

PULTE HOMES INC/MI/  
Form DEF 14A  
April 07, 2008

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Pulte Homes, Inc.**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

---

2) Aggregate number of securities to which transaction applies:

---

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

4) Proposed maximum aggregate value of transaction:

---

5) Total fee paid:

---

- Fee paid previously with preliminary materials.
-

Edgar Filing: PULTE HOMES INC/MI/ - Form DEF 14A

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

---

2) Form, Schedule or Registration Statement No.:

---

3) Filing Party:

---

4) Date Filed:

---

---

**Table of Contents**

**PULTE HOMES, INC.**

**100 Bloomfield Hills Parkway, Suite 300  
Bloomfield Hills, Michigan 48304**

**NOTICE OF 2008 ANNUAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We will hold our annual meeting of shareholders at The Community House, 380 South Bates Street, Birmingham, Michigan, on Thursday, May 15, 2008, at 8:30 a.m., Eastern Time. At this meeting, shareholders will vote on:

- o The election of five directors, one director to serve a term of one year and four directors to serve a term of three years.
- o The approval of the Pulte Homes, Inc. 2008 Senior Management Incentive Plan.
- o The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm.
- o A shareholder proposal requesting the election of directors by a majority, rather than plurality, vote.
- o A shareholder proposal requesting the declassification of the Board of Directors.
- o A shareholder proposal regarding the use of performance-based options.
- o A shareholder proposal requesting annual advisory votes on executive compensation.
- o A shareholder proposal requesting a report regarding climate change.
- o A shareholder proposal requesting the creation of an oversight committee with respect to nontraditional mortgage loans.

You can vote if you were a shareholder of record at the close of business on March 18, 2008. You may vote by internet, telephone, written proxy or written ballot at the meeting.

This proxy statement and the enclosed form of proxy, as well as our 2007 annual report, are first being mailed to shareholders beginning on April 7, 2008. We encourage you to sign and return the accompanying proxy card in the enclosed envelope or instruct us via the internet or by telephone as to how you would like your shares voted.

By Order of the Board of Directors

STEVEN M. COOK  
*Vice President, General Counsel  
and Secretary*

Bloomfield Hills, Michigan  
April 7, 2008



**Table of Contents**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 15, 2008.**

The Company's Proxy Statement for the 2008 Annual Meeting of Shareholders and the Annual Report to Shareholders for the fiscal year ended December 31, 2007 are available at:

<http://phx.corporate-ir.net/phoenix.zhtml?c=77968&p=irol-disclaimerHome>

---

**TABLE OF CONTENTS**

NOTICE OF 2008 ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

BENEFICIAL SECURITY OWNERSHIP

PROPOSAL ONE: ELECTION OF DIRECTORS

COMMITTEES OF THE BOARD OF DIRECTORS

2007 DIRECTOR COMPENSATION

CORPORATE GOVERNANCE

DIRECTOR NOMINATION RECOMMENDATIONS

2007 EXECUTIVE COMPENSATION

EQUITY COMPENSATION PLAN INFORMATION

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

REPORT OF THE AUDIT COMMITTEE

ADDITIONAL PROPOSALS REQUIRING YOUR VOTE

PROPOSAL TWO: APPROVAL OF THE PULTE HOMES, INC. 2008 SENIOR MANAGEMENT

INCENTIVE PLAN

PROPOSAL THREE: RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE

COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PROPOSAL FOUR: DIRECTOR ELECTION MAJORITY VOTE STANDARD PROPOSAL

PROPOSAL FIVE: DECLASSIFICATION OF BOARD OF DIRECTORS PROPOSAL

PROPOSAL SIX: PERFORMANCE-BASED OPTIONS PROPOSAL

PROPOSAL SEVEN: PROPOSAL REQUESTING ADVISORY VOTE ON EXECUTIVE

COMPENSATION

PROPOSAL EIGHT: CLIMATE CHANGE REPORT PROPOSAL

PROPOSAL NINE: CREATION OF OVERSIGHT COMMITTEE PROPOSAL

OTHER MATTERS

Appendix I

---

**Table of Contents**

**PROXY STATEMENT**

The Board of Directors is soliciting proxies to be used at the annual meeting of shareholders to be held on Thursday, May 15, 2008, beginning at 8:30 a.m., Eastern Time, at The Community House, 380 South Bates Street, Birmingham, Michigan. This proxy statement and the enclosed form of proxy are first being mailed to shareholders beginning April 7, 2008.

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIAL AND THE ANNUAL MEETING:**

***What am I voting on?***

You are voting on nine proposals:

1. The election of five directors, with one nominee, Richard G. Wolford, to serve a term of one year, and four nominees, Cheryl W. Gris , William B. Smith, Brian P. Anderson, and Patrick J. O Leary, to serve a term of three years.
2. The approval of the Pulte Homes, Inc. 2008 Senior Management Incentive Plan.
3. The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm.
4. A shareholder proposal requesting the election of directors by a majority, rather than plurality, vote.
5. A shareholder proposal requesting the declassification of the Board of Directors.
6. A shareholder proposal regarding the use of performance-based options.
7. A shareholder proposal requesting annual advisory votes on executive compensation.
8. A shareholder proposal requesting a report regarding climate change.
9. A shareholder proposal requesting the creation of an oversight committee with respect to nontraditional mortgage loans.

***What are the voting recommendations of the Board?***

The Board recommends the following votes:

- o FOR the election of all of the nominees for director.
- o FOR the approval of the Pulte Homes, Inc. 2008 Senior Management Incentive Plan.
- o FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm.
- o



AGAINST the shareholder proposal requesting the election of directors by a majority, rather than plurality, vote.

---

**Table of Contents**

- o AGAINST the shareholder proposal requesting the declassification of the Board of Directors.
- o AGAINST the shareholder proposal regarding the use of performance-based options.
- o AGAINST the shareholder proposal requesting annual advisory votes on executive compensation.
- o AGAINST the shareholder proposal requesting a report regarding climate change.
- o AGAINST the shareholder proposal requesting the creation of an oversight committee with respect to nontraditional mortgage loans.

***Will any other matter be voted on?***

We are not aware of any other matters on which you will be asked to vote at the meeting. If you have completed and mailed your proxy card and any other matter is properly brought before the meeting, William J. Pulte and Richard J. Dugas, Jr., acting as your proxies, will vote for you in their discretion.

***How do I vote my shares?***

If you are a shareholder of record as of the close of business on March 18, 2008 (the record date), you can give a proxy to be voted at the meeting either:

- o by mailing in the enclosed proxy card;
- o by written ballot at the meeting;
- o over the telephone by calling a toll-free number; or
- o electronically, using the internet.

If you complete and mail in your proxy card, your shares will be voted as you indicate. If you do not indicate your voting preferences, William J. Pulte and Richard J. Dugas, Jr., acting as your proxies, will vote your shares FOR Items 1, 2 and 3 and AGAINST Items 4, 5, 6, 7, 8 and 9.

The telephone and internet voting procedures have been set up for your convenience and have been designed to authenticate your identity, to allow you to give voting instructions and to confirm that those instructions have been recorded properly. If you are a shareholder of record and you would like to vote by telephone or by using the internet, please refer to the instructions on the enclosed proxy card.

If you hold your shares in street name, you must vote your shares in the manner prescribed by your broker or nominee. Your broker or nominee has enclosed or provided a voting instruction card for you to use in directing the broker or nominee on how to vote your shares.

***What is the difference between a shareholder of record and a street name holder?***

If your shares are registered directly in your name with Computershare Trust Company, N.A. ( Computershare ), the Company's stock transfer agent, you are considered the shareholder of record with respect to those shares.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of these shares, and your shares are held in street name.

## **Table of Contents**

### ***Can I change my vote?***

Yes. You can change your vote or revoke your proxy before the meeting in any of three ways:

- o by submitting another proxy by telephone, via the internet or by mail that is later dated and, if by mail, that is properly signed; or
- o by submitting written notice to the Secretary of the Company. Your notice must be received by the Company by 5:00 p.m., Eastern Time, on May 14, 2008; or
- o by voting in person at the meeting.

### ***What percentage of the vote is required for a proposal to be approved?***

The five director nominees receiving the greatest number of votes will be elected. The service of such directors will be subject to the Corporate Governance Guidelines of the Company. The approval of the Pulte Homes, Inc. 2008 Senior Management Incentive Plan, the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm and the shareholder proposals each require the affirmative vote of a majority of the votes cast at the meeting.

### ***Who will count the vote?***

Computershare will act as the independent tabulator to receive and tabulate the proxies and as the independent inspector of election to certify the results.

### ***What does it mean if I get more than one proxy card?***

It means your shares are held in more than one account. You should vote the shares on all your proxy cards. To provide better shareholder service, we encourage you to have all your shares registered in the same name and address. You may do this by contacting our transfer agent, Computershare, by phone at (877) 282-1168, by mail at Computershare Trust Company, N.A., P.O. Box 43078, Providence, Rhode Island 02940-3078, or via the internet at [www.computershare.com](http://www.computershare.com).

### ***Who can attend the annual meeting?***

All shareholders of record as of the close of business on March 18, 2008 can attend. Registration will begin at 8:00 a.m., Eastern Time. Institutional or entity shareholders are allowed to bring up to two representatives. Attendance at the meeting will be on a first-come, first-served basis, upon arrival at the meeting.

