119	383,348	291,431
Other expense (income), net	12,909	3,186	18,785	2,303
Income before income taxes	189,580	167,627	307,793	263,431
Income tax expense	71,820	64,303	106,733	105,136
Net income	$117,760	$103,324	$201,060	$158,295
Per share:				
Basic earnings	$0.34	$0.28	$0.58	$0.43
Diluted earnings	$0.34	$0.28	$0.57	$0.43
Cash dividends declared	$0.09	$0.08	$0.18	$0.16
Number of shares used in calculation:				
Basic	345,240	361,009	346,528	363,863
Effect of dilutive securities	2,759	3,232	2,710	3,297
Diluted	347,999	364,241	349,238	367,160

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net income	$117,760	$103,324	$201,060	$158,295
Other comprehensive income, net of tax:				
Change in value of derivatives	20	21	41	42
Other comprehensive income	20	21	41	42
Comprehensive income	$117,780	$103,345	$201,101	$158,337

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	$				
Shareholders' Equity, January 1, 2016	349,149	$3,491	$3,093,802	$ (609)	$1,662,641	$4,759,325
Stock option exercises	67	—	742	—	—	742
Share issuances, net of cancellations	499	5	8,851	—	—	8,856
Dividends declared	—	—	—	—	(62,747)	(62,747)
Share repurchases	(5,819)	(58)	—	—	(100,748)	(100,806)
Share-based compensation	—	—	12,209	—	—	12,209
Excess tax benefits (deficiencies) from share-based awards	—	—	(563)	—	—	(563)
Net income	—	—	—	—	201,060	201,060
Other comprehensive income	—	—	—	41	—	41
Shareholders' Equity, June 30, 2016	343,896	$3,438	$3,115,041	$ (568)	$1,700,206	$4,818,117
Shareholders' Equity, January 1, 2015	369,459	$3,695	$3,072,996	$ (690)	$1,728,953	$4,804,954
Stock option exercises	620	6	7,216	—	—	7,222
Share issuances, net of cancellations	442	4	7,419	—	—	7,423
Dividends declared	—	—	8	—	(58,235)	(58,227)
Share repurchases	(15,702)	(157)	—	—	(321,909)	(322,066)
Share-based compensation	—	—	10,233	—	—	10,233
Excess tax benefits (deficiencies) from share-based awards	—	—	(1,617)	—	—	(1,617)
Net income	—	—	—	—	158,295	158,295
Other comprehensive income	—	—	—	42	—	42
Shareholders' Equity, June 30, 2015	354,819	$3,548	$3,096,255	$ (648)	$1,507,104	$4,606,259

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income	$201,060	$158,295
Adjustments to reconcile net income to net cash from operating activities:		
Deferred income tax expense	117,783	103,059
Depreciation and amortization	26,705	21,853
Share-based compensation expense	16,906	14,654
Other, net	9,790	9,319
Increase (decrease) in cash due to:		
Restricted cash	(5,210)	(4,526)
Inventories	(810,417)	(485,676)
Residential mortgage loans available-for-sale	78,460	70,123
Other assets	(15,506)	(57,054)
Accounts payable, accrued and other liabilities	55,113	(21,150)
Net cash provided by (used in) operating activities	(325,316)	(191,103)
Cash flows from investing activities:		
Capital expenditures	(21,044)	(23,115)
Cash used for business acquisition	(430,025)	—
Other investing activities, net	(8,296)	14,650
Net cash used in investing activities	(459,365)	(8,465)
Cash flows from financing activities:		
Proceeds from debt issuance	986,084	—
Repayments of debt	(484,974)	(237,994)
Borrowings under revolving credit facility	358,000	—
Repayments under revolving credit facility	(358,000)	—
Financial Services borrowings (repayments)	(78,320)	(20,970)
Stock option exercises	742	7,222
Share repurchases	(100,806)	(322,066)
Dividends paid	(63,019)	(59,125)
Net cash provided by (used in) financing activities	259,707	(632,933)
Net increase (decrease) in cash and equivalents	(524,974)	(832,501)
Cash and equivalents at beginning of period	754,161	1,292,862
Cash and equivalents at end of period	$229,187	$460,361
Supplemental Cash Flow Information:		
Interest paid (capitalized), net	$(14,671)	$(1,911)
Income taxes paid (refunded), net	$(5,457)	$(1,685)

See accompanying Notes to Condensed Consolidated Financial Statements.

1. Basis of presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. These financial statements should be read in conjunction with our consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015.

