

PULTEGROUP INC/MI/  
Form DEF 14A  
April 04, 2016

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

**SCHEDULE 14A INFORMATION**

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

**PulteGroup, Inc.**

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(Name of Registrant as Specified in its Charter)

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

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- No fee required.
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**PULTEGROUP, INC.**

**3350 Peachtree Road NE, Suite 150**

**Atlanta, Georgia 30326**

**NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We will hold our annual meeting of shareholders at the Grand Hyatt Atlanta, 3300 Peachtree Road NE, Atlanta, Georgia, on May 4, 2016, at 4:00 p.m., Eastern Time. At this meeting, shareholders will vote on:

The election of the ten nominees for director named in this Proxy Statement to serve a term of one year.

The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm.

An advisory vote to approve executive compensation.

Approval of an amendment to extend the term of our amended and restated Section 382 rights agreement.

One shareholder proposal, if properly presented at the meeting.

Such other business as may properly come before the meeting.

You can vote if you were a shareholder of record at the close of business on March 10, 2016.

The Proxy Statement, the accompanying proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 are first being made available to shareholders on or about April 4, 2016.

We encourage you to vote promptly, whether or not you plan to attend the meeting. You may instruct us as to how you would like your shares to be voted via the internet or telephone. You may also sign and return the proxy card in the envelope provided. Instructions regarding these three methods of voting are contained on the proxy card.

By Order of the Board of Directors

STEVEN M. COOK

*Executive Vice President, Chief Legal Officer*

*and Corporate Secretary*

Atlanta, Georgia

April 4, 2016

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 4, 2016.**

The Company's Proxy Statement for the 2016 Annual Meeting of Shareholders and the Annual Report on Form 10-K to Shareholders for the fiscal year ended December 31, 2015 are available at: [www.proxyvote.com](http://www.proxyvote.com).

**PROXY STATEMENT**

The Board of Directors of PulteGroup, Inc. ( PulteGroup or the Company ) is soliciting proxies to be used at the annual meeting of shareholders to be held on May 4, 2016, at 4:00 p.m., Eastern Time, at the Grand Hyatt Atlanta, 3300 Peachtree Road NE, Atlanta, Georgia. In accordance with rules adopted by the Securities and Exchange Commission (the SEC ), the Company is making this Proxy Statement and the Company s Annual Report on Form 10-K ( Annual Report ) available to our shareholders electronically via the internet. This Proxy Statement, the accompanying proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 are first being made available to shareholders on or about April 4, 2016.

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

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

You are voting on five proposals:

1. The election of the ten nominees for director named in this Proxy Statement to serve a term of one year.
2. The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm.
3. An advisory vote to approve executive compensation.
4. Approval of an amendment to extend the term of our amended and restated Section 382 rights agreement.
5. A shareholder proposal requesting the election of directors by a majority, rather than plurality, vote, if properly presented at the meeting.

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

The Board of Directors recommends the following votes:

FOR the election of the ten nominees for director named in this Proxy Statement.

FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm.

FOR the proposal relating to the Company s executive compensation.

FOR the proposal approving an amendment to extend the term of our amended and restated Section 382 rights agreement.

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

***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 authorize a proxy to vote your shares and any other matter is properly brought before the meeting, Richard J. Dugas, Jr. and Steven M. Cook, 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 10, 2016 (the record date), you can give a proxy to be voted at the meeting either:

by mailing in the enclosed proxy card;

by written ballot at the meeting;

over the telephone by calling a toll-free number; or

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, Richard J. Dugas, Jr. and Steven M. Cook, acting as your proxies, will vote your shares FOR Items 1, 2, 3 and 4 and AGAINST Item 5.

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 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 provided or will provide voting instructions 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.

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

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

by submitting another proxy by telephone, via the internet or by mail that is later dated and, if by mail, that is properly signed;

by submitting written notice to the Corporate Secretary of the Company, which notice must be received by the Company by 5:00 p.m., Eastern Time, on May 3, 2016; or

by voting in person at the meeting.

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

The ten 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 ratification



of the appointment of Ernst & Young LLP as our independent registered public accounting firm, the advisory vote to approve executive compensation, the proposal to approve the amendment to extend the term of our amended and restated Section 382 rights agreement and the shareholder proposal each require the affirmative vote of a majority of the votes cast at the meeting. Although the advisory vote to approve executive compensation is non-binding, the Board of Directors will review the results of the vote and will take them into account in making a determination concerning executive compensation.

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

Broadridge Financial Solutions, Inc. will act as the independent tabulator to receive and tabulate the proxies.

***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 of your proxy cards. To provide better shareholder service, we encourage you to have all your shares registered in the same name and address. To facilitate this preference, you should contact your bank, broker, or intermediary where you would like the shares to be consolidated. They can assist you in the process of consolidating your accounts.

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

All shareholders of record as of the close of business on March 10, 2016 can attend. Registration will begin at 3:30 p.m., Eastern Time. Institutional or entity shareholders are allowed to bring one representative. 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 Grand Hyatt Atlanta, 3300 Peachtree Road NE, Atlanta, Georgia, on May 4, 2016 by 3:30 p.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 PulteGroup will be present at the registration desk to review and determine the validity of such documentation. **Only shareholders who own PulteGroup common shares as of the close of business on March 10, 2016 will be entitled to attend the meeting. An admission ticket or recent bank or brokerage statement will serve as verification of your ownership.**

If your PulteGroup shares are registered in your name, an admission ticket will be attached to your proxy card you receive by mail.

If your PulteGroup 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.

If your PulteGroup 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 PulteGroup shares on March 10, 2016.

For your comfort and security, no cameras (including cell phones and tablet devices with built-in cameras), recording devices or other electronic devices, packages, signage or costumes will be

permitted in the meeting room. We encourage you to leave any such items at home. We will not be responsible for any items checked at the door. Attendees (including their personal belongings) will be subject to security inspections.

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

On March 10, 2016, there were 346,383,194 shares issued and outstanding. A majority of the shares outstanding and entitled to vote at a meeting on March 10, 2016 constitutes a quorum for voting at the meeting. If your shares are present in person or by proxy, your shares will be part of the quorum. Each share you owned on the record date shall be entitled to one vote.

***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 ratify the appointment of Ernst & Young LLP, the advisory vote to approve executive compensation, the proposal to approve the amendment to extend the term of our amended and restated Section 382 rights agreement and with respect to the shareholder proposal, 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?***

Broker non-votes will be treated in the same manner, and have the same effect, as abstentions. 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. Brokers will lack discretionary voting authority with respect to the election of directors, the advisory vote to approve executive compensation, the proposal to approve the amendment to extend the term of our amended and restated Section 382 rights agreement and with respect to the shareholder proposal. Brokers will not lack discretionary voting authority with respect to the proposal to ratify the appointment of Ernst & Young LLP.

**BENEFICIAL SECURITY OWNERSHIP**

The table below shows the number of our common shares beneficially owned as of March 10, 2016 by each of our directors and each of our executive officers named in the Summary Compensation Table on page 47, 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 10, 2016, restricted shares and our common shares held in our 401(k) Plan.

		Exercisable	Percentage of
Directors and Named Executive Officers	Shares(1)	Stock Options(13)	Outstanding Shares
Brian P. Anderson	87,757(2)	28,000	*
Bryce Blair	95,482(3)	0	*
Richard W. Dreiling	21(4)	0	*
Richard J. Dugas, Jr.	1,171,889(5)	895,000	*
James R. Ellinghausen	371,354(6)	337,500	*
Thomas J. Folliard	53,804	0	*
Cheryl W. Grisé	74,857(7)	14,000	*
James Grosfeld	1,713,939(8)	0	*
André J. Hawaux	30,070	0	*
Debra J. Kelly-Ennis	93,212(9)	28,000	*
Ryan R. Marshall	66,039(10)	20,000	*
Patrick J. O'Leary	104,757(11)	28,000	*
Robert O. Shaughnessy	228,913	25,000	*
James J. Postl	113,136	0	*
Harmon D. Smith	241,207(12)	25,000	*
All Directors and Executive Officers as a group (17), including the above	4,675,223	1,678,625	1.83%

\* Less than 1%.

Notes:

- (1) All directors and executive officers listed in this table have sole voting and investment power over the shares they beneficially own, except as otherwise noted below.
- (2) Includes 3,000 shares that Mr. Anderson owns jointly with his wife.
- (3) These shares are owned in a trust of which Mr. Blair is the sole trustee and beneficiary.
- (4) These shares are owned in a trust of which Mr. Dreiling and his wife are both a trustee and beneficiary.
- (5) Includes (i) 69,800 shares that Mr. Dugas owns jointly with his wife; (ii) 1,042,857 shares owned in a trust of which Mr. Dugas is the trustee and beneficiary; (iii) 40,612 shares owned in a trust of which Mr. Dugas is a beneficiary; (iv) 18,414 shares held in our 401(k) Plan as of March 1, 2016; (v) 9 shares that are held in an Individual Retirement Account; and (vi) 206 shares held by his wife in an Individual Retirement Account.
- (6) Includes 371,354 shares owned in a trust of which Mr. Ellinghausen is the trustee and beneficiary.

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- (7) Includes 67,657 deferred share units which would be required by the Deferred Compensation Plan for Non-Employee Directors to be distributed within 60 days of Ms. Grisé's departure from the Board.

- (8) Includes shares held jointly, indirectly and/or in trust.
- (9) Includes (i) 92,012 shares that are owned in a trust of which Ms. Kelly-Ennis is a trustee and a beneficiary and (ii) 1,200 shares that are held in an Individual Retirement Account.
- (10) Includes (i) 63,661 shares owned in a trust of which Mr. Marshall is the trustee and beneficiary and (ii) 2,378 shares held in our 401(k) Plan as of March 1, 2016.
- (11) Includes 21,070 deferred share units which would be required by the Deferred Compensation Plan for Non-Employee Directors to be distributed within 60 days of Mr. O Leary's departure from the Board.
- (12) Includes 13,685 shares held in our 401(k) Plan as of March 1, 2016.
- (13) These are shares which the listed director or executive officer has the right to acquire within 60 days of March 10, 2016 pursuant to PulteGroup's stock option plans.