### ***What do I need to do to attend the annual meeting?***

You should plan to arrive at The Community House at 380 South Bates Street, Birmingham, Michigan, on Thursday, May 15, 2008 by 8:00 a.m., Eastern Time. Upon your arrival, please follow the signs to the registration desk where you will register for the meeting.

An admission ticket (or other proof of stock ownership) and a government-issued photo identification (such as a valid driver's license or passport) will be required for admission to the annual meeting. Representatives of Pulte will be present at the registration desk to review and determine the validity of such documentation. **Only shareholders who own Pulte common shares as of the close of business on March 18, 2008 will be entitled to attend the meeting.**

**An**

**Table of Contents**

**admission ticket or recent bank or brokerage statement will serve as verification of your ownership.**

- o If your Pulte shares are registered in your name and you receive your proxy materials by mail, an admission ticket will be attached to your proxy card.
- o If your Pulte shares are registered in your name and you vote your shares electronically over the Internet, you may access and print an admission ticket after voting such shares.
- o If your Pulte shares are held in a bank or brokerage account, contact your bank or broker to obtain a written legal proxy in order to vote your shares at the meeting. If you do not obtain a legal proxy from your bank or broker, you will not be entitled to vote your shares, but you can still attend the annual meeting if you bring a recent bank or brokerage statement showing that you owned Pulte shares on March 18, 2008.

No cameras, recording devices or large packages will be permitted in the meeting room.

***What is the quorum requirement of the annual meeting?***

A majority of the 257,369,247 shares outstanding on March 18, 2008 constitutes a quorum for voting at the meeting. If you vote, your shares will be part of the quorum.

***How will abstentions be treated?***

Abstentions will be counted as shares present at the meeting for purposes of determining whether a quorum exists. You may not abstain with respect to the election of directors. With respect to the proposals to approve the Pulte Homes, Inc. 2008 Senior Management Incentive Plan and to ratify the appointment of Ernst & Young LLP and with respect to the shareholder proposals, an abstention will not be counted as a vote cast and therefore will have no effect on whether the proposal is approved.

***How will broker non-votes be treated?***

A broker non-vote occurs when a broker cannot vote on a matter because the broker has not received instructions from the beneficial owner and lacks discretionary voting authority with respect to that matter. Broker non-votes will be treated in the same manner, and have the same effect, as abstentions.

**Table of Contents****BENEFICIAL SECURITY OWNERSHIP**

The table below shows the number of our common shares beneficially owned as of March 18, 2008 by each of our nominees for Director, Directors and Executive Officers named in the Summary Compensation Table, as well as the number of shares beneficially owned by all of our Directors and Executive Officers as a group. The table also includes information about stock options exercisable within 60 days after March 18, 2008, restricted shares, and Pulte common shares held in our 401(k) Plan.

<b>Directors And Named Executive Officers</b>	<b>Shares(2)</b>	<b>Exercisable Stock Options(14)</b>	<b>Percentage of Outstanding Shares</b>
Brian P. Anderson	12,900(3)	26,000	*
D. Kent Anderson	45,200	129,684	*
Roger A. Cregg	473,461(4)	1,858,716	*
Richard J. Dugas, Jr.	609,926(5)	1,340,000	*
Cheryl W. Gris�(1)	0	0	*
Peter J. Keane	142,361(6)	92,500	*
Debra J. Kelly-Ennis	26,618(7)	110,000	*
David N. McCammon	148,000(8)	62,000	*
Patrick J. O Leary	9,900	26,000	*
Steven C. Petruska	452,297(9)	543,000	*
William J. Pulte	42,353,189(10)(11)	0	16.46
Bernard W. Reznicek	23,272(12)	78,000	*
Alan E. Schwartz	94,800	46,000	*
Francis J. Sehn	160,800(13)	42,000	*
John J. Shea	41,600	78,000	*
William B. Smith	25,200	94,000	*
Richard G. Wolford(1)	0	0	*
All Nominees for Director, Directors and Executive Officers as a group (22), including the above	45,046,821	5,872,144	19.78

\* Less than 1%.

Notes:

(1) Ms. Gris  and Mr. Wolford are nominees for Director and, if elected at the annual meeting of shareholders, will commence service on the Board of Directors immediately following their election.

**Table of Contents**

- (2) All directors and executive officers listed in this table have sole voting and investment power over the Pulte shares they beneficially own, except as otherwise noted below.
- (3) Includes 3,000 Pulte common shares that Mr. Anderson owns jointly with his wife.
- (4) Includes (i) 198,190 Pulte common shares that Mr. Cregg owns jointly with his wife, (ii) 65,000 restricted shares that are scheduled to vest on February 1, 2009, (iii) 65,000 restricted shares that are scheduled to vest on February 5, 2010, (iv) 97,500 restricted shares that are scheduled to vest on February 7, 2011, and (v) 82 Pulte common shares held in our 401(k) Plan.
- (5) Includes (i) 69,800 Pulte common shares that Mr. Dugas owns jointly with his wife, (ii) 40,612 Pulte common shares owned in a trust of which Mr. Dugas is a beneficiary, (iii) 120,000 restricted shares that are scheduled to vest on February 1, 2009, (iv) 100,000 restricted shares that are scheduled to vest on February 5, 2010, (v) 125,000 restricted shares that are scheduled to vest on February 7, 2011, and (vi) 17,510 Pulte common shares held in our 401(k) Plan.
- (6) Includes (i) 30,000 restricted shares that are scheduled to vest on December 8, 2008, (ii) 40,000 restricted shares, which includes 10,000 shares that are scheduled to vest on each of September 15, 2008 and September 15, 2009 and 20,000 shares that are scheduled to vest on September 15, 2010, (iii) 32,500 restricted shares that are scheduled to vest on February 5, 2010, (iv) 35,000 restricted shares that are scheduled to vest on February 7, 2011, and (v) 125 Pulte common shares held in our 401(k) Plan.
- (7) Includes 25,418 shares that are owned in a trust of which Ms. Kelly-Ennis is a trustee and a beneficiary.
- (8) These shares are owned in a trust of which Mr. McCammon is a trustee and a beneficiary, all of which are pledged as security.
- (9) Includes (i) 80,000 restricted shares that are scheduled to vest on February 1, 2009, (ii) 80,000 restricted shares that are scheduled to vest on February 5, 2010, (iii) 120,000 restricted shares that are scheduled to vest on February 7, 2011, and (iv) 16,588 Pulte common shares held in our 401(k) Plan.
- (10) Includes (i) 41,882,664 Pulte common shares that are owned by various trusts of which Mr. Pulte is a trustee, (ii) 120,000 restricted shares that are scheduled to vest on February 1, 2009, (iii) 100,000 restricted shares that are scheduled to vest on February 5, 2010, (iv) 125,000 restricted shares that are scheduled to vest on February 7, 2011, and (v) 125,525 Pulte common shares held in our 401(k) Plan.
- (11) 30,378,652 Pulte common shares owned by William J. Pulte are pledged as security.
- (12) Includes 7,200 shares that Mr. Reznicek owns jointly with his wife.
- (13) Includes 80,400 Pulte common shares owned in a trust of which Mr. Sehn is a trustee, and 80,400 Pulte common shares owned in a trust of which Mr. Sehn is a beneficiary.



- (14) These are shares which the listed director or executive officer has the right to acquire within 60 days of March 18, 2008 pursuant to Pulte's stock option plans.

**Table of Contents****Beneficial Ownership of Significant Shareholders**

The following table provides information regarding security holders that own more than 5% of all outstanding Pulte common shares:

Name and Address of Beneficial Owner	Beneficial Ownership of Common Shares	Percentage of Outstanding Common Shares on March 18, 2008
William J. Pulte 100 Bloomfield Hills Parkway, Suite 300 Bloomfield Hills, MI 48304	42,353,189(1)	16.46
Legg Mason Capital Management, Inc. 100 Light Street Baltimore, MD 21202	29,101,589(2)	11.31
Hotchkis and Wiley Capital Management, LLC 725 S. Figueroa Street, 39 <sup>th</sup> Floor Los Angeles, CA 90017	19,416,800(3)	7.54

Notes:

- (1) Includes (i) 41,882,664 Pulte common shares that are owned by various trusts of which Mr. Pulte is a trustee, (ii) 120,000 restricted shares that are scheduled to vest on February 1, 2009, (iii) 100,000 restricted shares that are scheduled to vest on February 5, 2010, (iv) 125,000 restricted shares that are scheduled to vest on February 7, 2011, and (v) 125,525 Pulte common shares held in our 401(k) Plan.
- (2) This information is derived from a Schedule 13G/A filed by Legg Mason Capital Management, Inc. and certain affiliated entities on February 14, 2008. According to the Schedule 13G/A, Legg Mason Capital Management, Inc. and certain affiliated entities have shared voting power over 29,101,589 Pulte common shares and shared dispositive power over 29,101,589 Pulte common shares.
- (3) This information is derived from a Schedule 13G filed by Hotchkis and Wiley Capital Management, LLC on February 14, 2008. According to the Schedule 13G, Hotchkis and Wiley Capital Management, LLC has sole voting power over 11,925,500 Pulte common shares and sole dispositive power over 19,416,800 Pulte common shares.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Our directors and executive officers file reports with the SEC indicating the number of our common shares that they beneficially owned when they became a director or executive officer and, after that, any changes in their beneficial ownership of our common shares. They must also provide us with copies of these reports. These reports are required by Section 16(a) of the Securities Exchange Act of 1934, as amended. We have reviewed the copies of these reports that we have received and have also received and reviewed written representations of the accuracy of these reports from these individuals.