Business acquisition

We acquired substantially all of the assets of JW Homes ("Wieland") in January 2016, for $430.0 million in cash and the assumption of certain payables related to such assets. The acquired net assets were located in Atlanta, Charleston, Charlotte, Nashville, and Raleigh, and included approximately 7,000 lots, including 375 homes in inventory, and control of approximately 1,300 lots through land option contracts. We also assumed a sales order backlog of 317 homes. The acquired net assets were recorded at their estimated fair values and resulted in goodwill of $40.1 million and separately identifiable intangible assets of $18.0 million comprised of the John Wieland Homes and Neighborhoods tradename, which is being amortized over a 20-year life. The acquisition of these assets was not material to our results of operations or financial condition.

Use of estimates

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

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation, including the adoption in January 2016 of Accounting Standards Update ("ASU") 2015-03, “Interest - Imputation of Interest,” which changes the presentation of debt issuance costs in the balance sheet from an asset to a direct reduction of the carrying amount of the related debt. The adoption of this guidance resulted in the reclassification of applicable unamortized debt issuance costs from other assets to senior notes and term loan. See Note 4.

Subsequent events

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

Other expense (income), net

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Write-off of deposits and pre-acquisition costs	$7,414	$1,241	$10,454	$3,110
Lease exit and related costs	7,311	336	5,946	222
Amortization of intangible assets	3,450	3,225	6,900	6,450
Interest income	(849)	(856)	(1,772)	(1,955)
Interest expense	186	208	360	395
Equity in earnings of unconsolidated entities	(3,829)	(1,164)	(4,004)	(2,271)
Miscellaneous, net	(774)	196	901	(3,648)
	$12,909	$3,186	$18,785	$2,303

Earnings per share

Basic earnings per share is computed by dividing income available to common shareholders (the “Numerator”) by the weighted-average number of common shares outstanding, adjusted for unvested shares (the “Denominator”) for the period. Computing diluted earnings per share is similar to computing basic earnings per share, except that the Denominator is increased to include the dilutive effects of stock options, unvested restricted shares, and unvested restricted share units, and other potentially dilutive instruments. Any stock options that have an exercise price greater than the average market price are considered to be anti-dilutive and are excluded from the diluted earnings per share calculation. Our diluted earnings per share calculation excluded 2.3 million potentially dilutive instruments, including stock options, unvested restricted shares, and unvested restricted share units, for both the three and six months ended June 30, 2016, respectively, and 4.3 million and 4.5 million potentially dilutive instruments, including stock options, unvested restricted shares, and unvested restricted share units, for the three and six months ended June 30, 2015, respectively.

In accordance with ASC 260 "Earnings Per Share", the two-class method determines earnings per share for each class of common stock and participating securities according to an earnings allocation formula that adjusts the Numerator for dividends or dividend equivalents and participation rights in undistributed earnings. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are participating securities and, therefore, are included in computing earnings per share pursuant to the two-class method. Our outstanding restricted share awards, restricted share units, and deferred shares are considered participating securities. The following table presents the earnings per common share (000's omitted, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator:				
Net income	$117,760	$103,324	$201,060	$158,295
Less: earnings distributed to participating securities	(283)	(185)	(568)	(373)
Less: undistributed earnings allocated to participating securities	(791)	(475)	(1,064)	(647)
Numerator for basic earnings per share	$116,686	$102,664	$199,428	$157,275
Add back: undistributed earnings allocated to participating securities	791	475	1,064	647
Less: undistributed earnings reallocated to participating securities	(785)	(471)	(1,055)	(641)
Numerator for diluted earnings per share	$116,692	$102,668	$199,437	$157,281
Denominator:				
Basic shares outstanding	345,240	361,009	346,528	363,863
Effect of dilutive securities	2,759	3,232	2,710	3,297
Diluted shares outstanding	347,999	364,241	349,238	367,160
Earnings per share:				
Basic	$0.34	$0.28	$0.58	$0.43
Diluted	$0.34	$0.28	$0.57	$0.43

Residential mortgage loans available-for-sale

Substantially all of the loans originated by us are sold in the secondary mortgage market within a short period of time after origination, generally within 30 days. At June 30, 2016 and December 31, 2015, residential mortgage loans available-for-sale had an aggregate fair value of $364.0 million and $442.7 million, respectively, and an aggregate outstanding principal balance of $348.7 million and $429.6 million, respectively. The net gain (loss) resulting from changes in fair value of these loans totaled $0.4 million and $(0.9) million for the three months ended June 30, 2016 and 2015, respectively, and $1.3 million and $(0.8) million for the six months ended June 30, 2016 and 2015. These changes in fair value were substantially offset by changes in fair value of the corresponding hedging instruments. Net gains from the sale of mortgages were $25.8 million and $17.6 million for the three months ended June 30, 2016 and 2015, respectively, and $47.3 million and $33.8 million for the six months ended June 30, 2016 and 2015, respectively, and have been included in Financial Services revenues.