**Beneficial Ownership of Significant Shareholders**

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

Name and Address of Beneficial Owner	Beneficial Ownership of Common Shares	Percentage of Outstanding
		Common Shares on March 10, 2016
William J. Pulte 6515 Thomas Jefferson Court Naples, FL 34108	30,830,239(1)	8.90%
BlackRock, Inc. 55 East 52nd Street New York, NY 10022	27,408,043(2)	7.91%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	26,126,493(3)	7.54%
Wellington Management Group LLP 280 Congress Street Boston, MA 02210	22,116,642(4)	6.39%
FMR LLC 245 Summer Street Boston, MA 02210	21,412,259(5)	6.18%

Notes:

- (1) This information is derived from a Schedule 13D/A filed by Mr. Pulte on September 24, 2014. According to the Schedule 13D/A, Mr. Pulte had sole power to vote or direct the vote of 30,830,239 shares, sole power to dispose of or direct the disposition of 12,850,639 shares, shared power to vote or direct the vote of no shares, and shared power to dispose of or direct the disposition of 17,979,600 shares.

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- (2) This information is derived from a Schedule 13G/A filed by BlackRock, Inc. on February 10, 2016. According to the Schedule 13G/A, BlackRock, Inc. had sole power to vote or direct the vote of 24,511,049, sole power to dispose of or direct the disposition of 27,408,043 shares, and shared power to vote or direct the vote of, and shared power to dispose of or direct the disposition of, no shares.
- (3) This information is derived from a Schedule 13G/A filed by The Vanguard Group on February 10, 2016. According to the Schedule 13G/A, The Vanguard Group had sole power to vote or direct the vote of 598,302 shares, sole power to dispose of or direct the disposition of 25,498,198 shares, shared power to vote or direct the vote of 30,900 shares and shared power to dispose of or direct the disposition of 628,295 shares.
- (4) This information is derived from a Schedule 13G/A filed by Wellington Management Group LLP on February 11, 2016. The reporting entities that are included in the Schedule 13G/A include Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP and Wellington Management Company LLP. According to the Schedule 13G/A, Wellington Management Group LLP had sole power to vote or direct the vote of, and sole power to dispose of or direct the disposition of, no shares, shared power to vote or direct the vote of 14,932,974 shares and shared power to dispose of or direct the disposition of 22,116,642 shares.

- (5) This information is derived from a Schedule 13G filed by FMR LLC on February 12, 2016. According to the Schedule 13G, FMR LLC had sole power to vote or direct the vote of 107,616 shares, sole power to dispose of or direct the disposition of 21,412,259 shares, and shared power to vote or direct the vote of, and shared power to dispose of or direct the disposition of, no 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 (the Exchange Act ). 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. Persons who own more than 10% of our common shares must also file reports with the SEC.

Based on these reports and representations, PulteGroup believes that during 2015 our directors, executive officers and greater than 10% stockholders complied with all Section 16(a) reporting requirements, except that Blair Bryce, one of our directors, filed a late Form 4 due to an administrative error.

**PROPOSAL ONE****ELECTION OF DIRECTORS**

Our Restated Articles of Incorporation, as amended, require that we have at least three, but no more than 15, directors. The exact number of directors is set by the Board of Directors and is currently eleven. All directors will be elected on an annual basis for one-year terms. The eleven directors comprising the Board of Directors, all of whose terms are expiring at the 2016 annual meeting, are Brian P. Anderson, Bryce Blair, Richard W. Dreiling, Richard J. Dugas, Jr., Thomas J. Folliard, Cheryl W. Gris , James Grosfeld, Andr  J. Hawaux, Debra J. Kelly-Ennis, Patrick J. O'Leary and James J. Postl. The ten directors listed below are the nominees to serve a one-year term expiring at the 2017 annual meeting and each has agreed to serve the one-year term for which they have been nominated, if elected. Please see below for a description of the occupations and recent business experience of all director nominees. Mr. Dreiling was recommended to the Nominating and Governance Committee by a third-party search firm, and was appointed to the Board of Directors on December 2, 2015. Subsequent to the filing of the Company's Preliminary Proxy Statement, the Company's Board of Directors determined not to nominate James Grosfeld to stand for election as a Director at the Company's Annual Meeting of Shareholders for a number of reasons, including as a result of differing points of view between Mr. Grosfeld and the other independent directors over succession planning and other business strategy matters. In addition, the specific experience, qualifications, attributes or skills that led the Nominating and Governance Committee to the conclusion that each of the director nominees should serve as a director of the Company are included in the descriptions below.

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 of Directors. The Nominating and Governance Committee, which is comprised exclusively of independent directors, will consider the resignation and recommend to the Board of Directors whether to accept the tendered resignation or reject it. The Board of Directors will act upon the Nominating and Governance Committee's recommendation no later than the first regularly scheduled meeting of the Board of Directors following certification of the Majority Withheld Vote. The action taken by the Board of Directors 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.pultegroupinc.com](http://www.pultegroupinc.com).

***Nominees to Serve a One-Year Term Expiring at the 2017 Annual Meeting*****Brian P. Anderson**

*Age:* 65

*Director since:* 2005

*Principal Occupation:* Former Chief Financial Officer of OfficeMax Incorporated

*Recent Business Experience:* Mr. Anderson is the former Executive Vice President of Finance and Chief Financial Officer of OfficeMax Incorporated, a distributor of business-to-business and retail office products. Prior to assuming this position in 2004, Mr. Anderson was Senior Vice President and Chief Financial Officer of Baxter International Inc., a global diversified medical products and services company, a position he assumed in 1998.



*Outside Directorships (Last Five Years):* Mr. Anderson currently serves as a member of the board of directors of W.W. Grainger, Inc., A.M. Castle & Co. (Chairman) and James Hardie Industries.

*Qualifications:* The specific experience, qualifications, attributes or skills that led the Nominating and Governance Committee to conclude that Mr. Anderson should serve as a director in light of our business and structure include his significant experience as a chief financial officer of two large multinational companies and as a director of several large public companies. In addition, he has held finance positions including corporate controller and vice president of audit and was an audit partner at an international public accounting firm. Mr. Anderson has significant experience in the preparation and review of complex financial reporting statements as well as experience in risk management and risk assessment. Mr. Anderson also brings to the Board of Directors meaningful experience based on his service as the former Lead Director of W.W. Grainger, Inc. and Chairman of A.M. Castle & Co. Mr. Anderson is an audit committee financial expert for purposes of the SEC's rules.

**Bryce Blair**

*Age:* 57

*Director since:* 2011

*Principal Occupation:* Former Chairman of the Board and Former Chief Executive Officer, AvalonBay Communities, Inc.

*Recent Business Experience:* Mr. Blair has served as executive chairman of the board of directors of Invitation Homes, a company offering rental homes nationwide, since November 3, 2014. Mr. Blair served as Chairman of the board of directors of AvalonBay Communities, Inc., a publicly-traded multifamily real estate investment trust, from January 2002 through May 2013. In addition, Mr. Blair served in a number of senior leadership positions with AvalonBay Communities, Inc., including Chief Executive Officer from February 2001 through December 2011, President from September 2000 through February 2005 and Chief Operating Officer from February 1999 to February 2001. Mr. Blair is also a past member of the National Association of Real Estate Investment Trusts, where he served as Chairman and was on the Executive Committee and the Board of Governors, and the Urban Land Institute, where he is past Chairman of the Multifamily Council and is a past Trustee.

*Outside Directorships (Last Five Years):* Mr. Blair currently serves as executive chairman of the board of directors of Invitation Homes, serves on the board of directors of Regency Centers Corporation and previously served as the chairman of the board of directors of AvalonBay Communities, Inc.

*Qualifications:* The specific experience, qualifications, attributes or skills that led the Nominating and Governance Committee to conclude that Mr. Blair should serve as a director in light of our business and structure include his substantial experience in real estate development and investment, including having spent over ten years as chairman and chief executive officer of a public real estate investment trust. In addition, in his former role as chief executive officer of AvalonBay Communities, Inc., Mr. Blair was responsible for day to day operations and he was regularly involved in the preparation and review of complex financial reporting statements. Mr. Blair also brings to the Board of Directors meaningful experience based on his service on the board of directors of AvalonBay Communities, Inc., Invitation Homes and Regency Centers Corporation.

**Richard W. Dreiling**

*Age:* 62

*Director since:* 2015

*Principal Occupation:* Former Chairman of the Board and Chief Executive Officer of Dollar General Corporation

*Recent Business Experience:* Mr. Dreiling served as Chief Executive Officer of Dollar General Corporation, the nation's largest small-box discount retailer, from January 2008 through June 2015, and served as its chairman of the board of directors through January 2016. Prior to 2008, Mr. Dreiling served as Chief Executive Officer, President and a director of Duane Reade Holdings, Inc. and Duane Reade Inc., the largest drugstore chain in New York City, from November 2005 until January 2008, and as chairman of the board of Duane Reade from March 2007 until January 2008. Earlier in his career, Mr. Dreiling held executive positions with Longs Drug Stores Corporation and Safeway, Inc.

*Outside Directorships (Last Five Years):* Mr. Dreiling currently serves as a director of Lowe's Companies, Inc. and Aramark Corporation, and as chairman of the Retail Industry Leaders Association (RILA). Mr. Dreiling previously served as chairman of the board of directors of Dollar General Corporation.

*Qualifications:* The specific experience, qualifications, attributes or skills that led the Nominating and Governance Committee to conclude that Mr. Dreiling should serve as a director in light of our business and structure include his service as a director of other large, consumer-focused companies. In addition, in his former roles as chief executive officer, Mr. Dreiling was responsible for day to day operations and was regularly involved in the preparation and review of complex financial reporting statements. Mr. Dreiling's experience of overseeing the marketing and distribution functions of retail companies provides an in-depth understanding of PulteGroup's customers' needs and adds a valuable perspective for Board decision making. Mr. Dreiling also brings to the Board of Directors meaningful experience based on his service on the board of directors of Dollar General Corporation, Lowe's Companies, Inc. and Aramark Corporation.

**Richard J. Dugas, Jr.**

*Age:* 50

*Director since:* 2003

*Principal Occupation:* Chairman and Chief Executive Officer, PulteGroup, Inc.

*Recent Business Experience:* Mr. Dugas has served as Chairman of the Board of Directors of PulteGroup, Inc. since August 18, 2009 and as Chief Executive Officer since July 1, 2003. He also served as President from July 2003 to February 2016. Prior to that, he served as Chief Operating Officer of PulteGroup from May 2002 through June 2003. Mr. Dugas previously served in various management positions with PulteGroup since 1994, including, most recently, Coastal Region President with responsibility for the Georgia, North Carolina, South Carolina and Tennessee operations.