Based on these reports and representations, Pulte believes that during 2007 our directors and executive officers complied with all Section 16(a) reporting requirements, except that Francis J. Sehn, a member of our board of directors, filed a late Form 5 with respect to two separate transfers of Pulte common shares to a trust established for the benefit of his wife.

**Table of Contents**

**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

Our Articles of Incorporation require that we have at least three, but no more than 15, directors. The exact number of directors is set by the Board and is currently 12. The Board is divided into three classes of directors who have overlapping three year terms. Three current directors, William B. Smith, Brian P. Anderson and Patrick J. O'Leary, have terms expiring at the 2008 annual meeting and are being nominated for re-election to serve three year terms to expire in 2011. These three nominees have each agreed to serve the additional term for which they have been nominated, if elected. The terms of D. Kent Anderson and John J. Shea are also expiring at the 2008 annual meeting; however, Messrs. Anderson and Shea have decided not to run for re-election. Two nominees with no prior service to Pulte are being nominated by the Board to fill the vacancies left by Messrs. Anderson and Shea. Of these two nominees, Richard G. Wolford is being nominated to serve a one year term to expire in 2009, and Cheryl W. Grisé is being nominated to serve a three year term to expire in 2011. Richard G. Wolford and Cheryl W. Grisé were both recommended to the Nominating and Governance Committee by Spencer Stuart, a third-party search firm. The Company paid Spencer Stuart \$250,000 in fees for its services. Please see below for a description of the occupations and recent business experience of the two new director nominees, along with descriptions with respect to all current director nominees and continuing directors.

The Corporate Governance Guidelines of the Company provide that any nominee for director who, in an uncontested election receives a greater number of votes withheld from his or her election than votes for his or her election at the annual meeting ( Majority Withheld Vote ) will promptly tender his or her resignation from the Board. The Nominating and Governance Committee, which is comprised exclusively of independent directors, will consider the resignation and recommend to the Board whether to accept the tendered resignation or reject it. The Board will act upon the Nominating and Governance Committee's recommendation no later than the Board's first regularly scheduled meeting following certification of the Majority Withheld Vote. The action taken by the Board will be publicly disclosed in a report filed with the SEC and may include, without limitation, acceptance or rejection of the tendered resignation or adoption of measures designed to address the issues underlying the Majority Withheld Vote. The foregoing description is qualified in its entirety by reference to our Corporate Governance Guidelines, which are available for viewing on our website at [www.pulte.com](http://www.pulte.com).

**Table of Contents**

***Nominee to Serve a One Year Term Expiring at the 2009 Annual Meeting***

**Richard G. Wolford**

*Age:* 63  
*Director since:* New Director nominee  
*Principal Occupation:* Chairman of the Board, President and Chief Executive Officer, Del Monte Foods Company  
*Recent Business Experience:* Mr. Wolford is Chairman of the Board, President and Chief Executive Officer of Del Monte Foods Company. Mr. Wolford joined Del Monte as Chief Executive Officer and a Director in April 1997. He was elected President of Del Monte in February 1998 and was elected Chairman of the Board in May 2000. From 1967 to 1987, he held a variety of positions at Dole Foods, including President of Dole Packaged Foods from 1982 to 1987. From 1988 to 1996, he was Chief Executive Officer of HK Acquisition Corp. where he developed food industry investments with venture capital investors. Mr. Wolford serves as Vice Chairman of the Board of Directors and on the Executive Committee for the Grocery Manufacturers Association ( GMA ). In June 2005, he was elected Chairman of GMA s Industry Affairs Council.  
*Outside Directorships:* Del Monte Foods Company

***The Board of Directors recommends a vote FOR the election of this nominee.***

***Nominees to Serve a Three Year Term Expiring at the 2011 Annual Meeting***

**Cheryl W. Gris **

*Age:* 55  
*Director since:* New Director nominee  
*Principal Occupation:* Retired Executive Vice President  
*Recent Business Experience:* Ms. Gris  was Executive Vice President of Northeast Utilities, a public utility holding company, from December 2005 until her retirement effective July 2007; Chief Executive Officer of its principal operating subsidiaries from September 2002 to January 2007; President of the Utility Group of Northeast Utilities Service Company from May 2001 to January 2007; President of the Utility Group of Northeast Utilities from May 2001 to December 2005; and Senior Vice President, Secretary and General Counsel of Northeast Utilities from 1998 to 2001. Ms. Gris  is a Senior Fellow of the American Leadership Forum. She received her Bachelor of Arts from the University of North Carolina at Chapel Hill and a Juris Doctor from Thomas Jefferson School of Law, and has completed the Yale Executive Management Program.  
*Outside Directorships:* Pall Corporation, MetLife, Inc., University of Connecticut Foundation and Kingswood-Oxford School

**Table of Contents**

**William B. Smith**

*Age:* 64  
*Director since:* 2001  
*Principal Occupation:* Advisory Director, Morgan Stanley & Co., Incorporated, New York, New York  
*Recent Business Experience:* Mr. Smith has been an Advisory Director of Morgan Stanley & Co., Incorporated, an international investment bank, since July 2000. Mr. Smith served as Managing Director and Head of Morgan Stanley Realty from May 1997 until July 2000.

**Brian P. Anderson**

*Age:* 57  
*Director since:* 2005  
*Principal Occupation:* Retired Chief Financial Officer  
*Recent Business Experience:* Mr. Anderson was the Executive Vice President and Chief Financial Officer of OfficeMax, Inc., a business-to-business and retail office products distribution company, from November 2004 to January 2005. Prior to that time, Mr. Anderson was Senior Vice President and Chief Financial Officer of Baxter International, Inc., a global diversified medical products and services company, from 1998 to 2004.  
*Outside Directorships:* W.W. Grainger, Inc., A.M. Castle & Co., and James Hardie Industries

**Patrick J. O Leary**

*Age:* 50  
*Director since:* 2005  
*Principal Occupation:* Executive Vice President and Chief Financial Officer of SPX Corporation  
*Recent Business Experience:* Mr. O Leary has served as Executive Vice President and Chief Financial Officer of SPX Corporation, a global industrial and technological services and products company, since December 2004. Prior to that time, he served as Chief Financial Officer and Treasurer of SPX Corporation from October 1996 to December 2004.

*The Board of Directors recommends a vote **FOR** the election of these four nominees.*

**Table of Contents**

***Directors Continuing to Serve a Three Year Term Expiring at the 2009 Annual Meeting***

**Debra J. Kelly-Ennis**

*Age:* 51  
*Director since:* 1997  
*Principal Occupation:* Chief Marketing Officer, Diageo North America, Norwalk, Connecticut  
*Recent Business Experience:* Ms. Kelly-Ennis has served as Chief Marketing Officer of Diageo North America, an adult spirits company, since April 2005. She served as President of Saab Cars USA, a wholly-owned subsidiary of General Motors Europe, from October 2002 to April 2005. Ms. Kelly-Ennis served as General Manager of the Oldsmobile Division of General Motors Corporation from May 2000 until September 2001, and served as Brand Manager of General Motors Chevrolet Division from March 1999 until April 2000.  
*Outside Directorships:* Dress for Success Worldwide

**Bernard W. Reznicek**

*Age:* 71  
*Director since:* 2002  
*Principal Occupation:* President and Chief Executive Officer, Premier Enterprises Inc., Omaha, Nebraska  
*Recent Business Experience:* Mr. Reznicek has served as President and Chief Executive Officer of Premier Enterprises Inc., a consulting, investment, and real estate development company, since April 1993. Mr. Reznicek was an executive with Central States Indemnity Company, a member of the Berkshire Hathaway Insurance Group, from January 1997 until January 2003. Mr. Reznicek served as Dean of the College of Business of Creighton University in Omaha, Nebraska from July 1994 until January 1997 and served as Chairman and Chief Executive Officer of Boston Edison, a utility company, from September 1987 to July 1994.  
*Outside Directorships:* CSG Systems International, Inc., Central States Indemnity, and Info USA, Inc.

**Alan E. Schwartz**

*Age:* 82  
*Director since:* 1972  
*Principal Occupation:* Partner, Honigman Miller Schwartz and Cohn LLP, Detroit, Michigan  
*Recent Business Experience:* Mr. Schwartz is a Partner in the law firm of Honigman Miller Schwartz and Cohn LLP, Detroit, Michigan, which provides legal services to Pulte Homes, Inc.  
*Outside Directorships:* Detroit Development Ventures, Inc. (general partner of The Detroit Investment Fund, L.P.)

**Table of Contents**

***Directors Continuing to Serve a Three Year Term Expiring at the 2010 Annual Meeting***

**William J. Pulte**

*Age:* 75

*Director since:* 1956

*Principal Occupation:* Founder and Chairman of the Board, Pulte Homes, Inc.

*Recent Business Experience:* Mr. Pulte, the founder of Pulte Homes, Inc., has served as Chairman of the Board of Directors since December 2001. Previously, Mr. Pulte served as Chairman of the Executive Committee of the Board of Directors from January 1999 to December 2001, and Chairman of the Board of Directors from January 1991 until January 1999.