Derivative instruments and hedging activities

We are party to interest rate lock commitments ("IRLCs") with customers resulting from our mortgage origination operations. At June 30, 2016 and December 31, 2015, we had aggregate interest rate lock commitments of $320.8 million and $208.2 million, respectively, which were originated at interest rates prevailing at the date of commitment.

We hedge our exposure to interest rate market risk relating to residential mortgage loans available-for-sale and IRLCs using forward contracts on mortgage-backed securities, which are commitments to either purchase or sell a specified financial instrument at a specified future date for a specified price, and whole loan commitments, which are obligations of the investor to buy loans at a specified price within a specified time period. Forward contracts on mortgage-backed securities are the predominant derivative financial instruments we use to minimize market risk during the period from the time we execute an interest rate lock until the time the loan is sold to an investor. At June 30, 2016 and December 31, 2015, we had unexpired forward contracts of $574.0 million and $525.0 million, respectively, and whole loan investor commitments of $65.6 million and $77.6 million, respectively. Changes in the fair value of IRLCs and other derivative financial instruments are recognized in Financial Services revenues, and the fair values are reflected in other assets or other liabilities, as applicable.

There are no credit-risk-related contingent features within our derivative agreements, and counterparty risk is considered minimal. Gains and losses on interest rate lock commitments and residential mortgage loans available-for-sale are substantially offset by corresponding gains or losses on forward contracts on mortgage-backed securities and whole loan commitments. We are generally not exposed to variability in cash flows of derivative instruments for more than approximately 60 days. The fair values of derivative instruments and their locations in the Condensed Consolidated Balance Sheets are summarized below ($000’s omitted):

	June 30, 2016		December 31, 2015	
	Other Assets	Accrued and Other Liabilities	Other Assets	Accrued and Other Liabilities
Interest rate lock commitments	$11,591	$ 111	$5,854	$ 280
Forward contracts	401	6,735	1,178	840
Whole loan commitments	111	414	358	345
	$12,103	$ 7,260	$7,390	$ 1,465

New accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers". The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The FASB has also issued, or is preparing to issue, a number of updates to this standard. The standard is effective for us for annual and interim periods beginning January 1, 2018 and allows for full retrospective or modified retrospective methods of adoption. We are currently evaluating the impact that the standard will have on our financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern” (“ASU 2014-15”), which requires management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern and provide related disclosures. ASU 2014-15 is effective for annual and interim reporting periods beginning January 1, 2017 and is not expected to have a material impact on our financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets. ASU 2016-02 will be effective for annual reporting periods beginning after December 15, 2018, and early adoption is permitted. ASU 2016-02 requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. We are currently evaluating the impact that the standard will have on our financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which includes multiple amendments intended to simplify aspects of share-based payment accounting. ASU 2016-09 will be effective for annual reporting periods beginning after December 15, 2016, with early adoption permitted. Amendments to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, and forfeitures will be applied using a modified retrospective transition method through a cumulative-effect adjustment to equity as of the beginning of the period of adoption. Amendments to the presentation of employee taxes on the statement of cash flows will be applied retrospectively, and amendments requiring the recognition of excess tax benefits and tax deficiencies in the income statement are to be applied prospectively. We are currently evaluating the impact that the standard will have on our financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which changes the impairment model for most financial assets and certain other instruments from an "incurred loss" approach to a new "expected credit loss" methodology and also requires that credit losses from available-for-sale debt securities be presented as an allowance instead of a write-down. ASU 2016-13 is effective for us for annual and interim periods beginning January 1, 2020, with early adoption permitted, and requires full retrospective application on adoption. We are currently evaluating the impact the standard will have on our financial statements.

2. Inventory

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

	June 30, 2016	December 31, 2015
Homes under construction	$2,058,479	$ 1,408,260
Land under development	3,704,857	3,259,066
Raw land	866,128	782,732
	$6,629,464	$ 5,450,058

We capitalize interest cost into inventory during the active development and construction of our communities. In all periods presented, we capitalized all Homebuilding interest costs into inventory because the level of our active inventory exceeded our debt levels. Information related to interest capitalized into inventory is as follows ($000's omitted):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest in inventory, beginning of period	$158,653	$166,887	$149,498	$167,638
Interest capitalized	38,231	31,296	73,515	62,099
Interest expensed	(29,396)	(33,799)	(55,525)	(65,353)
Interest in inventory, end of period	$167,488	$164,384	$167,488	$164,384

Land option agreements

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

If an entity holding the land under option is a variable interest entity ("VIE"), our deposit represents a variable interest in that entity. No VIEs required consolidation at either June 30, 2016 or December 31, 2015 because we determined that we were not the VIE's primary beneficiary. Our maximum exposure to loss related to these VIEs is generally limited to our deposits and pre-acquisition costs under the land option agreements. The following provides a summary of our interests in land option agreements as of June 30, 2016 and December 31, 2015 ($000's omitted):