*Qualifications:* The specific experience, qualifications, attributes or skills that led the Nominating and Governance Committee to conclude that Mr. Dugas should serve as a director in light of our business and structure include the insight he brings to the Board of Directors from his 21-year tenure at PulteGroup, including more than twelve years as President and Chief Executive Officer. Mr. Dugas' many years of experience as the Chief Executive Officer of the Company provides an in-depth understanding of PulteGroup's history and complexity and adds a valuable perspective for Board decision making.

**Thomas J. Folliard**

*Age:* 51

*Director since:* 2012

*Principal Occupation:* President and Chief Executive Officer of CarMax, Inc.

*Recent Business Experience:* Mr. Folliard has served as President and Chief Executive Officer of CarMax since 2006. He joined CarMax in 1993 as the senior buyer and became the director of purchasing in 1994. Mr. Folliard was promoted to vice president of merchandising in 1996, senior vice president of store operations in 2000 and executive vice president of store operations in 2001. In February 2016 CarMax, Inc. announced that Mr. Folliard would retire as Chief Executive Officer prior to the end of 2016.

*Outside Directorships (Last Five Years):* Mr. Folliard currently serves as a member of the board of directors of CarMax, Inc. and DAVIDsTEA Inc.

*Qualifications:* The specific experience, qualifications, attributes or skills that led the Nominating and Governance Committee to conclude that Mr. Folliard should serve as a director in light of our business and structure include his experience as Chief Executive Officer of a large, consumer-focused public company. In connection with that role, Mr. Folliard has extensive experience in operational matters and business strategy, which adds a valuable perspective for the Board's decision making. Mr. Folliard also brings to the Board of Directors meaningful experience based on his service on the board of directors of CarMax, Inc. and DAVIDsTEA Inc. Mr. Folliard is an audit committee financial expert for purposes of the SEC's rules.

**Cheryl W. Grisé**

*Age:* 63

*Director since:* 2008

*Principal Occupation:* Former Executive Vice President of Northeast Utilities (now Eversource Energy)

*Recent Business Experience:* Ms. Grisé 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; and Senior Vice President, Secretary and General Counsel of Northeast Utilities from 1998 to 2001. Ms. Grisé is a Senior Fellow of the American Leadership Forum.

*Outside Directorships (Last Five Years):* Ms. Grisé currently serves as a member of the board of directors of MetLife, Inc. (Lead Director) and ICF International, and previously served as a member of the board of directors of Dana Corporation and Pall Corporation.

*Qualifications:* The specific experience, qualifications, attributes or skills that led the Nominating and Governance Committee to conclude that Ms. Grisé should serve as a director in light of our business and structure include her significant experience based on her service as a director of several large public corporations and as a former executive officer of a public utility holding company. Ms. Grisé's substantial experience, including earlier experience as general counsel and secretary, provide her with a unique perspective on the complex legal, compensation, and other issues that affect companies in regulated industries and the Board's roles and responsibilities with respect to the effective functioning of the Company's corporate governance structures. Ms. Grisé also brings to the Board of Directors meaningful experience based on her service as Lead Director of MetLife, Inc. and her service on the board of directors of several other public companies.

**André J. Hawaux**

*Age:* 55

*Director since:* 2013

*Principal Occupation:* Executive Vice President and Chief Operating Officer, Dick's Sporting Goods, Inc.

*Recent Business Experience:* Mr. Hawaux joined Dick's Sporting Goods in June 2013 as Executive Vice President, Finance Administration and Chief Financial Officer and currently serves as its Executive Vice President and Chief Operating Officer. Mr. Hawaux served as president of the Consumer Foods business of ConAgra Foods, Inc. from 2009 until May 2013. He joined ConAgra Foods as executive vice president and chief financial officer in 2006, and prior to ConAgra Foods, he served as general manager of a large U.S. division of PepsiAmericas. Mr. Hawaux also previously served as chief financial officer for Pepsi-Cola North America and Pepsi International's China business unit.

*Outside Directorships (Last Five Years):* Mr. Hawaux previously served as a member of the board of directors of The Timberland Company.

*Qualifications:* The specific experience, qualifications, attributes or skills that led the Nominating and Governance Committee to conclude that Mr. Hawaux should serve as a director in light of our business and structure include his significant experience serving as a senior officer of several corporations, including as executive vice president and chief financial officer of a large, consumer-focused public company. In connection with that role, Mr. Hawaux has extensive experience in operational matters and business strategy, which adds a valuable perspective for the Board's decision making. In addition, Mr. Hawaux has significant experience in the preparation and review of complex financial reporting statements as well as experience in risk management and risk assessment, and is an audit committee financial expert for purposes of the SEC's rules. Mr. Hawaux also brings to the Board of Directors meaningful experience based on his service on the board of directors of The Timberland Company.

**Debra J. Kelly-Ennis**

*Age:* 59

*Director since:* 1997

*Principal Occupation:* Former President and CEO, Diageo Canada, Inc.

*Recent Business Experience:* Ms. Kelly-Ennis served as President and Chief Executive Officer of Diageo Canada, Inc., a subsidiary of Diageo plc, a global spirits, wine and beer company, from September 2008 until June 2012. She served as Chief Marketing Officer of Diageo North America, Inc., another subsidiary of Diageo plc., from April 2005 to September 2008. Ms. Kelly-Ennis also held marketing, sales and general management positions with RJR/Nabisco, Inc., The Coca-Cola Company, General Motors Corporation and Grand Metropolitan PLC.

*Outside Directorships (Last Five Years):* Ms. Kelly-Ennis currently serves as a member of the board of directors of Altria Group, Inc., Carnival Corporation & plc and Dress for Success Worldwide (emeritus), and previously was a member of the board of directors of Hertz Global Holdings, Inc.

*Qualifications:* The specific experience, qualifications, attributes or skills that led the Nominating and Governance Committee to conclude that Ms. Kelly-Ennis should serve as a director in light of our business and structure include her significant experience as an executive with several large, consumer-focused companies in multiple industries. In addition, Ms. Kelly-Ennis's significant amount of marketing and distribution experience provides an in-depth understanding of PulteGroup's customers' needs and adds a valuable perspective for Board decision making. Ms. Kelly-Ennis also brings to the Board of Directors meaningful experience based on her service on the boards of directors of Altria Group, Inc., Hertz Global Holdings, Inc. and Carnival Corporation & plc.

**Patrick J. O Leary**

*Age:* 58

*Director since:* 2005

*Principal Occupation:* Former Executive Vice President and Chief Financial Officer of SPX Corporation

*Recent Business Experience:* Mr. O Leary served as Executive Vice President and Chief Financial Officer of SPX Corporation, a global industrial and technological services and products company, from December 2004 until August 2012, when he retired. Prior to that time, he served as Chief Financial Officer and Treasurer of SPX Corporation from October 1996 to December 2004.

*Outside Directorships (Last Five Years):* Mr. O Leary currently serves as a member of the board of directors of Halyard Health, Inc. and is chairman of the board of directors of SPX Corporation.

*Qualifications:* The specific experience, qualifications, attributes or skills that led the Nominating and Governance Committee to conclude that Mr. O Leary should serve as a director in light of our business and structure include his significant experience as a chief financial officer of a large multinational corporation. In addition, Mr. O Leary has significant experience in the preparation and review of complex financial reporting statements and is an audit committee financial expert for purposes of the SEC's rules. Mr. O Leary also brings to the Board of Directors meaningful experience based on his service on the board of directors of Halyard Health, Inc. and as chairman of the board of directors of SPX Corporation.

**James J. Postl**

*Age:* 70

*Director since:* 2009

*Principal Occupation:* Former President and Chief Executive Officer of Pennzoil-Quaker State Company

*Recent Business Experience:* Mr. Postl retired as president and chief executive officer of Pennzoil-Quaker State Company following its acquisition by Shell Products U.S. in October 2002. He joined Pennzoil in October 1998, prior to the formation of Pennzoil-Quaker State Company in December 1998, when he was named president and chief operating officer and was elected to the board of directors of the new company. In May 2000, he was named president and chief executive officer. Prior to joining Pennzoil-Quaker State, he served as president of Nabisco Biscuit Company from 1996 and was president and chief executive officer of Nabisco International from 1994 to 1996. Prior to joining Nabisco, he held a variety of management positions with PepsiCo, Inc. over a 19-year period.

*Outside Directorships (Last Five Years):* Mr. Postl currently serves as a member of the board of directors of American Funds, and previously served as a member of the board of directors of Cooper Industries, Ltd.

*Qualifications:* The specific experience, qualifications, attributes or skills that led the Nominating and Governance Committee to conclude that Mr. Postl should serve as a director in light of our business and structure include his significant experience serving as an executive officer of several corporations and as a director of several public corporations. Mr. Postl has substantial experience in operational matters, having served as president and chief executive officer of several corporations and large business divisions. Mr. Postl also brings to the Board of Directors significant public company management experience, having served as president and chief executive officer of Pennzoil-Quaker State Company, a large public company. Mr. Postl also brings to the Board of Directors meaningful experience based on his service on the board of directors of American Funds and Cooper Industries, Ltd.

***The Board of Directors recommends that shareholders vote FOR the election of these ten nominees.***

If a nominee is unable to stand for election, the Board of Directors may reduce the number of directors or choose a substitute. If the Board of Directors 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 of Directors 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.

**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 of Directors 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:

has not been an employee of the Company for at least three years;

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;

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 \$120,000 in direct compensation from the Company for such employment;

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 internal or external audit within that time;

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 personally works on the Company's internal or external audit or (iii) was within the past three years a partner or employee of such a firm and personally worked on the Company's audit within that time;

has not received, and has no immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company (other than in his or her capacity as a member of the Board of Directors);

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;

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

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 of Directors considered all relevant facts and circumstances in assessing director independence and affirmatively determined that Brian P. Anderson, Bryce Blair, Richard W. Dreiling, Thomas J. Folliard, Cheryl W. Gris , James Grosfeld, Andr  J. Hawaux, Debra J. Kelly-Ennis, Patrick J. O'Leary and James J. Postl are independent within the meaning of the Company's categorical standards and the NYSE listing standards. The Board of Directors further determined that Richard J. Dugas, Jr., who is a current PulteGroup employee, is not independent within the meaning of the Company's categorical standards and the NYSE listing standards.