**Richard J. Dugas, Jr.**

*Age:* 42

*Director since:* 2003

*Principal Occupation:* President and Chief Executive Officer, Pulte Homes, Inc.

*Recent Business Experience:* Mr. Dugas has served as President and Chief Executive Officer of Pulte Homes, Inc. since July 1, 2003. Prior to that, he served as Chief Operating Officer of Pulte Homes from May 2002 through June 2003. Mr. Dugas previously served in various management positions with Pulte Homes since 1994, including, most recently, Coastal Region President with responsibility for the Georgia, North Carolina, South Carolina and Tennessee operations.

**David N. McCammon**

*Age:* 73

*Director since:* 1997

*Principal Occupation:* Senior Partner, Strength Capital Partners, L.L.C., Bloomfield Hills, Michigan

*Recent Business Experience:* Mr. McCammon has been Senior Partner of Strength Capital Partners, L.L.C., a private-equity fund, since June 2000. Previously, Mr. McCammon served as Vice President of Finance for Ford Motor Company until his retirement in 1997.

**Francis J. Sehn**

*Age:* 89

*Director since:* 1995

*Principal Occupation:* Chairman, The Fran Sehn Company, Bloomfield Hills, Michigan

*Recent Business Experience:* Mr. Sehn has served as the Chairman of The Fran Sehn Company, an international engineering and consulting company, since 1954.

If a nominee is unable to stand for election, the Board may reduce the number of directors or choose a substitute. If the Board chooses a substitute, shares represented by proxies will be voted for the substitute. If a director retires, resigns, dies, or is unable to serve for any reason, the Board may reduce the number of directors or appoint a new director to fill the vacancy. The new director would serve until the next annual meeting.



**Table of Contents****Independence**

Under the Company's Corporate Governance Guidelines, a substantial majority of the members of our Board of Directors must be independent. The Board of Directors has adopted categorical independence standards to assist the Nominating and Governance Committee in determining director independence, which standards either meet or exceed the independence requirements of the New York Stock Exchange's (NYSE) corporate governance standards. Under these standards, no director can qualify as independent unless (i) the Board affirmatively determines that the director has no material relationship with the Company directly or as an officer, shareholder or partner of an organization that has a relationship with the Company, and (ii) the director meets the following categorical standards:

- o Has not been an employee of the Company for at least three years;
- o Has not, during the last three years, been employed as an executive officer by a company for which an executive officer of the Company concurrently served as a member of such company's compensation committee;
- o Has no immediate family members (i.e., spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than employees) who shares the Director's home) who did not satisfy the foregoing criteria during the last three years; provided, however, that such Director's immediate family member may have served as an employee but not as an executive officer of the Company during such three-year period so long as such immediate family member shall not have received, during any twelve-month period within such three-year period, more than \$100,000 in direct compensation from the Company for such employment;
- o Is not a current partner or employee of the Company's internal or external audit firm, and the director was not within the past three years a partner or employee of such a firm who personally worked on the Company's audit within that time;
- o Has no immediate family member who (i) is a current partner of a firm that is the Company's internal or external auditor, (ii) is a current employee of such a firm and participates in the firm's audit, assurance or tax compliance (but not tax planning) practice or (iii) was within the past three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time;
- o Has not received, and has no immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from the Company (other than in his or her capacity as a member of the Board of Directors);
- o Is not a current employee, and has no immediate family member who is a current executive officer, of a company that made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues;
- o Does not serve, and has no immediate family member who has served, during the last three years as an executive officer or general partner of an entity that has received an investment from the Company or any of its subsidiaries, unless such investment is less than the greater of \$1 million or 2% of such entity's total invested capital, whichever is greater, in any of the last three years; and



**Table of Contents**

- o Has not been, and has no immediate family member who has been, an executive officer of a charitable or educational organization for which the Company contributed more than the greater of \$1 million or 2% of such charitable organizations' consolidated gross revenues, in any of the last three years.

The Board considered all relevant facts and circumstances in assessing director independence and affirmatively determined that Brian P. Anderson, Debra J. Kelly-Ennis, Cheryl W. Gris , David N. McCammon, Patrick J. O'Leary, Bernard W. Reznicek, Francis J. Sehn, William B. Smith and Richard G. Wolford are independent within the meaning of the Company's categorical standards and the NYSE listing standards. The Board also considered all relevant facts and circumstances in assessing the director independence of D. Kent Anderson and John J. Shea, who are not running for re-election to serve on the Board, and affirmatively determined that Messrs. Anderson and Shea are also independent within the meaning of the Company's categorical standards and the NYSE listing standards. The Board further determined that William J. Pulte and Richard J. Dugas, Jr., who are Pulte employees, and Alan E. Schwartz, who is a partner with Honigman Miller Schwartz and Cohn LLP, which provides legal services to Pulte and its subsidiaries, are not independent within the meaning of the Company's categorical standards and the NYSE listing standards.

**COMMITTEES OF THE BOARD OF DIRECTORS**

The Board has four standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, Compensation Committee, Nominating and Governance Committee and Finance Committee. Charters for the Audit Committee, Compensation Committee, Nominating and Governance Committee are available on the Company's website at [www.pulte.com](http://www.pulte.com). The table below shows current membership for each of the standing Board committees.

<b>Director Name</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating and Governance Committee</b>	<b>Finance Committee</b>
Brian P. Anderson	X		X	
D. Kent Anderson		X		X
Richard J. Dugas, Jr.				X
Debra J. Kelly-Ennis	X		X*	
David N. McCammon**	X*		X	X
Patrick J. O'Leary	X	X		
William J. Pulte				
Bernard W. Reznicek	X	X*		
Alan E. Schwartz				X
Francis J. Sehn			X	X
John J. Shea		X	X	
William B. Smith		X		X*

\* Chair

\*\* Lead Director



## **Table of Contents**

### **Audit Committee**

The Audit Committee met 13 times in 2007. The Committee represents and assists the Board with the oversight of: the integrity of the Company's financial statements and internal controls, the Company's compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, the performance of the Company's internal audit function and the independent auditor.

The Audit Committee is also responsible for selecting (subject to ratification by our shareholders) the independent auditor as well as setting the compensation for and overseeing the work of the independent auditor and pre-approving all audit services to be provided by the independent auditor. Brian P. Anderson currently serves on the audit committee of more than three public companies. The Board of Directors has determined that Mr. Anderson's simultaneous service on the audit committees of more than three public companies will not impair his ability to serve effectively on the Company's Audit Committee. The Board of Directors has determined that each of the members of the Audit Committee is independent within the meaning of the Company's categorical standards and the NYSE rules and financially literate as defined by the NYSE rules, and that David N. McCammon, Bernard W. Reznicek, Brian P. Anderson and Patrick J. O'Leary are audit committee financial experts for purposes of the SEC's rules.

### **Compensation Committee**

The Compensation Committee met ten times in 2007. The Compensation Committee is responsible for the review, approval and administration of the compensation and benefit programs for the Chief Executive Officer and the other named executive officers. It also reviews and makes recommendations regarding the Company's incentive plans and certain other compensation plans. The Board of Directors has determined that each of the members of the Compensation Committee is independent within the meaning of the Company's categorical standards and the NYSE rules.

The Compensation Committee meets regularly in person and via teleconference to discharge its duties and responsibilities. Mr. Bernard W. Reznicek is the Chair of the Compensation Committee. Mr. Reznicek works with Mr. James R. Ellinghausen, the Company's Executive Vice President, Human Resources, to establish meeting agendas and determine whether any members of Pulte's management or outside advisors should attend meetings. The Compensation Committee also meets regularly in executive session. At various times during the year at the request of the Compensation Committee, Mr. Steven C. Petruska, our Executive Vice President and Chief Operating Officer and Mr. Roger A. Cregg, our Executive Vice President and Chief Financial Officer, may attend Compensation Committee meetings, or portions of Compensation Committee meetings, to provide the Compensation Committee with information regarding the Company's operational performance, financial performance, or other topics requested by the Compensation Committee.

The Chief Executive Officer, Mr. Richard J. Dugas, annually reviews the performance of each member of senior management (other than the Chief Executive Officer and the Chairman of the Board, whose performance is reviewed by the Compensation Committee). Recommendations based on these reviews, including salary adjustments, annual bonuses and equity grants, are presented to the Compensation Committee. All decisions for 2007 made with respect to Messrs. Petruska and Cregg and Mr. Peter J. Keane, our Senior Vice President of Operations, were made after deliberation with, and concurrence by, Mr. Dugas. Decisions regarding salary

## **Table of Contents**

adjustments, annual bonuses and equity grants for the Chief Executive Officer and the Chairman of the Board are made by the Compensation Committee.

The Compensation Committee receives and reviews materials in advance of each meeting provided by the Compensation Committee's consultant and management. These materials include information that management believes will be helpful to the Compensation Committee, as well as materials the Compensation Committee specifically requests.

The Compensation Committee has the authority to hire and fire its own outside compensation consultant and any other advisors it deems necessary. In 2003, the Compensation Committee engaged Pearl Meyer & Partners to act as its independent consultant. The consultant regularly provides the Compensation Committee with information regarding market compensation levels, general compensation trends and best practices. The Compensation Committee also regularly asks the consultant to opine on the reasonableness of specific pay decisions and actions for the named executive officers, as well as the appropriateness of the design of the Company's executive compensation programs.