	June 30, 2016		December 31, 2015	
	Deposits and Pre-acquisition Costs	Remaining Purchase Price	Deposits and Pre-acquisition Costs	Remaining Purchase Price
Land options with VIEs	$80,063	$928,327	$77,641	$1,064,506

Other land options	98,744	1,165,813	84,478	981,687
	$178,807	$2,094,140	$162,119	$2,046,193

3. Segment information

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

Northeast:	Connecticut, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Virginia
Southeast:	Georgia, North Carolina, South Carolina, Tennessee
Florida:	Florida
Midwest:	Illinois, Indiana, Kentucky, Michigan, Minnesota, Missouri, Ohio
Texas:	Texas
West:	Arizona, California, Nevada, New Mexico, Washington

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

	Operating Data by Segment ($000's omitted)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Northeast	$152,517	$137,181	$271,171	$248,334
Southeast (a)	387,675	245,250	682,101	431,038
Florida	283,440	208,740	553,281	411,802
Midwest	286,649	227,489	476,541	406,141
Texas	255,471	185,489	468,763	362,988
West	391,080	245,388	701,705	494,934
	1,756,832	1,249,537	3,153,562	2,355,237
Financial Services	43,082	30,754	78,930	58,352
Consolidated revenues	$1,799,914	$1,280,291	$3,232,492	$2,413,589
Income before income taxes:				
Northeast	$19,238	$15,330	$28,828	$24,857
Southeast (a)	40,758	39,871	60,528	64,495
Florida	44,353	39,315	84,655	72,539
Midwest	26,253	14,630	31,873	15,810
Texas	36,223	24,488	64,740	47,278
West	41,829	32,441	75,336	63,521
Other homebuilding (b)	(36,108)	(8,435)	(64,981)	(40,113)
	172,546	157,640	280,979	248,387
Financial Services	17,034	9,987	26,814	15,044
Consolidated income before income taxes	$189,580	$167,627	$307,793	$263,431

(a) Southeast includes the acquisition in January 2016 of substantially all of the assets of Wieland (see Note 1).

(b) Other homebuilding includes the amortization of intangible assets, amortization of capitalized interest, and other items not allocated to the operating segments. For the three and six months ended June 30, 2015, Other homebuilding also includes a reserve reversal of $26.9 million resulting from a favorable legal settlement.

Operating Data by Segment
($000's omitted)

	June 30, 2016				
	Homes Under Construction	Land Under Development	Raw Land	Total Inventory	Total Assets
Northeast	$215,519	$ 307,440	$122,107	$645,066	$783,163
Southeast (a)	376,012	554,662	230,502	1,161,176	1,263,995
Florida	288,038	641,869	164,140	1,094,047	1,238,973
Midwest	303,569	435,719	62,252	801,540	859,922
Texas	234,589	367,399	85,593	687,581	782,448
West	614,600	1,186,901	175,141	1,976,642	2,185,570
Other homebuilding (b)	26,152	210,867	26,393	263,412	1,957,860
	2,058,479	3,704,857	866,128	6,629,464	9,071,931
Financial Services	—	—	—	—	435,125
	$2,058,479	$ 3,704,857	$866,128	$6,629,464	$9,507,056

	December 31, 2015				
	Homes Under Construction	Land Under Development	Raw Land	Total Inventory	Total Assets
Northeast	$163,173	$ 292,631	$121,522	$577,326	$688,610
Southeast	196,456	367,577	139,246	703,279	765,933
Florida	227,910	574,092	97,185	899,187	1,013,543
Midwest	197,738	414,386	68,918	681,042	734,834
Texas	191,424	317,702	107,737	616,863	691,342
West	413,208	1,094,112	222,920	1,730,240	1,924,958
Other homebuilding (b)	18,351	198,566	25,204	242,121	2,628,687
	1,408,260	3,259,066	782,732	5,450,058	8,447,907
Financial Services	—	—	—	—	508,989
	$1,408,260	$ 3,259,066	$782,732	$5,450,058	$8,956,896

(a) Southeast includes the acquisition in January 2016 of substantially all of the assets of Wieland (see Note 1).

(b) Other homebuilding primarily includes cash and equivalents, capitalized interest, intangibles, deferred tax assets, and other corporate items that are not allocated to the operating segments.

4. Debt

Senior notes

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

	June 30, 2016	December 31, 2015
6.500% unsecured senior notes due May 2016 (a)	—	465,245
7.625% unsecured senior notes due October 2017 (b)	123,000	123,000
4.250% unsecured senior notes due March 2021 (a)	300,000	—
5.500% unsecured senior notes due March 2026 (a)	700,000	—
7.875% unsecured senior notes due June 2032 (a)	300,000	300,000
6.375% unsecured senior notes due May 2033 (a)	400,000	400,000
6.000% unsecured senior notes due February 2035 (a)	300,000	300,000
Net premiums, discounts, and issuance costs (c)	(19,179)	(12,163)
Total senior notes	$2,103,821	$1,576,082
Estimated fair value	$2,204,630	$1,643,651

(a) Redeemable prior to maturity; guaranteed on a senior basis by certain wholly-owned subsidiaries.