**Board Qualifications**

In addition to the individual attributes of each of the directors described above, PulteGroup highly values the collective experience and qualifications of the directors. PulteGroup believes that the collective experiences, viewpoints and perspectives of its directors results in a Board with the commitment and energy to advance the interests of PulteGroup's shareholders.



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**COMMITTEES OF THE BOARD OF DIRECTORS**

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

Director Name	Audit Committee	Compensation and	Nominating and	Finance
		Management		and
		Development	Governance	Investment
		Committee	Committee	Committee
Brian P. Anderson	X*		X	
Bryce Blair		X		X*
Richard W. Dreiling		X	X	
Richard J. Dugas, Jr.				X
Thomas J. Folliard	X			X
Cheryl W. Gris�		X	X*	
James Grosfeld				X
Andr� J. Hawaux	X			X
Debra J. Kelly-Ennis	X		X	
Patrick J. O'Leary		X*		X
James J. Postl**		X	X	

\* Chair

\*\* Lead Director

**Audit Committee**

The Audit Committee met eight (8) times in 2015. The Audit Committee represents and assists the Board of Directors with the oversight of the integrity of the Company's financial statements and internal controls, the performance of the Company's internal audit function, the annual independent audit of the Company's financial statements and the independent auditor's engagement, qualifications and independence, the Company's compliance with legal and regulatory requirements, and the evaluation of certain enterprise risk issues.

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 approving 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 applicable NYSE and SEC rules and financially literate as defined by the NYSE rules, and that Brian P. Anderson, Thomas J. Folliard and Andr  J. Hawaux are audit committee financial experts for purposes of the SEC's rules.

### **Compensation and Management Development Committee**

The Compensation and Management Development Committee met five (5) times in 2015. The Compensation and Management Development 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, reviews the Company's leadership development programs and initiatives, and discusses performance, leadership development and succession planning for key officers with the Chairman of the Board, President and Chief Executive Officer, as appropriate. The Board of Directors has determined that each of the members of the Compensation and Management Development Committee is independent within the meaning of the Company's categorical standards and the NYSE rules.

Mr. Patrick J. O'Leary is the Chair of the Compensation and Management Development Committee. Mr. O'Leary works with Mr. James R. Ellinghausen, the Company's Executive Vice President, Human Resources, to establish meeting agendas and determine whether any members of PulteGroup's management or outside advisors should attend meetings. The Compensation and Management Development Committee also meets regularly in executive session. At various times during the year at the request of the Compensation and Management Development Committee, Mr. Robert T. O'Shaughnessy, our Executive Vice President and Chief Financial Officer, may attend Compensation and Management Development Committee meetings, or portions of Compensation and Management Development Committee meetings, to provide the Compensation and Management Development Committee with information regarding the Company's operational performance, financial performance, or other topics requested by the Compensation and Management Development Committee to assist it in making its compensation decisions.

The Chairman of the Board, President and Chief Executive Officer, Mr. Richard J. Dugas, Jr., annually reviews the performance of each member of senior management (other than Mr. Dugas, whose performance is reviewed by the Compensation and Management Development Committee). Recommendations based on these reviews, including salary adjustments, annual bonuses, long-term incentives and equity grants, are presented to the Compensation and Management Development Committee. Decisions regarding salary adjustments, annual bonuses, long-term incentives and equity grants for Mr. Dugas are made by the Compensation and Management Development Committee. All decisions for 2015 made with respect to the executives listed in the Summary Compensation Table were made after deliberation with Mr. Dugas.

The Compensation and Management Development Committee is also responsible for overseeing the development of the Company's succession plan for the Chairman of the Board, President and Chief Executive Officer and other key members of senior management, as well as the Company's leadership development programs.

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

The Compensation and Management Development Committee has the authority to engage its own outside compensation consultant and any other advisors it deems necessary. Since 2003, the Compensation and Management Development Committee has engaged Pearl Meyer & Partners to act as its independent consultant. The consultant regularly provides the Compensation and Management Development Committee with information regarding market compensation levels, general compensation trends and best practices. The Compensation and Management Development

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 and Management Development Committee, although the consultant may communicate with members of management, as appropriate, to gather data and prepare analyses as requested by the Compensation and Management Development Committee. During 2015, the Compensation and Management Development Committee asked Pearl Meyer to review market data and advise the Committee on setting executive compensation and the competitiveness and reasonableness of the Company's executive compensation program; review and advise the Compensation and Management Development Committee regarding the Company's pay for performance, equity grant and dilution levels, each as relative to the Company's peers; review and advise the Compensation and Management Development Committee regarding regulatory, disclosure and other technical matters; and review and advise the Compensation and Management Development Committee regarding the Company's compensation risk assessment procedures. The Compensation and Management Development Committee also asked Pearl Meyer to provide opinions on named executive officer pay decisions.

In 2015, Pearl Meyer did not provide any other services to the Company. The Compensation and Management Development Committee assessed the independence of Pearl Meyer pursuant to SEC rules and concluded that Pearl Meyer's work for the Compensation and Management Development Committee does not raise any conflict of interest.

The Compensation and Management Development Committee has determined that Pearl Meyer & Partners is independent because it does not work for us other than that requested by the Compensation and Management Development Committee. The Chairman of the Compensation and Management Development Committee reviews the consultant's invoices, which are paid by the Company.

#### **Nominating and Governance Committee**

The Nominating and Governance Committee met four (4) times in 2015. The Nominating and Governance Committee is responsible for matters related to the governance of the Company and for developing and recommending to the Board of Directors the criteria for Board membership, the selection of new Board members, and the assignment of directors to the committees of the Board of Directors. The Nominating and Governance Committee assures that a regular evaluation is conducted of the performance, qualifications, and integrity of the Board of Directors and the committees of the Board. Please see [Corporate Governance Board Assessments](#) for further information regarding the regular evaluations. The Nominating and Governance Committee also reviews and makes recommendations with respect to the compensation of members of the Board of Directors. The Nominating and Governance Committee is also responsible for reviewing the Company's Environmental Health & Safety Policies, and assessing and monitoring the Company's Enterprise Risk Management Program. 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 and Investment Committee**

The Finance and Investment Committee met seven (7) times in 2015. The Finance and Investment Committee reviews all aspects of the Company's policies that relate to the management of the Company's financial affairs. The Finance and Investment Committee also reviews the Company's long-term strategic plans and annual budgets, capital commitments budget, and the Company's cash needs and funding plans.

**Board Meeting Information**

The Board of Directors held a total of six (6) meetings in 2015. During 2015, each director attended at least 75% of the aggregate number of meetings of the Board of Directors and of the committees on which such director served that were held during the period that such director served as a member of the Board of Directors and as a member of such committees.

PulteGroup 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, PulteGroup held regularly scheduled executive sessions of its non-management directors without management participation. In addition, in 2016, PulteGroup will hold at least one executive session of its non-management directors without the participation of management. James J. Postl, our Lead Director, presides at these executive sessions.

### 2015 DIRECTOR COMPENSATION

The table below shows compensation for the Company's non-employee directors for the fiscal year ended December 31, 2015. Richard J. Dugas, Jr. our Chairman of the Board, President and Chief Executive Officer, receives no compensation for his services as a director of the Company. The compensation received by Mr. Dugas as an employee of the Company is shown in the 2015 Summary Compensation Table set forth in this Proxy Statement.

Name	Fees Earned				
	or Paid	Share	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
	in Cash	Awards			
(1)	(2)				(3)
Brian P. Anderson	\$ 120,000	\$ 140,010	\$	\$	\$ 260,010
Bryce Blair	\$ 120,000	\$ 140,010	\$	\$	\$ 260,010
Richard W. Dreiling(4)	\$ 23,750	\$	\$	\$	\$ 23,750
Thomas J. Folliard	\$ 95,000	\$ 140,010	\$	\$	\$ 235,010
Cheryl W. Grisé	\$ 120,000	\$ 140,010	\$	\$	\$ 260,010
James Grosfeld(4)	\$ 23,750	\$	\$	\$	\$ 23,750
André J. Hawaux	\$ 95,000	\$ 140,010	\$	\$	\$ 235,010
Debra J. Kelly-Ennis	\$ 95,000	\$ 140,010	\$ 3,349	\$	\$ 238,359
Patrick J. O'Leary	\$ 120,000	\$ 140,010	\$ 679	\$	\$ 260,689
James J. Postl	\$ 120,000	\$ 140,010	\$	\$	\$ 260,010

- (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 lead director fees.
- (2) The amounts reported in this column are valued based on the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation ( FASB ASC Topic 718 ). Assumptions used in the calculation of these amounts are included in note 8 to the Company's audited financial statements included in our Annual Report. On May 6, 2015, the then-serving directors received their annual equity grant of 7,204 shares, which represents \$140,000 divided by the average of the high and low share price on the date of grant. The amounts reported in this column for Ms. Grisé and Mr. O'Leary represent the value of share units deferred under the PulteGroup, Inc. Deferred Compensation Plan for Non-Employee Directors. The share units consist of fully vested deferred share units that are settled in common shares and may be subject to a deferral election consistent with Internal Revenue Code Section 409A.
- (3) As of December 31, 2015, each individual serving as an outside director during 2015 had the following number of deferred share units and stock options:

Director	Deferred Share Units	Options
Brian P. Anderson		28,000
Bryce Blair		
Richard W. Dreiling		
Thomas J. Folliard		
Cheryl W. Grisé	67,657	14,000
James Grosfeld		
Debra J. Kelly-Ennis		28,000
André J. Hawaux		
Patrick J. O'Leary	21,070	28,000
James J. Postl		

- (4) On December 2, 2015, Messrs. Dreiling and Grosfeld were appointed as members of the Company's Board of Directors.



### **Director Compensation**

The Nominating and Governance Committee reviews the compensation of the Company's non-employee directors. For 2015, the Nominating and Governance Committee did not make any changes to the non-employee director compensation program. During 2015, non-employee directors received the following compensation for service as members of the Board of Directors and as members of Board committees:

Annual Board membership fee of \$95,000 in cash;

Committee chair retainer fee of \$25,000 in cash;

Lead Director retainer fee of \$25,000 in cash; and

Annual Equity Retainer Fee of \$140,000 in common shares (the number of common shares determined by dividing \$140,000 by the average of the high and low share price on the date of grant).

For their service during 2015, Messrs. Dreiling and Grosfeld received prorated annual cash retainer fees and did not receive an annual equity grant.