The activities of the compensation consultant are directed by the Compensation Committee, although the consultant may communicate with members of management, as appropriate, to gather data and prepare analyses as requested by the Compensation Committee. During 2007, the Compensation Committee asked Pearl Meyer to gather executive market data from Pulte's peers and perform an equity dilution analysis for Fortune 500 companies, among other topics. The Compensation Committee also asked Pearl Meyer to provide opinions on named executive officer pay decisions and board of director compensation.

The Compensation Committee has determined that Pearl Meyer & Partners is independent because it does no work for us other than that requested by the Compensation Committee. The Chairman of the Compensation Committee reviews the consultant's invoices, which are paid by the Company.

## **Nominating and Governance Committee**

The Nominating and Governance Committee met five times in 2007. The Nominating and Governance Committee is responsible for matters related to the governance of the Company and for developing and recommending to the Board the criteria for Board membership, the selection of new Board members, and the assignment of directors to the committees of the Board. The Nominating and Governance Committee assures that a regular evaluation is conducted of the performance, qualifications and integrity of both the Board of Directors and the executive officers of the Company. The Board of Directors has determined that each of the members of the Nominating and Governance Committee is independent within the meaning of the Company's categorical standards and the NYSE rules.

## **Finance Committee**

The Finance Committee met five times in 2007. The Finance Committee reviews all aspects of the Company's policies that relate to the management of the Company's financial affairs. The Finance Committee also reviews the Company's long-term strategic plans and annual budgets, capital commitments budget, and it reviews the Company's cash needs and funding plans.

**Table of Contents****Board Meeting Information**

The Board held a total of seven meetings in 2007. During 2007, each director attended at least 75% of the aggregate number of meetings of the Board and the committees on which such director served.

Pulte encourages its directors to attend each Annual Meeting of our shareholders, and all of our directors serving on the date of last year's annual meeting attended that meeting.

Throughout the year, Pulte held regularly scheduled executive sessions of its non-management directors without management participation. In addition, in 2008 Pulte will hold at least one executive session of its non-management directors without the participation of management and the non-management director who is not independent within the meaning of the Company's categorical standards and the NYSE rules. David McCammon, our Lead Director, presides at these executive sessions.

**2007 DIRECTOR COMPENSATION**

<b>Name</b>	<b>Fees Earned or Paid in Cash \$(1)</b>	<b>Stock Awards \$(2)</b>	<b>Options Awards \$(3)</b>	<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings(4)</b>	<b>Total (\$)</b>
Francis J. Sehn	\$ 75,500	\$ 98,100	\$ 74,973	\$ 64	\$ 248,637
Alan E. Schwartz	\$ 71,000	\$ 98,100	\$ 74,973	\$ 49	\$ 244,122
John J. Shea	\$ 89,000	\$ 98,100	\$ 74,973	\$ 0	\$ 262,073
D. Kent Anderson	\$ 86,000	\$ 98,100	\$ 74,973	\$ 0	\$ 259,073
Brian P. Anderson	\$ 92,000	\$ 98,100	\$ 74,973	\$ 0	\$ 265,073
William B. Smith	\$ 97,500	\$ 98,100	\$ 74,973	\$ 143	\$ 270,716
Patrick J. O Leary	\$ 93,500	\$ 98,100	\$ 74,973	\$ 11	\$ 266,584
Debra J. Kelly-Ennis	\$ 98,000	\$ 98,100	\$ 74,973	\$ 369	\$ 271,442
Bernard W. Reznicek	\$ 116,000	\$ 98,100	\$ 74,973	\$ 0	\$ 289,073
David N. McCammon	\$ 145,500	\$ 98,100	\$ 74,973	\$ 308	\$ 318,881

(1) The amounts in this column represent the fees earned or paid in cash for services as a director, including annual retainer, committee, chairmanship, and meeting fees. Ms. Kelly-Ennis and Messrs. Smith, O Leary and Sehn each deferred 100% of their 2007 fees pursuant to the Pulte Homes, Inc. Deferred Compensation Plan for Non-Employee Directors.

(2) Amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the year ended December 31, 2007, in accordance with FAS 123(R), except that, in accordance with the rules of the SEC, any estimate for forfeitures is excluded from, and does not reduce, such amounts. Assumptions used in the calculation of these amounts are included in note 9 to the Company's audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The Company's practice with respect to share awards has been to grant such awards to the directors without restrictions. Accordingly, there were no

outstanding share award grants to any of the directors as of December 31, 2007. Because share awards granted in 2007 vested immediately, the grant date fair value measured in accordance with FAS 123(R) is the same as the FAS 123(R) expense recognized in 2007.



## **Table of Contents**

- (3) Amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the year ended December 31, 2007, in accordance with FAS 123(R), except that, in accordance with the rules of the SEC, any estimate for forfeitures is excluded from, and does not reduce, such amounts. Assumptions used in the calculation of these amounts are included in note 9 to the Company's audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The Company's practice with respect to option awards is to grant such awards with immediate vesting. Because option awards granted in 2007 vested immediately, the grant date fair value measured in accordance with FAS 123(R) is the same as the FAS 123(R) expense recognized in 2007. As of December 31, 2007, the following option awards were outstanding with respect to each director: Alan E. Schwartz, 46,000; Francis J. Sehn, 42,000; D. Kent Anderson, 129,684; John J. Shea, 86,000; Brian P. Anderson, 26,000; William B. Smith, 94,000; Patrick J. O'Leary, 26,000; Debra J. Kelly-Ennis, 110,000; Bernard W. Reznicek, 78,000; and David N. McCammon, 62,000.
- (4) Pulte's interest rate on non-qualified deferred compensation was 6.64% (5-year U.S. Treasury rate, plus 2%) for 2007, which exceeds 5.68%, or 120% of the Applicable Federal Long-Term Rate. The amounts included in this column reflect the portion of 2007 earnings under the Non-Qualified Deferral Plan that is in excess of what participants would have received had 5.68% been used to calculate earnings under the Plan.

## **Director Compensation**

The Compensation Committee, with input from the Compensation Committee's outside compensation consultant, annually reviews the compensation of the Company's non-employee directors. Based on such review, the Compensation Committee recommends non-employee director compensation to the entire Board for its approval.

### ***Cash Compensation***

The non-employee directors were paid the following compensation in 2007 for service as members of the Board of Directors and as members of Board committees.

- o Annual Board membership fee of \$50,000;
- o Annual committee membership fee of \$3,000 for each Board committee (\$8,000 for committee chairs); and
- o Attendance fee of \$1,500 (\$2,500 for committee chairs) for each Board and committee meeting they attend.

The Lead Director was also paid an additional \$25,000 in 2007.

### ***Equity Compensation***

Each outside non-employee director also received an annual grant of 7,000 stock options under the Pulte Homes, Inc. 2004 Stock Incentive Plan, which vested immediately upon the date of grant. The directors also received 3,600 unrestricted common shares pursuant to such plan.

### ***Director Deferred Compensation***

Non-employee directors are entitled to defer all or a portion of their cash compensation. Deferred payments are credited each year with interest at a rate equal to the five year U.S. treasury rate, plus 2%. Payments may be deferred for up to eight years, and directors may elect to receive their deferred compensation in a lump sum or in equal annual installments over a period not to exceed eight years.



## **Table of Contents**

Directors who also are our employees do not receive any of the compensation described above.

### **Lead Director**

Our Corporate Governance Guidelines contemplate that the Board will designate one of the independent directors to serve as Lead Director. As noted above, David McCammon currently serves as Lead Director. The Lead Director works with the Chairman and the Chief Executive Officer to ensure that the Board discharges its responsibilities, has structures and procedures in place to enable it to function independently of management and clearly understands the respective roles and responsibilities of the Board and management. In addition to presiding at the executive sessions of the non-management and independent directors, the Lead Director, among other duties, also coordinates feedback to the Chairman and the Chief Executive Officer from the independent directors regarding business issues and management and provides input with respect to agendas for meetings of the Board.

## **CORPORATE GOVERNANCE**

### ***Governance Guidelines; Business Practices Policy; Code of Ethics***

The Board of Directors has adopted Corporate Governance Guidelines, which reflect the principles by which Pulte operates. The guidelines address an array of governance issues and principles including: director independence, committee independence, management succession, annual Board evaluation, periodic director evaluation, director share ownership, director nominations, role of the Lead Director and executive sessions of the independent directors. Pulte's Governance Guidelines are available for viewing on our website at [www.pulte.com](http://www.pulte.com). The Board of Directors also has adopted a Business Practices Policy, which applies to all directors and employees and a Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Controller and other senior officers. The Company intends to include on its website any waivers of its Business Practices Policy that relate to executive officers and directors as well as any amendments to, or waivers from, a provision of its Code of Ethics that applies to the Company's principal executive officer, principal financial officer or controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

### ***Available information about Pulte***

The following information is available on Pulte's website at [www.pulte.com](http://www.pulte.com) and in print for any shareholder upon written request to our Secretary:

- o Previously filed SEC current reports, quarterly reports, annual reports, and reports under Section 16(a) of the Securities Exchange Act of 1934
- o Audit Committee Charter
- o Compensation Committee Charter
- o Nominating and Governance Committee Charter
- o Code of Ethics (for Covered Senior Officers)
- o Business Practices Policy
- o Corporate Governance Guidelines

o By-laws

**Table of Contents**

**DIRECTOR NOMINATION RECOMMENDATIONS**

The Nominating and Governance Committee does not have a single method for identifying director candidates but will consider candidates suggested by a wide range of sources, including candidates recommended by shareholders. The Committee reviews the qualifications of various persons to determine whether they might make good candidates for consideration for membership on the Board of Directors. The Committee will review all proposed nominees, including those proposed by shareholders, in accordance with its charter and Pulte's Corporate Governance Guidelines. While the Committee has not established specific types of experience or skills for potential candidates, the Committee will review the person's judgment, experience, qualifications, independence, understanding of Pulte's business or other related industries and such other factors as the Committee determines are relevant in light of the needs of the Board of Directors and Pulte. The Board of Directors believes that diversity is also an important goal, and will consider it in reviewing proposed nominees. The Committee will select qualified candidates and review its recommendations with the Board of Directors, which will decide whether to invite the candidate to be a nominee for election to the Board of Directors.