(b) Not redeemable prior to maturity; guaranteed on a senior basis by certain wholly-owned subsidiaries.

(c) The carrying value of senior notes reflects the impact of premiums, discounts, and issuance costs that are amortized to interest cost over the respective terms of the senior notes. As discussed in Note 1, we adopted ASU 2015-03 in January 2016. We applied the new guidance retrospectively to all prior periods presented in the financial statements to conform to the 2016 presentation. As a result, $10.3 million of debt issuance costs at December 31, 2015, were reclassified from other assets to a reduction in senior notes.

In February 2016 we issued $1.0 billion of senior unsecured notes, consisting of $300 million of 4.25% senior notes due March 1, 2021, and $700 million of 5.50% senior notes due March 1, 2026. The net proceeds from the senior notes issuance were used to fund the retirement of $465.2 million of our senior notes that matured in May 2016, with the remaining net proceeds used for general corporate purposes. The notes are senior unsecured obligations and rank equally in right of payment with the existing and future senior unsecured indebtedness of the Company and each of the guarantors, respectively. The notes are redeemable at our option at any time up to the date of maturity.

Revolving credit facility

In June 2016, we entered into an amended and restated senior unsecured revolving credit facility (the “Revolving Credit Facility”) that provides for an increase in our maximum borrowings from $500.0 million to $750.0 million and extends the maturity date from July 2017 to June 2019. The Revolving Credit Facility contains an uncommitted accordion feature that could increase the size of the Revolving Credit Facility to $1.25 billion, subject to certain conditions and availability of additional bank commitments. The Revolving Credit Facility also provides for the issuance of letters of credit that reduce the available borrowing capacity under the Revolving Credit Facility with a sublimit of $375.0 million at June 30, 2016. The interest rate on borrowings under the Revolving Credit Facility may be based on either the London Interbank Offered Rate ("LIBOR") or a base rate plus an applicable margin, as defined. We had no borrowings outstanding and $227.2 million and $191.3 million of letters of credit issued under the Revolving Credit Facility at June 30, 2016 and December 31, 2015, respectively.

The Revolving Credit Facility contains financial covenants that require us to maintain a minimum Tangible Net Worth, a minimum Interest Coverage Ratio, and a maximum Debt-to-Capitalization Ratio (as each term is defined in the Revolving Credit Facility). As of June 30, 2016, we were in compliance with all covenants. Outstanding balances under the Revolving Credit Facility are guaranteed by certain of our wholly-owned subsidiaries.

Term loan

On September 30, 2015, we entered into a senior unsecured $500.0 million term loan agreement (the “Term Loan”) with an initial maturity date of January 3, 2017, which can be extended at our option up to 12 months. The interest rate on the Term Loan may be based on either LIBOR or a base rate plus an applicable margin, as defined. Borrowings are interest only with the principal being due at the maturity date and are guaranteed by the same wholly-owned subsidiaries as under the Revolving Credit Agreement. The Term Loan contains customary affirmative and negative covenants for loans of this type, including the same financial covenants as under the Revolving Credit Facility. As of June 30, 2016, we were in compliance with all covenants.

Limited recourse notes payable

Certain of our local homebuilding operations maintain limited recourse collateralized notes payable with third parties that totaled $17.2 million at June 30, 2016 and $35.3 million at December 31, 2015. These notes have maturities ranging up to four years, are collateralized by the land positions to which they relate, have no recourse to any other assets, and are classified within accrued and other liabilities. The stated interest rates on these notes range up to 5.00%.

Pulte Mortgage

Pulte Mortgage maintains a master repurchase agreement (the “Repurchase Agreement”) with third party lenders that expires in September 2016. The Repurchase Agreement's borrowing capacity was $310.0 million through January 18, 2016, after which it decreased to $175.0 million through June 26, 2016, at which time it increased to $200.0 million, which is effective through the maturity date. The purpose of the changes in capacity during the term of the agreement is to lower associated fees during seasonally lower volume periods of mortgage origination activity. Borrowings under the Repurchase Agreement are secured by residential mortgage loans available-for-sale. The Repurchase Agreement contains various affirmative and negative covenants applicable to Pulte Mortgage, including quantitative thresholds related to net worth, net income, and liquidity. Pulte Mortgage had $189.6 million and $267.9 million outstanding under the Repurchase Agreement at June 30, 2016 and December 31, 2015, respectively, and was in compliance with all of its covenants and requirements as of such dates.