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

In 2015, non-employee directors were entitled to defer all or a portion of their cash and equity compensation. Deferred cash payments were credited with interest at a rate equal to the five year U.S. treasury rate, plus 2%. Under the Deferred Compensation Plan for Non-Employee Directors, the payment of director fees may be deferred for up to eight years, and directors may elect to receive their deferred fees in a lump sum or in equal annual installments over a period not to exceed eight years. In the event of the director's departure either before or after the commencement of a deferral period, such director's deferred fees will be paid in a lump sum payment. Under the terms of the plan, all deferred equity will be distributed to the director upon his or her departure from the Board.

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

### ***Equity Ownership Guidelines***

Each member of the Board of Directors is expected to maintain an equity investment in the Company equal to at least three times the annual cash retainer, which must be achieved within five years of the director's initial election to the Board. The holdings that may be counted toward achieving the equity investment guidelines include outstanding stock awards or units, shares obtained through stock option exercises, shares owned jointly with or separately by the director's spouse and shares purchased on the open market. Outstanding stock options do not count toward achieving the equity investment guidelines. As of March 10, 2016, all members of the Board of Directors have met or, within the applicable period, are expected to meet, these share ownership guidelines.

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## CORPORATE GOVERNANCE

### **Governance Guidelines; Code of Ethical Business Conduct; Code of Ethics**

The Board of Directors has adopted Corporate Governance Guidelines, which reflect the principles by which PulteGroup operates. The guidelines address an array of governance issues and principles including: director independence, committee independence, management succession, annual Board of Directors evaluation, periodic director evaluation, director share ownership, director nominations, director age limitations, role of the Lead Director, and executive sessions of the independent directors. PulteGroup's Governance Guidelines are available for viewing on our website at [www.pultegroupinc.com](http://www.pultegroupinc.com). The Board of Directors also has adopted a Code of Ethical Business Conduct, 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 Code of Ethical Business Conduct 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.

### **Board Leadership**

Our Corporate Governance Guidelines contemplate that the independent directors will annually designate one of the independent directors to serve as Lead Director for a one-year term. While the Lead Director will be designated annually by the independent directors, in order to provide consistency and continuity, it is generally expected that he or she will serve for more than one year. As noted above, Mr. Postl currently serves as Lead Director. The Lead Director works with the Chairman and Chief Executive Officer to ensure that the Board of Directors discharges its responsibilities, has procedures in place to enable it to function independently of management and clearly understands the respective roles and responsibilities of the Board of Directors and management. In addition, the Lead Director's duties include convening and chairing regular executive session meetings of the non-management directors and, as appropriate, providing prompt feedback to the Chairman and Chief Executive Officer; coordinating and developing the agenda for executive sessions of the independent directors; convening meetings of the independent directors if necessary; coordinating feedback to the Chairman and Chief Executive Officer on behalf of the independent directors regarding business issues and management; providing final approval, after consultation with the Chairman and Chief Executive Officer, as to the agendas for meetings of the Board of Directors and informational needs associated with those agendas and presentations; performing such other duties as may be necessary for the Board of Directors to fulfill its responsibilities or as may be requested by the Board of Directors as a whole, by the non-management directors, or by the Chairman of the Board; in the absence of the Chairman of the Board, acting as chair of meetings of the Board of Directors; serving as the designated spokesperson for the Board of Directors when it is appropriate for the Board of Directors to comment publicly on any matter; and being available for consultation and direct communication if requested by the Company's major shareholders. The Board of Directors believes that having a combined Chairman and Chief Executive Officer and an independent Lead Director having significant and well-defined responsibilities as described above enhances the Chairman and Chief Executive Officer's ability to provide insight and direction on important strategic initiatives to both management and the independent directors and, at the same time, ensures that the appropriate level of independent oversight is applied to all decisions of the Board of Directors, and accordingly facilitates the overall functioning of the Board of Directors.

### **Board Role in Risk Oversight**

The Board of Directors' involvement in risk oversight includes both formal and informal processes and involves the Board of Directors and committees of the Board of Directors.



On an annual basis, the Board of Directors or selected committees of the Board of Directors undertakes a formal enterprise risk assessment during which the principle risks facing PulteGroup and associated responses are evaluated. In addition to the formal assessment, the Board of Directors and committees of the Board of Directors are also involved in risk oversight on a more informal basis at regular Board of Directors and committee meetings. The Audit Committee receives materials on a frequent basis to address the identification and status of risks to the Company, including financial risks, litigation claims and risks and cybersecurity risks. At meetings of the full Board of Directors, these risks are identified to Board members, and the Chairman of the Audit Committee reports on the activities of the Audit Committee regarding risk analysis. In addition, two times per year, the Audit Committee receives a report from PulteGroup's Ethics Committee regarding current hotline activities and associated responses. The other committees of the Board of Directors also consider and address risk as they perform their respective responsibilities, and such committees report to the full Board of Directors from time to time as appropriate, including whenever a matter rises to the level of a material or enterprise level risk. The Board of Directors also receives regular financial and business updates from senior management, which involve detailed reports on financial and business risks facing PulteGroup when applicable.

### **Board Assessments**

Each year, the Nominating and Governance Committee leads a confidential assessment process under which our Board of Directors and its committees conduct self-evaluations. Additionally, every other year, the Nominating and Governance Committee leads a confidential assessment process under which each individual director completes a self-assessment.

*Board evaluation* Each year, the Board of Directors and the Nominating and Governance Committee review and discuss the results of the Board of Directors' self-evaluation. The discussion includes an assessment of the Board's compliance with the principles in the Corporate Governance Guidelines and identification of areas in which the Board could improve its performance.

*Committee evaluations* Each year, each committee of the Board of Directors and the Nominating and Governance Committee review and discuss the results of the respective committee's self-evaluation. Each committee discussion includes an assessment of the respective committee's compliance with the principles in the Corporate Governance Guidelines and the committee's charter, as well as identification of areas in which the committee could improve its performance.

*Director evaluations* Every other year, the Chairman of the Nominating and Governance Committee reviews the self-assessments each individual director completes, except for the Chairman's own self-assessment. The Lead Director reviews the Chairman of the Nominating and Governance Committee's self-assessment. These assessments are designed to enhance each director's participation and role as a member of the Board of Directors, as well as to assess the competencies and skills each individual director is expected to bring to the Board.

### **Available information about PulteGroup**

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

Previously filed SEC current reports, quarterly reports, annual reports, and reports under Section 16(a) of the Exchange Act

Audit Committee Charter

Compensation and Management Development Committee Charter

Nominating and Governance Committee Charter

Finance and Investment Committee Charter

Code of Ethics (for Covered Senior Officers)

Code of Ethical Business Conduct

Corporate Governance Guidelines

By-laws

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## 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 PulteGroup'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 PulteGroup'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 PulteGroup. The Board of Directors also believes that diversity is an important goal, and looks for potential candidates who will help ensure that the Board of Directors has the benefit of a wide range of attributes. Although there is no specific policy on diversity, the Nominating and Governance Committee takes various considerations into account in its selection criteria for new directors, which considerations may include the achievement of diversity on the basis of gender, race, national origin, functional background, and executive or professional experience. 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 submitting a written proposal by certified mail, return receipt requested, or by recognized overnight courier, to Steven M. Cook, Executive Vice President, Chief Legal Officer and Corporate Secretary, PulteGroup, Inc., 3350 Peachtree Road NE, Suite 150, Atlanta, Georgia 30326. Shareholders wishing to directly nominate a candidate for election as a director at next year's annual meeting must deliver written notice to PulteGroup at the above address not later than 60 days prior to the date of next year's annual meeting (unless public disclosure of the date of such meeting is made less than 70 days before such meeting, in which case notice must be received within 10 days following such public disclosure).

As further described in the Company's By-laws, your recommendation must set forth:

the name and address of the proposed nominee;

the class or series and number of PulteGroup common shares which you own of record or beneficially and a representation that you intend to appear in person or by proxy at the meeting to nominate the proposed nominee;

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;

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 Exchange Act; and

a written consent of the proposed nominee to being named as a nominee and to serve as a director if elected.

## COMPENSATION DISCUSSION AND ANALYSIS

### Executive Summary

Improved demand conditions in the overall U.S. housing market continued through 2015. While heightened global economic concerns have created greater volatility in financial markets, the positive trends in the U.S. regarding jobs, demographics and household formations, low interest rates, and a generally balanced inventory of homes available for sale support our expectations that housing demand will continue to move higher at a measured pace for a number of years. These conditions have helped keep monthly mortgage payments affordable relative to historical levels and the rental market. This environment contributed to our experiencing relatively stable overall demand in 2015, including 8% growth in net new orders, a 2% increase in home sale revenues to \$5.8 billion, and maintaining gross margins at 23.3%, among the highest annual gross margins reported in the Company's history.

Our financial position provided flexibility to increase our investments in future communities while also returning funds to shareholders through dividends and expanded share repurchases. Specifically, we accomplished the following in 2015:

Increased our land investment spending by 30% to support future growth;

Repurchased \$433.7 million of shares under our share repurchase plan and authorized an additional \$300.0 million for future repurchases;

Raised our quarterly dividend from \$0.08 to \$0.09 per share;

Maintained one of the lowest ratios of debt to total capitalization in the homebuilding industry at 30.5%; and

Ended the year with a cash balance of \$754.2 million with no borrowings outstanding under our unsecured revolving credit agreement.

Industry-wide new home sales continue to pace well below historical averages, so we remain optimistic that demand can continue to increase in the coming years. We believe the positive factors of an improving economy with rising employment, continued low mortgage rates, and beneficial long-term demographic trends will continue to support a slow and sustained housing recovery. Within this environment, we remain focused on driving additional gains in construction and asset efficiency to deliver higher returns on invested capital. Consistent with our positive market view and long-term business strategy, we expect to use our capital to support future growth while consistently returning funds to shareholders.

The following charts illustrate the three-year directional relationship between Company performance, based on two of our key operating metrics, and the total compensation (as defined below) of our Chairman, President and Chief Executive Officer. These key metrics, pre-tax income and gross margin, were chosen because we believe they correlate to long-term shareholder value.

(1) Total compensation for Mr. Dugas in each of 2013, 2014 and 2015 is reported in the 2015 Summary Compensation table on page 47. 2013 total compensation includes the effect of the replacement of cash awards historically granted under the Long-Term Incentive Program with stock-settled performance awards. Due to SEC reporting requirements, the Summary Compensation Table in effect double counts Mr. Dugas' long-term incentive compensation for 2013 as it includes both his cash payment under the 2011-2013 long-term incentive program and the grant date fair value of his 2013-2015 stock-settled performance award. Please see the Summary Compensation Table for an explanation of the impact of this reporting treatment.