You may recommend a person to be nominated for director by writing to our Secretary by certified mail, return receipt requested, or by recognized overnight courier, to Steven M. Cook, Vice President, General Counsel and Secretary, Pulte Homes, Inc., 100 Bloomfield Hills Parkway, Suite 300, Bloomfield Hills, Michigan 48304.

Your recommendation must set forth:

- o the name, age, business address and residence address of the proposed nominee;
- o the principal occupation or employment of the proposed nominee;
- o any other information relating to the proposed nominee that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended;
- o any other information you believe is relevant concerning the proposed nominee;
- o a written consent of the proposed nominee to being named as a nominee and to serve as a director if elected;
- o your name and record address;
- o the class or series and number of Pulte common shares which you own of record or beneficially;
- o a description of all arrangements or understandings between you and any other person (naming such person) pursuant to which the recommendation is being made by you; and
- o any other information relating to you that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended.

**Table of Contents**

**2007 EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

This Compensation Discussion and Analysis addresses the following topics:

- o the process used to determine compensation for our named executive officers;
- o the objectives of our executive compensation program, including the executive behaviors and results that it is designed to reward and motivate;
- o the individual elements of our executive compensation program;
- o the rationale for using each element of executive pay; and
- o the method of determining the level of each individual element.

**The Compensation Committee**

***Committee Members and Independence***

The Compensation Committee (the Committee) is currently comprised of Messrs. Bernard W. Reznicek, D. Kent Anderson, Patrick O Leary, John J. Shea and William B. Smith. Messrs. Anderson and Shea are not running for re-election to serve on the Board and, accordingly, will no longer serve on the Committee following the 2008 annual meeting. Mr. Reznicek, who has served on the Board of Directors for approximately seven years, is the Committee Chairman. Each member of the Committee qualifies as an independent director under NYSE listing standards and our Corporate Governance Guidelines.

***Role of Committee***

The Committee operates under a written charter adopted by the Board of Directors. A copy of the charter is available at [www.pulte.com](http://www.pulte.com). In general, the scope of the Committee's authority is determined by the Board of Directors, or established by formal incentive plan documents. The fundamental responsibilities of the Committee include the following, in regards to the Company's senior executives:

- o to establish the Company's executive compensation philosophy and oversee the development and implementation of its executive compensation programs;
- o with respect to 2007 compensation, to establish compensation-related performance objectives under the Senior Management Annual Incentive and Long-Term Incentive Plans for executives that support our strategic plan;
- o to establish individual performance goals and objectives for the Chief Executive Officer;
- o to evaluate the job performance of the Chief Executive Officer in light of those goals and objectives;
- o to annually review and approve compensation actions for the Company's Chief Executive Officer and other named executive officers. The Committee seeks input from the independent members of Pulte's Board of Directors in establishing compensation levels for the Company's named executive officers (including the Chief

Executive Officer);

- o to administer Pulte's equity compensation and shareholder-approved incentive compensation plans; and
- o to recommend to the Board the compensation arrangements for non-employee directors.

## **Table of Contents**

Information on the Committee's processes and procedures for consideration of executive compensation are addressed in Committees of the Board of Directors Compensation Committee above.

### ***Role of Executive Officers***

As noted above, the Committee is responsible for all compensation decisions for our senior executives (which include the named executive officers). The Committee is also responsible for approving equity grants to all recipients.

Mr. Ellinghausen, the Company's Executive Vice President, Human Resources, works with Mr. Reznicek to establish meeting agendas and determine whether any members of Pulte's management or outside advisors should attend meetings. The Chief Executive Officer annually reviews the performance of each member of senior management (other than the Chief Executive Officer and the Chairman of the Board, whose performance is reviewed by the Committee). Recommendations based on these reviews, including salary adjustments, annual bonuses and equity grants, are presented to the Committee. Decisions regarding salary adjustments, annual bonuses and equity grants for the Chief Executive Officer and the Chairman of the Board are made by the Committee. All decisions for 2007 made with respect to Messrs. Petruska, Cregg and Keane were made after deliberation with, and concurrence by, Mr. Dugas.

At various times during the year at the request of the Committee, Mr. Steven C. Petruska, our Executive Vice President and Chief Operating Officer and Mr. Roger A. Cregg, our Executive Vice President and Chief Financial Officer, may attend Committee meetings, or portions of Committee meetings, to provide the Committee with information regarding the Company's operational performance, financial performance, or other topics requested by the Committee.

### ***Executive Compensation Philosophy***

Our overall compensation philosophy applicable to executive officers is to provide a compensation program that is intended to attract and retain qualified executives for Pulte through fluctuating business cycles and to provide them with incentive to achieve our strategic, operational and financial goals and increase shareholder value. Specifically, our 2007 compensation programs are intended to reward short and long-term financial success, as measured by earnings growth, economic profit growth and return on equity. We define economic profit as pre-tax income less a charge for capital. As discussed in Proposal Two regarding the Pulte Homes, Inc. 2008 Senior Management Incentive Plan, for 2008 compensation decisions, the Committee will have a specific list of objective performance criteria to select from in setting performance objectives. The Committee also intends to motivate the named executive officers to achieve other non-financial objectives, including quality, customer service, people development and building and maintaining a strong culture within the organization.

Key principles of our executive compensation philosophy include:

- o total compensation levels should generally be competitive with our direct competitors within the homebuilding industry, as well as companies of similar size and complexity in other industries;
- o our compensation programs should align the short and long-term interests of our executives with those of our shareholders;



**Table of Contents**

- o a significant portion of total compensation should be delivered through performance-based, variable pay; and
- o our compensation programs should encourage our executives to own significant levels of Pulte shares.

Our philosophy attempts to balance cash compensation versus equity compensation in order to ensure that each executive has a significant personal financial stake in Pulte's share price performance. We also attempt to balance short-term compensation versus long-term compensation to ensure that our senior executives are properly focused on both the achievement of short-term operational and financial goals, as well as longer-term strategic objectives. In general, we seek to provide more than 50% of total compensation to named executive officers in the form of equity (stock options and restricted shares). While our executive compensation philosophy and decisions with respect to the compensation of each of our named executive officers are not materially different, the Committee believes that, given the contributions of Mr. Dugas and Mr. Pulte to our overall strategy, as well as the requirements and responsibilities of their positions and the experience level of Mr. Pulte, having founded the Company, the total compensation levels for these executives should be higher than any other named executive officer and should compensate these executives accordingly.

***Market Comparisons***

The Committee does not believe that it is appropriate to establish compensation levels based only on market practices. The Committee believes that compensation decisions are complex and require a deliberate review of Company performance and industry compensation levels. While the Committee factors peer compensation levels and practices into our compensation decisions, it does not target compensation at any particular point within a range established by a comparison of the financial performance or compensation levels of our peer companies. The Committee believes, however, that information regarding pay practices at other companies is useful in two respects. First, it recognizes that Pulte's compensation practices must be generally competitive in the homebuilding marketplace for executive talent. Second, this marketplace information is one of the many factors that the Committee considers in assessing the reasonableness of compensation.

The Committee compares each element of total compensation against a peer group of publicly-traded homebuilding companies (collectively, the Compensation Peer Group). The Compensation Peer Group, which is periodically reviewed and updated by the Committee, consists of companies against which the Committee believes we compete for talent. The companies currently comprising the Compensation Peer Group are:

Beazer Homes USA, Inc.  
Centex Corporation  
D.R. Horton, Inc.  
Hovnanian Enterprises, Inc.  
KB Home  
Lennar Corporation

MDC Holdings, Inc.  
NVR Inc.  
Ryland Group, Incorporated  
Standard Pacific Corporation  
Toll Brothers, Inc.

For comparison purposes, our market capitalization and annual revenues are at the high end of the Compensation Peer Group. The Committee considers this factor, as well as other factors such as management ownership, founder status of named executive officers, and financial performance in evaluating market data.

**Table of Contents*****Executive Compensation Program Elements******Base Salary***

The Committee determines the appropriateness of executives' salaries by considering the responsibilities of their positions, their individual performance and tenure, internal equity and by comparison to the salary levels of executives in similarly-situated companies. Salary increases are considered annually and are based upon both individual and Company performance in the prior year.