5. Shareholders’ equity

During the six months ended June 30, 2016, we declared cash dividends totaling $62.7 million and repurchased 5.6 million shares under our repurchase authorization for a total of $97.7 million. During the six months ended June 30, 2015, we declared cash dividends totaling $58.2 million and repurchased 15.3 million shares under our repurchase authorization for a total of $313.0 million. At June 30, 2016, we had remaining authorization to repurchase $507.1 million of common shares. On July 20, 2016, our Board of Directors approved a $1.0 billion increase in our share repurchase authorization, raising our total authorization to $1.5 billion. We plan to repurchase $250.0 million of shares in each of the third and fourth quarters of 2016 and $1.0 billion of shares in 2017.

Under our share-based compensation plans, we accept shares as payment under certain conditions related to stock option exercises and vesting of shares, generally related to the payment of minimum tax obligations. During the six months ended June 30, 2016 and 2015, employees surrendered shares valued at $3.1 million and $9.0 million, respectively, under these plans. Such share transactions are excluded from the above noted share repurchase authorization.

6. Income taxes

Our effective tax rate for the three and six months ended June 30, 2016 was 37.9% and 34.7%, respectively, compared to 38.4% and 39.9%, respectively, for the same periods in 2015. Our effective tax rate for the current year differed from the federal statutory tax rate primarily due to state income taxes on current year earnings and the favorable resolution of certain state income tax matters. For the prior year, our effective tax rate differed from the federal statutory tax rate primarily due to state income taxes and adjustments to deferred taxes due to changes in state laws and business operations.

At June 30, 2016 and December 31, 2015, we had deferred tax assets, net of deferred tax liabilities and valuation allowance, of $1.3 billion and $1.4 billion, respectively. The accounting for deferred taxes is based upon estimates of future results. Differences between estimated and actual results could result in changes in the valuation of deferred tax assets that could have a material impact on our consolidated results of operations or financial position. Changes in existing tax laws could also affect actual tax results and the realization of deferred tax assets over time.

Unrecognized tax benefits represent the difference between tax positions taken or expected to be taken in a tax return and the benefits recognized for financial statement purposes. At June 30, 2016 and December 31, 2015, we had $22.5 million and $39.0 million, respectively, of gross unrecognized tax benefits and $11.9 million and $17.2 million, respectively, of related accrued interest and penalties. It is reasonably possible within the next twelve months that our gross unrecognized tax benefits may decrease by up to $18.5 million, excluding interest and penalties, primarily due to expirations of certain statutes of limitations and potential settlements.

We are currently under examination by the IRS and various state taxing jurisdictions and anticipate finalizing certain examinations within the next twelve months. The final outcome of these examinations is not yet determinable. The statutes of limitation for our major tax jurisdictions generally remain open for examination for tax years 2005 to 2016.

7. Fair value disclosures

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

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

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

Financial Instrument	Fair Value Hierarchy	Fair Value June 30, 2016	December 31, 2015
Measured at fair value on a recurring basis:			
Residential mortgage loans available-for-sale	Level 2	$364,004	$ 442,715
Interest rate lock commitments	Level 2	11,480	5,574
Forward contracts	Level 2	(6,334)	338
Whole loan commitments	Level 2	(303)	13
Measured at fair value on a non-recurring basis:			
House and land inventory	Level 3	$—	$ 11,052
Disclosed at fair value:			
Cash and equivalents (including restricted cash)	Level 1	$255,671	$ 775,435
Financial Services debt	Level 2	189,557	267,877
Term loan	Level 2	500,000	500,000
Senior notes	Level 2	2,204,630	1,643,651

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

Certain assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value may not be recoverable. The non-recurring fair values included in the above table represent only those assets whose carrying values were adjusted to fair value as of the respective balance sheet dates.

The carrying amounts of cash and equivalents, Financial Services debt, the Term Loan, and the Revolving Credit Facility approximate their fair values due to their short-term nature and floating interest rate terms. The fair values of senior notes are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of similar issues. The carrying value of senior notes was $2.1 billion and $1.6 billion at June 30, 2016 and December 31, 2015, respectively.