**Return to Shareholders**

The following charts illustrate total shareholder return (TSR) over the last one-, three- and five-year periods, including our quarterly dividend. As illustrated in these charts, we created significant value to shareholders over a five-year period, although we experienced a decrease in TSR for 2015 and only a modest increase over the prior three-year period.

**Total Shareholder Return\***

**One-Year**

**Three-Year**

**Five-Year**

\*Stock price appreciation plus dividends, with dividends reinvested quarterly.

The following chart shows how a \$100 investment in the Company's common shares on December 31, 2010 would have grown to \$245.74 on December 31, 2015, with dividends reinvested quarterly. The chart also compares the total shareholder return on the Company's common shares to the same investment in the S&P 500 Index and the Company's 2015 compensation peer group (whether or not the peer company was included in the group for the entire period, see page 35) over the same period, with dividends reinvested quarterly. This chart illustrates the significant value created for shareholders over the five-year period as compared to our compensation peer group as well as the S&P 500 Index.

**Comparison of Five Year Total Shareholder Return\***

*\*Assumes \$100 invested on December 31, 2010, and the reinvestment of dividends.*

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
PulteGroup, Inc.	100.00	83.91	241.49	272.87	290.55	245.74
S&P 500 Index - Total Return	100.00	102.11	118.45	156.82	178.28	180.75
Compensation Peer Group - Total Return	100.00	89.42	154.39	180.54	181.59	202.56

*Pay for Performance*

Our executive compensation program is designed to reward executives for producing sustainable growth and improving shareholder returns consistent with our strategic plan and to align compensation with the long-term interests of our shareholders. The Compensation and Management Development Committee (the Committee) strongly believes that executive compensation both pay opportunities and pay actually realized should be at-risk and tied to Company performance. For example, beginning with the 2014 annual equity grants, the Company uses a TSR performance metric, which requires the Company's TSR over the three-year performance period to be equal to the 75<sup>th</sup> percentile of our compensation peer group in order to receive target payout under these awards. In addition, the Committee designed the 2015 executive compensation program so that performance-based pay elements (annual incentive awards, restricted share units and performance-based awards) constitute a significant portion of the executive compensation awarded, determined at target levels. The following charts demonstrate that these variable pay elements comprised at least 85% of the targeted annual compensation for the Chief Executive Officer and, on average, 78% of the targeted annual compensation for the other named executive officers.

**Key Executive Compensation Decisions and Actions**

The Committee, with advice from its independent compensation consultant, engages in an ongoing review of our executive compensation program to evaluate whether it supports the Committee’s compensation philosophy and serves the interests of our shareholders. In connection with this ongoing review, the Committee continues to revise the executive compensation program to implement and maintain competitive market practices. These practices include the following, each of which the Committee believes reinforces our executive compensation philosophy and objectives:

We design our executive compensation program to pay for performance by rewarding executives for producing sustainable growth and improving shareholder returns

- ü Approximately 85% of our Chief Executive Officer’s targeted compensation was delivered as at-risk compensation
- ü The performance-based awards under our 2015 long-term incentive program will vest based on the Company’s TSR performance over a three-year performance period rather than the prior design that provided for vesting based on TSR and Return on Invested Capital improvement, each weighted equally
- ü Our TSR performance metric requires our TSR to equal the 75<sup>th</sup> percentile of our peer group for target vesting

Our executive compensation program is designed to mitigate excessive risk

- ü Emphasis on future pay opportunity versus current pay through long-term incentive awards delivered 100% in the form of equity
- ü Independent, outside compensation consultant who provides no other services to the Company
- ü Clawback policy since 2009 applicable to annual incentive awards, long-term incentive awards and equity grants
- ü Robust stock ownership guidelines

We adhere to executive compensation best practices

- ü Beginning in 2016, all equity awards include double trigger vesting upon a change-in-control meaning that both a change-in-control and qualifying termination of employment must occur for equity awards to vest in connection with or following a change-in-control
- ü Limited perquisites that are competitive with market practice
- ü No service-based defined benefit pension plan or other similar benefits
- ü No re-pricing of underwater stock options
- ü Prohibition against employee and director pledging and hedging of Company securities
- ü No dividends or dividend equivalents paid on unearned performance-based equity awards



### ***2015 Say On Pay Vote***

In its compensation review process, the Committee considers whether our executive compensation and benefits program serves the interests of our shareholders. In that respect, as part of its on-going review of our executive compensation program, the Committee considered the approval by over 96% of the votes cast for the Company's say on pay vote at our 2015 Annual Meeting of Shareholders. The Committee was pleased with this favorable outcome and interpreted this significant level of support as an endorsement by our shareholders of our executive compensation program and policies and did not make any changes to our executive compensation program in response to the 2015 say on pay vote. However, the Committee implemented double trigger vesting upon a change in control, beginning with the 2016 equity awards. The Committee believes that this change to our compensation program is responsive to a growing desire among many shareholders that equity grants should include double trigger vesting upon a change in control. The Committee intends to continue to monitor our executive compensation program and engage with shareholders regarding such program.

### **Named Executive Officers**

For 2015, our named executive officers were Richard J. Dugas, Jr., Chairman of the Board, President and Chief Executive Officer, Robert T. O'Shaughnessy, Executive Vice President and Chief Financial Officer, Harmon D. Smith, Executive Vice President - Field Operations, Ryan Marshall, Executive Vice President - Homebuilding Operations, and James R. Ellinghausen, Executive Vice President, Human Resources. On February 15, 2016, Mr. Marshall was promoted to the position of President of the Company and Mr. Smith was promoted to the position of Executive Vice President and Chief Operating Officer of the Company.

### **Establishing and Evaluating Executive Compensation**

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

Our overall compensation philosophy applicable to named executive officers is to provide a compensation program that is intended to attract and retain qualified executives for PulteGroup through fluctuating business cycles, provide them with incentives to achieve our strategic, operational, and financial goals, increase shareholder value, and reward long-term financial success.

Key principles of our executive compensation philosophy include:

providing total compensation levels that are competitive with our direct competitors within the homebuilding industry, as well as companies of similar size and complexity in related industries;

fostering a pay for performance environment by delivering a significant portion of total compensation through performance-based, variable pay;

aligning the long-term interests of our executives with those of our shareholders;

requiring our executives to own significant levels of PulteGroup shares;

balancing cash compensation with equity compensation so that each executive has a significant personal financial stake in PulteGroup's share price performance (in general, we seek to provide a significant portion of total compensation to named executive officers in the form of equity-based compensation); and

balancing short-term compensation with long-term compensation to focus our senior executives on the achievement of both operational and financial goals and longer-term strategic objectives.

While our executive compensation philosophy and decisions with respect to compensation do not differ materially as applied to each of our named executive officers, the Committee believes that, given the contributions of Mr. Dugas to our overall strategy, as well as the requirements and responsibilities of his position as Chairman of the Board and leader of the Company, the total compensation levels for Mr. Dugas should be higher than the total compensation levels of the other named executive officers.

***The Compensation and Management Development Committee***

The Committee establishes our executive compensation philosophies and oversees the development and implementation of our executive compensation program. The Committee operates under a written charter adopted by the Committee. A copy of the charter is available at [www.pultegroupinc.com](http://www.pultegroupinc.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 with respect to our senior executives:

establish compensation-related performance objectives under the annual incentive program and long-term incentive program that support our strategic plan;

establish individual performance goals and objectives for the Chief Executive Officer and evaluate the job performance of the Chief Executive Officer in light of those goals and objectives;

evaluate the job performance of the other named executive officers;

annually review and approve compensation levels for our Chief Executive Officer and other named executive officers, with input from the independent members of PulteGroup's Board of Directors in establishing compensation levels for our named executive officers (including our Chief Executive Officer);

administer PulteGroup's equity compensation and shareholder-approved incentive compensation plans;

develop and review succession plans for the Chief Executive Officer position, including assessing and creating development plans for internal talent;

review succession planning, leadership development programs, diversity representation and bench strength for all other senior executive positions; and

annually review the potential risks associated with our compensation program.

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

The Committee is currently comprised of Mr. Bryce Blair, Mr. Richard W. Dreiling, Ms. Cheryl W. Gris , Mr. Patrick J. O'Leary, and Mr. James J. Postl. Mr. O'Leary currently serves as the Committee Chairman. Each member of the Committee qualifies as an independent director under NYSE listing standards and our Corporate Governance Guidelines.

***Independent Compensation Consultant***

Pearl Meyer & Partners ( Pearl Meyer ) provides independent executive consulting services to the Committee. Pearl Meyer is retained by and reports to the Committee and participates in Committee meetings, as requested by the Committee. Pearl Meyer also:

participates in the design of our executive compensation program to help the Committee evaluate the linkage between pay and performance;

provides and reviews market data and advises the Committee on setting executive compensation and the competitiveness and reasonableness of our executive compensation program;

reviews and advises the Committee regarding the elements of our executive compensation program, equity grant and dilution levels, each as relative to our peers;

reviews and advises the Committee regarding individual executive pay decisions;

reviews and advises the Committee with respect to new compensation plans and programs;

reviews and advises the Committee regarding regulatory, disclosure and other technical matters; and

reviews and advises the Committee regarding our compensation risk assessment procedures.

During 2015, Pearl Meyer did not provide any services to the Company.

#### ***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). Mr. James R. Ellinghausen, our Executive Vice President, Human Resources, works with Mr. O'Leary to establish meeting agendas and to determine whether any members of PulteGroup's management or outside advisors should attend meetings. Our Chairman of the Board, President and Chief Executive Officer, Mr. Richard J. Dugas, Jr., annually reviews the performance of each member of senior management (other than Mr. Dugas' performance). 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 Mr. Dugas are made by the Committee. All decisions for 2015 made with respect to the named executive officers other than Mr. Dugas were made after deliberation with Mr. Dugas.

At various times during the year at the request of the Committee, Robert T. O'Shaughnessy, the Executive Vice President and Chief Financial Officer of the Company, attended Committee meetings, or portions of Committee meetings, to provide the Committee with information regarding our operational performance, financial performance, or other topics requested by the Committee to assist the Committee in making its compensation decisions.