***Senior Management Annual Incentive Plan***

Annual incentive arrangements for our named executive officers are intended to make a substantial portion of each executive officer's compensation dependent on Pulte's overall performance, linking executive compensation to shareholder value creation.

In 2007, our named executive officers were provided with an annual incentive opportunity through the Company's Senior Management Annual Incentive Plan (the "Plan"), approved by our shareholders in 2003. The Plan provides participants with an annual maximum incentive opportunity established as a percentage of our pre-tax income, including any gains or losses from discontinued operations and excluding the cumulative effect of accounting changes and any extraordinary gains or losses. The Committee may use negative discretion to reduce the actual amount paid to each participant. In making such determination, the Committee generally considers the following:

- o our financial and operational performance, including closings, revenue and earnings per share growth, return on equity, return on invested capital and economic profit (on an absolute basis, year to year and compared to competitor performance);
- o our financial performance versus pre-established performance goals;
- o individual performance of Pulte's named executive officers based on a review of their performance against pre-determined objectives such as operating efficiency, business simplification, cash management and retention and development of key management talent;
- o market data from our Compensation Peer Group; and
- o the historical pay levels of our executive officers, as well as compensation trends within the homebuilding industry.

Each participant's maximum award opportunity is established by the Committee within 90 days of the beginning of the fiscal year. The table below summarizes the incentive opportunities that were established for 2007:

<b>Participant</b>	<b>Maximum Award Opportunity % of 2007 Pre-Tax Income</b>
William J. Pulte	1.00%
Richard J. Dugas, Jr.	1.00%
Steven C. Petruska	0.70%

Roger A. Cregg	0.50%
Peter J. Keane	0.30%

**Table of Contents**

The Committee determines actual incentive awards by considering the factors noted above and the objective maximum incentive levels established at the beginning of the year. As the Company's actual Pre-Tax Income was negative for the year ended December 31, 2007, no awards were or will be paid under the Plan with respect to 2007. This Plan has now expired and will be replaced with an annual incentive program under the Pulte Homes, Inc. 2008 Senior Management Incentive Plan (the "Incentive Plan"). The Incentive Plan was adopted by the Board, subject to shareholder approval.

*Long-Term Incentive Plan*

In order to provide management with incentive to achieve our long-term growth and profitability goals, the Committee and the Board approved a Long-Term Incentive Plan for key employees of Pulte and its subsidiaries. The Long-Term Incentive Plan was approved by our shareholders at our 2000 annual meeting of shareholders and the performance metrics were re-approved by shareholders at our 2005 annual meeting of shareholders. Under the Long-Term Incentive Plan, performance compensation is awarded to each participant based upon the level of achievement of pre-established objective performance goals. For the January 1, 2005 through December 31, 2007 performance period, award opportunities were based two-thirds upon the achievement of cumulative earnings per share objectives and one-third upon the achievement of average return on equity objectives. The Committee generally establishes target performance goals based upon the Company's projected financial performance over the performance period. Target earnings per share performance was established at a level that assumed 20% compound growth per year over 2004 performance.

The following table summarizes the performance objectives that were established for the 2005-2007 performance period. The earnings per share goal objectives have been adjusted for the 2 for 1 stock split in September 2005:

**2005 2007 Performance Objectives**

	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
Earnings Per Share	\$ 30.70	\$ 34.70	\$ 37.30
Return on Equity	20.9 %	22.8 %	23.9 %

The table below summarizes each participant's award opportunity established at the beginning of the 2005-2007 performance period. Peter J. Keane did not participate in the Long-Term Incentive Plan because he was promoted to his current position on January 9, 2006.

<b>Executive</b>	<b>Base Salary at January 1, 2005</b>	<b>Target Award Opportunity as a % of</b>			
		<b>Base Salary</b>	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
William J. Pulte	\$ 850,000	200%	\$ 850,000	\$ 1,700,000	\$ 3,400,000
Richard J. Dugas, Jr.	\$ 850,000	200%	\$ 850,000	\$ 1,700,000	\$ 3,400,000
Steven C. Petruska	\$ 700,000	100%	\$ 350,000	\$ 700,000	\$ 1,400,000

Roger A. Cregg	\$	625,000	100%	\$	312,500	\$	625,000	\$	1,250,000
----------------	----	---------	------	----	---------	----	---------	----	-----------

## **Table of Contents**

The Company did not achieve the earnings per share or return on equity performance objectives for the 2005-2007 performance period and, therefore, no payouts were made to our named executive officers under the Long-Term Incentive Plan for this performance period.

Target award opportunities under the Long-Term Incentive Plan for the 2006-2008 and 2007-2009 performance periods are based on a percentage of each participant's base salary at the commencement of the performance period. For Messrs. Dugas and Pulte, this percentage is 200% of base salary, and for Messrs. Cregg and Keane, this percentage is 100% and 80% of base salary, respectively. For Mr. Petruska, this percentage is 100% of base salary for the 2006-2008 performance period and 120% of base salary for the 2007-2009 performance period. The threshold payout for these performance periods is 50% of the target award opportunity and the maximum payout is 200% of the target award opportunity. The performance metrics are a mix of cumulative earnings per share and average return on equity during the applicable performance period, with two-thirds of the award opportunity based on the achievement of earnings per share targets and one-third based on the achievement of average return on equity objectives. Based on the significant downturn in the homebuilding industry, at this point in time it is very unlikely that the performance objectives will be met for the 2006-2008 and 2007-2009 performance periods and, therefore, it is unlikely that awards will be paid for these performance periods.

If the Pulte Homes, Inc. 2008 Senior Management Incentive Plan (which was adopted by the Board, subject to shareholder approval) is approved by shareholders, no further awards will be granted under the existing Long-Term Incentive Plan.

### *Cash Bonus*

In 2007, the Committee reviewed the performance of the Chief Executive Officer, and the Chief Executive Officer provided the Committee with a performance review of the other named executive officers. These reviews included an analysis of individual performance against pre-determined objectives such as operational efficiency, cash management and retention and development of key management talent.

In 2007, in light of current market conditions in the homebuilding industry, the Committee declined to award cash bonuses to Messrs. Pulte, Dugas, Petruska and Cregg, but awarded each of these four executives a greater number of restricted shares and stock options than in the prior year. The Committee awarded Mr. Keane both his recommended cash bonus as well as his recommended equity award. The compensation decision for Mr. Keane was based upon his satisfaction of individual performance goals in 2007 relating to marketing and sales effectiveness, customer relationship management and the execution of national sales events, and the desire to align his compensation with that of the Company's field operators, as his primary duties involve oversight of certain processes relating to such operations.

### *Equity Grants*

We make annual grants of equity to named executive officers as a means of creating a strong linkage between an executive's long-term incentive compensation and shareholder value. We believe that equity awards:

- o support a pay-for-performance culture, as compensation is only recognized by executives to the extent that value is created for shareholders;
- o balance the overall compensation program by providing an appropriate mix of equity and cash compensation;

**Table of Contents**

- o properly focus executives on long-term value creation for shareholders; and
- o encourage executive retention, particularly through fluctuating business cycles.

The Company's philosophy is to award equity grants to our executive officers in amounts reflecting the participant's position, individual performance based on a review of our executive officers' performance during the prior year against pre-determined objectives such as operational efficiency, cash management and retention and development of key management talent and ability to influence our overall performance. In addition, the Committee considers historical grant practices, market compensation levels and executive ownership levels in determining grants for individual executives. All stock options granted by the Company have a ten year term and vest over a four year period. Restricted share grants generally vest three years from the anniversary of the grant date. If an executive's employment is terminated for a reason other than death, disability or cause, outstanding options and restricted shares will continue to vest after such termination if at the time of termination, the sum of the executive's age and the executive's 12-month periods of full-time employment with the Company equals or exceeds 70 (the Rule of 70). In addition, if an executive's employment is terminated for a reason other than death, disability or cause after a minimum of five years of employment, vested stock options will continue to be exercisable by such executive until the expiration of the stock option according to the terms of its grant (the Rule of 5). Certain executives, including the named executive officers, are required to sign a non-competition, non-solicitation and confidentiality agreement to obtain the benefits of the Rule of 70 and the Rule of 5.

Stock options are generally granted on the date of the Company's annual December Board meeting. The exercise price of stock options is fixed as of the date of grant, and cannot be lower than the fair market value of Pulte common shares, defined in the equity incentive plan documents as the average of the high and low price of Pulte's common shares traded on the NYSE on the date of grant. Annual option grants to other employees of the Company are made at the same time as the annual option grant to the executive officers. The timing of option grants is determined pursuant to written guidelines for the granting of equity awards adopted by the Committee. The Company does not have a program, plan or practice to time option grants in coordination with the release of material non-public information. The Company may also grant stock options to a newly-hired executive at the Committee meeting following the executive's hire date. We do not set the grant date of stock option grants to new executives in coordination with the release of material non-public information, and we do not time the release of material non-public information for the purpose of affecting the value of executive compensation. Restricted share awards based upon the prior year's performance are generally granted after the close of the fiscal year, in February of the following year, at the time of the regular Board meeting.

In determining the restricted share and stock option grants for 2007, the Committee considered, the lack of a payout under the annual incentive and long-term incentive plans, the absence of a cash bonus and the need to retain talented and experienced executives. Based upon these factors, and after considering the price of the shares at the time of the grant, the Committee awarded restricted shares and stock options to Messrs. Pulte, Dugas, Petruska and Cregg in an amount greater than awarded in the prior year. In addition, Mr. Keane received his recommended restricted share and option awards.