8. Commitments and contingencies

Loan origination liabilities

Our mortgage operations may be responsible for losses associated with mortgage loans originated and sold to investors in the event of errors or omissions relating to representations and warranties made by us that the loans met certain requirements, including representations as to underwriting standards, the existence of primary mortgage insurance, and the validity of certain borrower representations in connection with the loan. Determining the liabilities for anticipated losses requires a significant level of management judgment. Given the nature of these claims and the uncertainty regarding their ultimate resolution, actual costs could differ from our current estimates. Changes in these liabilities were as follows ($000's omitted):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Liabilities, beginning of period	$47,093	$58,226	$46,381	$58,222
Reserves provided (released), net	(99)	81	767	139
Payments	(11,049)	(69)	(11,203)	(123)
Liabilities, end of period	$35,945	$58,238	$35,945	$58,238

Letters of credit and surety bonds

In the normal course of business, we post letters of credit and surety bonds pursuant to certain performance-related obligations, as security for certain land option agreements, and under various insurance programs. The majority of these letters of credit and surety bonds are in support of our land development and construction obligations to various municipalities, other government agencies, and utility companies related to the construction of roads, sewers, and other infrastructure. We had outstanding letters of credit and surety bonds totaling $227.2 million and $1.1 billion, respectively, at June 30, 2016 and $191.3 million and $1.0 billion, respectively, at December 31, 2015. In the event any such letter of credit or surety bond is drawn, we would be obligated to reimburse the issuer of the letter of credit or surety bond. We do not believe that a material amount, if any, of the letters of credit or surety bonds will be drawn. Our surety bonds generally do not have stated expiration dates; rather we are released from the surety bonds as the underlying contractual performance is completed. Because significant construction and development work has been performed related to projects that have not yet received final acceptance by the respective counterparties, the aggregate amount of surety bonds outstanding is in excess of the projected cost of the remaining work to be performed.

Litigation and regulatory matters

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

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

Allowance for warranties

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Warranty liabilities, beginning of period	$60,936	$57,401	$61,360	$65,389
Reserves provided	14,204	11,170	26,523	20,011
Payments	(13,101)	(14,648)	(25,844)	(31,477)
Other adjustments	(200)	579	(200)	579
Warranty liabilities, end of period	$61,839	$54,502	$61,839	$54,502

Self-insured risks

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

Our general liability insurance includes coverage for certain construction defects. While construction defect claims can relate to a variety of circumstances, the majority of our claims relate to alleged problems with siding, plumbing, foundations and other concrete work, windows, roofing, and heating, ventilation and air conditioning systems. The availability of general liability insurance for the homebuilding industry and its subcontractors has become increasingly limited, and the insurance policies available require companies to maintain significant per occurrence and aggregate retention levels. In certain instances, we may offer our subcontractors the opportunity to purchase insurance through one of our captive insurance subsidiaries or participate in a project-specific insurance program provided by us. Policies issued by the captive insurance subsidiaries represent self-insurance of these risks by us. This self-insured exposure is limited by reinsurance policies that we purchase. General liability coverage for the homebuilding industry is complex, and our coverage varies from policy year to policy year. Our insurance coverage generally requires a per occurrence deductible up to an overall aggregate retention level. Beginning with the first dollar, amounts paid to satisfy insured claims apply to our per occurrence and aggregate retention obligations. Any amounts incurred in excess of the occurrence or aggregate retention levels are covered by insurance up to our purchased coverage levels. Our insurance policies, including the captive insurance subsidiaries' reinsurance policies, are maintained with highly-rated underwriters for whom we believe counterparty default risk is not significant.

At any point in time, we are managing over 1,000 individual claims related to general liability, property, errors and omissions, workers compensation, and other business insurance coverage. We reserve for costs associated with such claims (including expected claims management expenses) on an undiscounted basis at the time revenue is recognized for each home closing and evaluate the recorded liabilities based on actuarial analyses of our historical claims. The actuarial analyses calculate estimates of the ultimate net cost of all unpaid losses, including estimates for incurred but not reported losses ("IBNR"). IBNR represents losses related to claims incurred but not yet reported plus development on reported claims.

Our recorded reserves for all such claims totaled $707.3 million and $692.1 million at June 30, 2016 and December 31, 2015, respectively, the vast majority of which relates to general liability claims. The recorded reserves include loss estimates related to both (i) existing claims and related claim expenses and (ii) IBNR and related claim expenses. Liabilities related to IBNR and related claim expenses represented approximately 64% and 65% of the total general liability reserves at June 30, 2016 and December 31, 2015, respectively. The actuarial analyses that determine the IBNR portion of reserves consider a variety of factors, including the frequency and severity of losses, which are based on our historical claims experience supplemented by industry data. The actuarial analyses of the reserves also consider historical third party recovery rates and claims management expenses.

Housing market conditions have been volatile across most of our markets over the past ten years, and we believe such conditions can affect the frequency and cost of construction defect claims. Additionally, IBNR estimates comprise the majority of our liability and are subject to a high degree of uncertainty due to a variety of factors, including changes in claims reporting and resolution patterns, third party recoveries, insurance industry practices, the regulatory environment, and legal precedent. State regulations vary, but construction defect claims are reported and resolved over an extended period often exceeding ten years. Changes in the frequency and timing of reported claims and estimates of specific claim values can impact the underlying inputs and trends utilized in the actuarial analyses, which could have a material impact on the recorded reserves. Additionally, the amount of insurance coverage available for each policy period also impacts our recorded reserves. Because of the inherent uncertainty in estimating future losses and the timing of such losses related to these claims, actual costs could differ significantly from estimated costs. Adjustments to reserves are recorded in the period in which the change in estimate occurs.