#### ***Key Factors in Setting 2015 Compensation***

In establishing and evaluating our 2015 executive compensation program, the Committee, in consultation with Mr. Dugas, as applicable, considered the following key factors:

overall Company performance and specific financial results relative to incentive performance goals established by the Committee in February 2015;

competitive pay practices (evaluated based on market comparisons and recommendations of Pearl Meyer);

individual performance of each of our named executive officers;

historical equity grants and the current value of each of our named executive officer's equity holdings;

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tally sheets presenting the potential compensation for each of our named executive officers based on equity grant values and performance levels under our incentive compensation programs; and

our ability to retain and motivate key talent.

**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 peer compensation levels, as well as the overall business environment and the role and contributions of each individual. While the Committee factors peer compensation levels and practices into setting compensation levels, this peer information is one of the many factors that the Committee considers in determining compensation levels. For each element of compensation, the Committee, based on the advice of Pearl Meyer, uses a guideline range of the 50<sup>th</sup> to 75<sup>th</sup> percentile of the market data (*i.e.*, peer group and survey data) to evaluate target compensation levels, while also considering the expanded responsibilities of some of our named executive officers as compared to the peer group, revenue size relative to the peer group, our historical compensation practices, the overall mix of our compensation elements being weighted more heavily toward long-term and equity-based compensation, management ownership and financial performance. Additionally, at various times during the year, the Committee reviews market data to assess the reasonableness and competitiveness of our executive compensation program.

The Committee believes that the Company's peer group should reflect the industry in which the Company competes for business and executive talent. Accordingly, the Company's peer group includes companies meeting the following criteria: (i) companies within, or operating in an industry similar to, the home-building industry and (ii) companies of similar size in terms of revenue or market capitalization (1/2 to 2 times PulteGroup's revenue and market capitalization). In evaluating companies to include in our peer group, the Committee also reviewed the say-on-pay history for each of the companies to understand the alignment of the executive compensation programs at those companies with the interests and views of the shareholders of such companies. The peer group used for evaluating 2015 compensation decisions consisted of the companies below, which is the same peer group that was used for evaluating 2014 compensation decisions:

D.R. Horton, Inc.	Mohawk Industries, Inc.
KB Home	NVR, Inc.
Lennar Corporation	Owens Corning
Masco Corporation	The Ryland Group, Inc.*
M.D.C. Holdings, Inc.	Toll Brothers, Inc.
Meritage Homes Corporation	USG Corporation

\* On October 1, 2015, The Ryland Group, Inc. merged with and into Standard Pacific Corp., with Standard Pacific Corp. continuing as the surviving corporation. At the same time, Standard Pacific Corp. changed its name to CalAtlantic Group, Inc.

In addition to reviewing compensation practices among the compensation peer group, the Committee believes it is important to review compensation practices within general industry. The Company participates in or purchases a number of compensation surveys. With the assistance of Pearl Meyer, the Committee reviews a blend of general industry and peer group survey data in establishing target compensation levels and evaluating whether our compensation policies are in line with market data. The 2015 survey data was compiled from the following general industry compensation surveys: Mercer Human Resource Consulting's US Mercer Benchmark Database (MBD) Executive (which has approximately 2,600 participating companies) and TowersWatson Top Management Compensation (which has approximately 450 participating companies). To assist the Committee in its review of the general industry survey data, Pearl Meyer extracts compensation information from the surveys with respect to companies with annual revenues ranging from \$5 billion to \$10 billion. The Committee believes that the compensation practices at companies of this size are most relevant to the Committee's decision-making process.

Based on Pearl Meyer's competitive market analysis prepared for evaluating 2015 compensation decisions, the Committee found that each element of Mr. Dugas' pay other than long-term incentive compensation was either competitive with or above the 75<sup>th</sup> percentile of the market data, while long-term incentive compensation was between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the market data. For our other named executive officers other than Mr. Marshall, based on the same data, the Committee found that each element of pay was either competitive with or above the 75<sup>th</sup> percentile of the market data. Mr. Marshall's annual base salary and annual and long-term incentive targets were each increased in order to further align his compensation with the market data. In its analysis, Pearl Meyer noted that this positioning was commensurate with the Company's revenue positioning compared to the peer group. As noted above, the Committee also considered the expanded responsibilities of some of our named executive officers as compared to the peer group, revenue size relative to the peer group, our historical compensation practices, the overall mix of our compensation elements being weighted more heavily toward long-term and equity-based compensation, management ownership and financial performance. In light of Mr. Dugas' compensation as compared to the peer group, the Committee has not increased Mr. Dugas' annual base salary, annual incentive opportunity or long-term incentive opportunity since his promotion to the position of Chairman of the Company in 2010, other than a 2014 reallocation between annual and long-term incentive opportunities.

***Use of Tally Sheets***

The Committee reviews tally sheets, prepared by management and reviewed by Pearl Meyer, which present comprehensive data on the total potential compensation for each of the named executive officers based on various equity grant values and performance levels under our incentive compensation programs. The tally sheets provide the Committee with a framework of potential minimum and maximum compensation levels that each named executive officer may earn under our executive compensation program. While the tally sheets provide a framework for the Committee, they are not determinative of the elements or amounts of compensation paid.

**Executive Compensation Program Elements**

The Committee has designed the elements of the compensation program for the named executive officers to advance the operational objectives and the long-term strategies of the Company. The following table lists the material elements of our 2015 executive compensation program. The Committee believes that the design of the Company's executive compensation program balances fixed and variable compensation elements and provides alignment with our short and long-term financial and operational priorities and shareholder interests through the annual and long-term incentive programs. Our incentives are designed to drive overall corporate and individual performance, with compensation payouts varying from target based on actual performance against pre-established and communicated performance objectives.

Element	Key Characteristics	Why We Pay This	How We Determine	2015 Decisions
		Element	Amount	
Base Salary	Fixed compensation component payable in cash. Reviewed annually and adjusted when appropriate.	Provides base pay levels that are competitive with market practices in order to attract and retain top executive talent.	Responsibilities, individual performance and tenure, internal equity, market data, and recommendations from Pearl Meyer.	One of our named executive officers received a salary increase in 2015. See page 39.

		Why We Pay This	How We Determine	
Element	Key Characteristics	Element	Amount	2015 Decisions
Annual Incentive Program	Variable compensation component payable in cash based on performance against annually established performance objectives.	Provides annual incentive opportunities that are competitive with market practices in order to attract, motivate and retain top executive talent.  Rewards executives for annual performance results relative to pre-established goals that are deemed critical to the success of the Company.  Aligns interests of executives with those of our shareholders.	Participants are eligible to receive a cash payout ranging from  0% 200% of target based on the achievement of corporate goals.  2015 Performance Goals:  Pre-Tax Income  Adjusted Gross Margin  Selling, General & Administrative Expenses ( SG&A )  Inventory Turns 2015 awards: Company s TSR performance relative to the TSR of the Company s 2015 compensation peer group over 2015-2017 performance period.  2014 awards: Return on Invested Capital ( ROIC ) improvement and the Company s TSR performance relative to the TSR of the Company s 2014 compensation peer group, each weighted equally, over 2014-2016	One of our named executive officers received an annual incentive target increase for 2015.  Based on performance relative to the Annual Incentive Program financial performance objectives, the committee certified a payout amount of 100.25% of target for the named executive officers.  See pages 39 and 40.
Long-Term Incentive Program ( LTI Program )	2015 long-term incentives granted as stock-settled awards that vest based on performance over 3-year performance period.	Competitive with market practices in order to attract, motivate and retain top executive talent.  Focuses executives on long-term performance of the Company.  Directly aligns the interests of executives with those of our shareholders.		One of our named executive officers received a long-term incentive award adjustment.  2015 stock-settled performance-based awards represent 50% of the total long-term award opportunity, reflecting the Company s emphasis on tying long-term incentive awards to the Company s long-term performance.  Based on performance relative to the 2013-2015



Retention of talent over performance period. financial performance  
performance period.

Element	Key Characteristics	Why We Pay This	How We Determine	
		Element	Amount	2015 Decisions
Restricted Share Units	Restricted share units subject to 3-year cliff vesting.	Competitive with market practices in order to attract, motivate and retain top executive talent.	2013 awards: ROIC improvement over 2013-2015 performance period, with payout subject to a +/- modifier based on the Company's relative TSR performance.	objectives, the committee certified a payout amount of 200% of target for the named executive officers.
		Focuses executives on long-term performance of the Company.	Market practice and individual performance.	See pages 40 through 42. In 2015, one of our named executive officers received an increase in his restricted share units grant as compared to 2014.
		Directly aligns the interests of executives with those of our shareholders.		Restricted share units granted in 2015 with respect to 2014 performance represented 50% of each NEO's total long-term award opportunity, reflecting the Company's emphasis on tying long-term incentive awards to the Company's financial performance.
		Retention of talent over vesting period.		Restricted share units granted in 2014 with respect to 2013 performance represented 50% of each NEO's total long-term award opportunity.
				See pages 42 and 43.

**Base Salary**

The Committee determines the appropriateness of executives' base salaries by considering the responsibilities of their positions, their individual performance and tenure, comparison to the base salary levels of executives in the compensation peer group and the general industry compensation surveys, and the recommendations of Pearl Meyer. Base salary increases are considered annually and are based upon both individual and Company performance in the prior year. In February 2015, the Committee approved salary amounts which did not increase from the base salary levels set in 2014 for the named executive officers, except for Mr. Marshall. For 2015, Mr. Marshall received a base salary increase of \$50,000 to better align his compensation with the market data and the compensation received by similarly situated officers at the Company.

**Annual Incentive Compensation**

Under the shareholder-approved PulteGroup, Inc. 2013 Senior Management Incentive Plan (the "2013 Incentive Plan"), the Committee provides both annual and long-term incentives. The Committee adopted the 2015 Annual Incentive Program (the "Annual Program") under the 2013 Incentive Plan. Compensation under the Annual Program is intended to be a significant component of an executive's total compensation opportunity in a given year, helping create a "pay for performance" culture. Annual Program compensation holds executives accountable and rewards them based on the Company's performance.