*Benefits*

Executive officers participate in employee benefit plans generally available to all employees on the same terms as similarly-situated employees, including a 401(k) plan that provides for a

**Table of Contents**

Company match on contributions. We do not have a defined benefit pension plan or any supplemental executive retirement arrangements. In addition, certain executive officers participate in an Annual Physical Reimbursement Plan and a Financial Counseling Reimbursement Plan. The named executive officers, as well as other Pulte executives, may also participate in the Company's Non-Qualified Deferral Program, under which they may elect to defer the receipt of their annual and/or long-term incentive cash awards. This plan is discussed further under the section 2007 Non-Qualified Deferred Compensation Table.

*Compensation Mix*

As noted in the Executive Compensation Philosophy section of this Compensation Discussion and Analysis, the Committee places significant emphasis on variable, performance-based compensation. There is not a pre-established policy or target for the allocation between annual and long-term incentive compensation. In addition, because the Committee seeks to provide more than 50% of total compensation to named executive officers in the form of equity as reflected in the table below, determinations regarding the amount of stock options that are granted are based in part on the total compensation the Committee determines to provide to a named executive officer as well as the portion of any payout under the Senior Management Annual Incentive plan that the Committee determines to pay in the form of restricted shares.

**2007 Total Compensation Percentage**

	Base		Cash Incentive		Equity Incentive(3)	
	Salary	Bonus	Annual Incentive Plan(1)	Long-Term Incentive(2)	Stock Options	Restricted Shares
William J. Pulte	20%	0%	0%	0%	0%	80%
Richard J. Dugas, Jr.	10%	0%	0%	0%	49%	41%
Steven C. Petruska	12%	0%	0%	0%	42%	46%
Roger A. Cregg	14%	0%	0%	0%	39%	47%
Peter J. Keane	19%	19%	0%	0%	22%	40%

- (1) The award that could have been paid under the AIP as determined by the Committee was based on the Company's Actual 2007 Pre-Tax Income. For the year ended December 31, 2007, the Company's Actual 2007 Pre-Tax Income was negative and, as a result, no amounts were paid under the AIP with respect to 2007.
- (2) The award that could have been paid under the Long-Term Incentive Plan for the 2005-2007 performance period as determined by the Committee was based on the Company's earnings per share and return on equity performance objectives. The Company did not achieve such objectives and, as a result, no amounts will be paid under the Long-Term Incentive Plan with respect to the 2005-2007 performance period.
- (3) The percentages in these columns are based upon the dollar amount recognized for financial statement reporting purposes for the year ended December 31, 2007. See the 2007 Summary Compensation Table, notes (1) and (2) for further detail.





**Table of Contents**

*Compliance with Internal Revenue Code Section 162(m)*

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction to public companies for compensation over \$1 million paid to any covered employee under section 162(m), and provides that qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met.

We believe that stock options currently outstanding or subsequently granted under our existing stock option plans comply with the performance-based compensation exemption from the deduction limit of section 162(m). We intend to structure future stock option grants in a manner that complies with this exemption.

Because the Committee also recognizes the need to retain flexibility to make compensation decisions that may not meet section 162(m) standards when necessary to enable Pulte to continue to attract, retain and motivate highly-qualified executives, it reserves the authority to approve potentially non-deductible compensation in appropriate circumstances. For instance, the cash bonus paid to Mr. Keane and the restricted stock awards granted in 2008 to all the named executive officers are not exempt from the deduction limit of section 162(m) and, accordingly, the cash bonus award and the value of the restricted stock awards in the year such awards vest may not be fully deductible by the Company. Also, because of ambiguities and uncertainties as to the application and interpretation of section 162(m) and the regulations and guidance issued thereunder, no assurance can be given, notwithstanding our efforts, that compensation intended by us to satisfy the requirements for deductibility under section 162(m) does, in fact, do so.

*2008 Compensation Decisions*

The Board of Directors adopted the Pulte Homes, Inc. 2008 Senior Management Incentive Plan (the Incentive Plan ), subject to shareholder approval. If the proposed Incentive Plan is approved by shareholders, the Committee will provide both annual bonus incentives and long-term cash incentives under the Incentive Plan. The Committee, with the advice of its compensation consultant, recommended the proposed Incentive Plan to the Board of Directors in replacement of both the current annual cash bonus plan and the current long-term incentive plan in order to address the cyclical nature of Pulte's business by having the ability to utilize an expanded list of performance measures and to set performance goals annually to provide both annual and long-term incentives for Pulte's officers.

The Committee adopted the 2008 Annual Incentive Program (the Annual Program ) under the proposed Incentive Plan. Under the Annual Program, payment of awards to participating officers for performance during Pulte's fiscal year ending December 31, 2008 is subject to the attainment of specific performance goals. For each of our named executive officers, other than Mr. Keane, those performance goals are pre-tax income and cash flows from operations, with each such goal weighted equally in determining the named executive officer's incentive award under the Annual Program. Mr. Keane was granted two awards under the Annual Program having equal award opportunities. One award is based on corporate performance, with pre-tax income and cash flows from operations each being assigned a 50% weight. The other award is based on Mr. Keane's achievement of individual performance goals relating to marketing and sales effectiveness, customer relationship management and the execution of national sales events. For purposes of the Annual Program, pre-tax income excludes the impact of (i) land impairments, (ii) net realizable value impairments and forfeiture of pre-acquisition costs, (iii) gains on land sales below original basis, (iv) accounting changes, and (v) non-cash amortization. Cash flows

**Table of Contents**

from operations excludes tax refunds and payments. The degree of difficulty of achieving each of the performance goals is quite challenging in light of the significant downturn in the homebuilding industry.

The Committee also adopted the Long-Term Incentive Program (the LTI Program ) under the proposed Incentive Plan. Pursuant to the award opportunities granted under the LTI Program, payment of awards to participating officers for performance during Pulte's fiscal year ending December 31, 2008 is subject to the attainment of specific performance goals established by the Committee for such year. The payment of any award earned by a participant for Pulte's 2008 fiscal year based on the performance goals is conditioned upon the continued employment of the participant by Pulte until December 31, 2010 (subject to earlier vesting in specific circumstances), at which time the award will vest and become payable. For the fiscal year ending December 31, 2008, each participant was granted two awards under the LTI Program. For each of the named executive officers, one award is based on corporate performance and relates to cash flows from operations. The other award is based on the attainment of individual performance goals, which includes, depending on the named executive officer, achieving the 2008 business plan for earnings per share and incremental cash flows, achieving total shareholder return targets, achieving productivity, efficiency, customer satisfaction, expense management, employee retention and mortgage capture rate goals, achieving improved financial return ratios through effective capital structure management and the execution of national sales events. For each of our named executive officers, the award opportunity based on cash flows from operations comprises 70%, and the award opportunity based on individual performance comprises 30%, of the named executive officer's aggregate award opportunities under the two awards granted under the LTI Program. For purposes of the LTI Program, cash flows from operations excludes tax refunds and payments. As noted previously, based on the significant downturn in the homebuilding industry, the degree of difficulty of achieving each of the performance goals is quite challenging.

The table below sets forth the annual and long-term incentive award opportunities approved for each of our named executive officers.

<b>Named Executive Officer</b>	<b>Annual Incentive Award Opportunity(1)</b>		<b>Long-Term Incentive Award Opportunity(2)</b>	
William J. Pulte	0 to \$	5,500,000	0 to \$	3,000,000
Richard J. Dugas, Jr.	0 to \$	5,500,000	0 to \$	3,000,000
Steven C. Petruska	0 to \$	4,000,000	0 to \$	2,000,000
Roger A. Cregg	0 to \$	3,000,000	0 to \$	1,400,000
Peter J. Keane	0 to \$	1,350,000	0 to \$	650,000

- (1) Includes minimum to maximum potential payouts under the Annual Program of the award based on corporate performance and, for Mr. Keane, the awards based on corporate performance and individual performance. Such payouts may be made in cash, restricted shares or both.
- (2) The amount included under the LTI Program consists of the minimum to maximum cash payouts for the first three-year performance period. For the first year of such three-year period, the payout relates to both the award based on cash flows from operations and the award based on the achievement of individual performance goals. Actual payouts pursuant to the LTI Program will be made at the end of the performance period.



**Table of Contents**

Please see Proposal Two included elsewhere in this Proxy Statement as well as the text of the proposed plan, which is set forth in Appendix I to this Proxy Statement, for further information regarding the proposed plan.

**Compensation Committee Report**

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K and this Proxy Statement.

Bernard W. Reznicek, *Chair*

D. Kent Anderson

Patrick O Leary

John J. Shea

William B. Smith

**Table of Contents****2007 Summary Compensation Table**

The following table sets forth information concerning the compensation of our Chief Executive Officer, our Chief Financial Officer and our other three most highly compensated executive officers who served in such capacities during the fiscal year that ended December 31, 2007 (the named executive officers):

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value & Non-Deferred Earnings	All Other Compensation (\$)(4)	Total (\$)
							Non-Deferred Compensation (\$)(3)		
William J. Pulte Chairman	2007	\$ 1,000,000	\$ 0	\$ 4,021,517	\$ 0	\$ 0	\$ 0	\$ 60,914	