During the three months ended June 30, 2015, we recorded a general liability reserve reversal of $26.9 million resulting from a legal settlement relating to plumbing claims initially reported to us in 2008 and for which our recorded liabilities were adjusted over time based on changes in facts and circumstances. These claims ultimately resulted in a class action lawsuit involving a national vendor and numerous other homebuilders, homebuyers, and insurance companies. In 2015, a global settlement was reached, pursuant to which we funded our agreed upon share of settlement costs, which were significantly lower than our previously estimated exposure.

Costs associated with our insurance programs are classified within selling, general, and administrative expenses. Changes in these liabilities were as follows ($000's omitted):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Balance, beginning of period	$692,980	$720,767	$692,053	$710,245
Reserves provided, net	25,317	(9,386)	45,068	6,446
Payments	(10,991)	(11,248)	(29,815)	(16,558)
Balance, end of period	$707,306	$700,133	$707,306	$700,133

In certain instances, we have the ability to recover a portion of our costs under various insurance policies or from subcontractors or other third parties. Estimates of such amounts are recorded when recovery is considered probable. Such receivables are recorded in other assets and totaled $136.7 million and $130.2 million at June 30, 2016 and December 31, 2015, respectively. The insurance receivables relate to costs incurred to perform corrective repairs, settle claims with customers, and other costs related to the continued progression of construction defect claims that we believe are insured. Given the complexity inherent with resolving construction defect claims in the homebuilding industry as described above, there generally exists a significant lag between our payment of claims and our reimbursements from applicable insurance carriers. In addition, disputes between homebuilders and carriers over coverage positions relating to construction defect claims are common. Resolution of claims with carriers involves the exchange of significant amounts of information and frequently involves legal action. Currently, we are the plaintiff in litigation with certain of our insurance carriers in regard to $108.1 million of recorded insurance receivables relating to the applicability of coverage to such costs under their policies.

We believe collection of these insurance receivables, including those in litigation, is probable based on the legal merits of our positions after review by legal counsel, favorable legal rulings received to date, the high credit ratings of our carriers, and our long history of collecting significant amounts of insurance reimbursements under similar insurance policies related to similar claims, including significant amounts funded by the above carriers under different policies. While the outcome of these matters cannot be predicted with certainty, we do not believe that the resolution of such matters will have a material adverse impact on our results of operations, financial position, or cash flows.

9. Supplemental Guarantor information

All of our senior notes are guaranteed jointly and severally on a senior basis by certain of our wholly-owned Homebuilding subsidiaries and certain other wholly-owned subsidiaries (collectively, the “Guarantors”). Such guaranties are full and unconditional. Our subsidiaries comprising the Financial Services segment along with certain other subsidiaries (collectively, the "Non-Guarantor Subsidiaries") do not guarantee the senior notes. In accordance with Rule 3-10 of Regulation S-X, 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.

CONDENSED CONSOLIDATING BALANCE SHEET
JUNE 30, 2016
($000’s omitted)

	Unconsolidated PulteGroup, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated PulteGroup, Inc.
ASSETS					
Cash and equivalents	$—	$166,389	$ 62,798	$—	$ 229,187
Restricted cash	—	25,001	1,483	—	26,484
House and land inventory	—	6,583,222	46,242	—	6,629,464
Land held for sale	—	85,271	510	—	85,781
Residential mortgage loans available-for-sale	—	—	364,004	—	364,004
Investments in unconsolidated entities	99	47,569	4,832	—	52,500
Other assets	22,145	533,458	125,565	—	681,168
Intangible assets	—	161,372	—	—	161,372
Deferred tax assets, net	1,274,468	—	2,628	—	1,277,096
Investments in subsidiaries and intercompany accounts, net	6,237,109	(264,227)	6,614,233	(12,587,115)	—
	$7,533,821	$7,338,055	$ 7,222,295	$(12,587,115)	$ 9,507,056
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities:					
Accounts payable, customer deposits, accrued and other liabilities	$78,691	$1,609,312	$ 174,366	$—	$ 1,862,369
Income tax liabilities	33,980	—	—	—	33,980
Financial Services debt	—	—	189,557	—	189,557
Term loan	499,212	—	—	—	499,212
Senior notes	2,103,821	—	—	—	2,103,821
Total liabilities	2,715,704	1,609,312	363,923	—	4,688,939
Total shareholders’ equity	4,818,117	5,728,743	6,858,372	(12,587,115)	4,818,117
	$7,533,821	$7,338,055	$ 7,222,295	$(12,587,115)	$ 9,507,056

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2015
($000's omitted)