The financial measures used to assess corporate performance were pre-tax income, adjusted gross margin, SG&A expenses and inventory turns, each weighted 25%. Pursuant to the terms of the Annual Program, each performance goal is measured independently of the other performance goals and payout is determined based on the weighted average result of the performance goals. The table below indicates the performance metrics and potential payouts with respect to the Company's achievement of the 2015 Annual Program goals. The Committee believes that these performance metrics were meaningful measures of 2015 performance because these metrics increase the focus of participants on profitability and are tied to our strategy with respect to shareholder value creation. The Committee established the payout formula for performance objectives to encourage strong, focused performance. Given the economic and market conditions at the time the targets were set, the target payout level was designed to be achievable with strong management performance, while payout at the maximum level was designed to be very difficult to achieve.

**2015 Performance Goals**

Performance Measures	Weighting	(\$ in 000s)(1)			Performance Results(2)	Achieved Payout	Weighted Payout
		Threshold Payout (50%)	Target Payout (100%)	Maximum Payout (200%)			
Pre-Tax Income(2)	25%	\$ 723,377	\$ 904,226	\$1,265,924	\$ 867,603	90.0%	22.5%
Adjusted Gross Margin(3)	25%	23.7%	25.7%	29.7%	25.8%	103.0%	25.8%
SG&A Expenses (as a % of Adjusted Gross Margin)(4)	25%	39.9%	36.4%	29.4%	35.0%	120.0%	30.0%
Inventory Turns(5)	25%	0.76	0.84	1.01	0.82	88.0%	22.0%
<b>Total % of Target:</b>							<b>100.25%</b>

(1) Payouts for performance between threshold and target payout levels and between target and maximum payout levels are calculated using straight line interpolation.

(2) Pre-tax income represents Income Before Income Taxes as reported in the Company's Annual Report, as adjusted to exclude the impact of certain items, including: certain incentive compensation expense, certain land-related adjustments, certain gains on land sales, adjustments to mortgage repurchase reserves, and costs associated with the Company's relocation of its corporate office.

- (3) Adjusted gross margin represents the quotient of Home Sale Gross Margin excluding land impairments and Capitalized Interest Amortization divided by Home Sale Revenues.
- (4) Selling, general, and administrative percentage represents the quotient of Selling, General, and Administrative Expenses (as reported in the Company's Annual Report), as adjusted to exclude the impact of certain items, including: certain incentive compensation expense and costs associated with the Company's relocation of its corporate office divided by Adjusted Gross Margin.
- (5) Inventory turns represents the quotient of the trailing 12-month sum of Home Sale Cost of Revenues as reported in the Company's Annual Report (excluding interest, land impairments, commissions, closing costs, and certain other items) divided by the trailing 13-month average of the sum of (1) House and Land Inventory, and (2) Land Held for Sale, each as reported in the Company's Annual Report (excluding capitalized interest and certain other items).
- The table below indicates the award opportunities established by the Committee and the cash payout under the Annual Program applicable to the named executive officers. The Committee determined the target payout level for each of the named executive officers based on each named executive officer's position within the Company, each named executive officer's historical pay levels, the incentive pay for executives at companies in our compensation peer group, the general industry compensation surveys and the recommendations of Pearl Meyer. The Committee did not change the target award opportunities compared to the 2014 targets for the named executive officers, other than for Mr. Marshall. For 2015, the Committee increased Mr. Marshall's target annual incentive opportunity from \$500,000 to \$550,000.

Executive	Base Salary 2015	Target as		Target	Maximum	Total Payout(2)
		% of Salary	Threshold(1)			
Richard J. Dugas, Jr.	\$ 1,200,000	125%	\$ 187,500	\$ 1,500,000	\$ 3,000,000	\$ 1,503,750
Robert T. O' Shaughnessy	\$ 700,000	100%	\$ 87,500	\$ 700,000	\$ 1,400,000	\$ 701,750
Harmon D. Smith	\$ 625,000	100%	\$ 78,125	\$ 625,000	\$ 1,250,000	\$ 626,563
Ryan Marshall	\$ 550,000	100%	\$ 68,750	\$ 550,000	\$ 1,100,000	\$ 551,375
James R. Ellinghausen	\$ 525,000	100%	\$ 65,625	\$ 525,000	\$ 1,050,000	\$ 526,313

- (1) The threshold amount represents the minimum award that could be paid to the named executive officer upon the Company's satisfaction of threshold performance for only one of the four performance goals. As noted previously, each performance goal is measured independently of the other performance goals.
- (2) Pursuant to the terms of the 2013 Incentive Plan, the Committee has the discretion to pay the awards in cash, restricted shares or both. The Committee determined to pay the entire award in cash.

**Long-Term Incentive Compensation**

In order to provide management with incentives to achieve our long-term goals, in connection with the adoption of the 2013 Incentive Plan, the Committee adopted the LTI Program. During 2015, each named executive officer was granted an aggregate award opportunity in the form of stock-settled performance-based awards under the LTI Program for the 2015-2017 performance period. During the fiscal year ended December 31, 2015, the 2015-2017, 2014-2016 and 2013-2015 performance periods were outstanding under the LTI Program. The Committee designed the LTI Program to have overlapping performance periods to address the cyclical nature of the homebuilding industry. These overlapping performance periods provide the Committee with the flexibility to address circumstances within our industry as well as the general economic and market conditions at the time the targets are set.

*2015-2017 LTI Program*

As part of its ongoing review of the executive compensation program during 2015, and based on input from Pearl Meyer, the Committee approved performance-based awards that vest entirely based on the Company's TSR performance relative to the TSR of the Company's compensation peer group rather than the combination of ROIC improvement and relative TSR performance that was used in the 2014 LTI Program design. TSR performance was deemed by the Committee to be an effective long-term measure that better aligns the executives' interests with the interests of shareholders.

For purposes of the 2015-2017 LTI Program, the Company is required to achieve a TSR equal to the 75th percentile of the 2015 compensation peer group over the three-year performance period in order to earn target vesting, with no payout for bottom quartile performance. In order to achieve the maximum vesting, the Company must be at least second in the 2015 compensation peer group based on TSR performance. Pursuant to the terms of the award agreements, the 2015 compensation peer group to be used for measuring relative TSR will not include The Ryland Group, Inc. due to its 2015 merger with Standard Pacific Corp.

The table below shows the award opportunities established by the Committee relating to the 2015-2017 LTI Program. The award opportunities under the 2015-2017 LTI Program did not change compared to 2014 for the named executive officers, other than for Mr. Marshall. For the 2015-2017 LTI Program, Mr. Marshall's target award opportunity increased from \$500,000 to \$625,000, with corresponding changes to his threshold and maximum long-term incentive opportunities. Actual settlement of the awards will be determined after the end of the three-year performance period based on the Company's relative TSR performance during that time. Under the award agreements, the 2015-2017 LTI Program award will be settled in PulteGroup shares, except that the award will be settled in any combination of PulteGroup shares and cash if (i) the fair market value of a PulteGroup share is less than \$5.00 on December 31, 2017 (or the date of termination of employment due to death or disability) or (ii) the Company does not have a sufficient number of available shares under the Company's stock incentive plan in effect at the time of the settlement of the award.

#### Award Opportunity Under 2015-2017 LTI Program

Executive	Base Salary as of 1/1/2015(1)	Target as			
		% of Salary	Threshold	Target	Maximum
Richard J. Dugas, Jr.	\$ 1,200,000	213%	\$ 1,275,000	\$ 2,550,000	\$ 5,100,000
Robert T. O Shaughnessy	\$ 700,000	111%	\$ 387,500	\$ 775,000	\$ 1,550,000
Harmon D. Smith	\$ 625,000	120%	\$ 375,000	\$ 750,000	\$ 1,500,000
Ryan Marshall	\$ 550,000	114%	\$ 312,500	\$ 625,000	\$ 1,250,000
James R. Ellinghausen	\$ 525,000	133%	\$ 350,000	\$ 700,000	\$ 1,400,000

(1) Base salary is measured as of the first day of the performance period.  
2014-2016 and 2013-2015 LTI Programs

The 2014-2016 LTI Program remains outstanding and will be settled following the completion of the three-year performance period, based upon our ROIC improvement compared to 2014 and our TSR relative to a TSR comparator group consisting of the same companies that were included in the 2014 compensation peer group, excluding, in accordance with the award agreements, The Ryland Group, Inc. due to its 2015 merger with Standard Pacific Corp.

At the end of 2015, the 2013-2015 LTI Program concluded and for each of the participating named executive officers, the vesting level under the 2013-2015 LTI Program was based on ROIC improvement compared to 2012 and a relative TSR modifier that results in either an increase or decrease to the award payouts by an amount of up to 20% based on our TSR percentile rank relative to the companies that were included in the Company's 2013 compensation peer group (the 2013 compensation peer group consisted of the same companies as were included in the 2015 compensation peer group, excluding, in accordance with the award agreements, The Ryland Group, Inc. due to its 2015 merger with Standard Pacific Corp.). For the 2013-2015 LTI Program, our relative TSR ranked in the 45<sup>th</sup> percentile of the TSR comparator group and resulted in a TSR modifier of 1.00x.

The table below sets forth the ROIC performance metric for the 2013-2015 LTI Program.

Performance Measures	2013 2015 LTI Program Performance Goals (in 000s)			Performance
	Threshold	Target	Maximum	
	Payout	Payout	Payout	
	(50%)	(100%)	(200%)	Results
ROIC Improvement (1)	1.0%	4.3%	6.3%	12.3%

(1) ROIC is defined as (i) consolidated earnings before interest, taxes, depreciation and amortization (adjusted to exclude the expense related to performance awards granted after December 1, 2011, mortgage repurchase reserve adjustments related to mortgage loan originations prior to January 1, 2013, gain or loss on debt retirements, land-related charges and land sale gains related to land acquired prior to January 1, 2013, intangible impairments, costs associated with the Company's relocation of its corporate office and changes in U.S. generally accepted accounting principles), divided by (ii) consolidated shareholders equity plus consolidated debt (each as adjusted to exclude consolidated cash, income tax asset and liability accounts, intangible assets, financial services debt and changes in U.S. generally accepted accounting principles).

Based on our ROIC improvement performance compared to 2012 and our TSR performance relative to the 2013 TSR compensation peer group, the Committee certified a vesting level of 200%, resulting in the maximum vesting level of the 2013 performance-based awards granted to each of the named executive officers.

### Equity Grants

In addition to the long-term incentive opportunities granted under the Company's LTI Program, we make annual grants of time-based equity to named executive officers as a means of furthering the linkage between an executive's long-term incentive compensation and shareholder value. We seek to provide a significant portion of total compensation to named executive officers in the form of equity compensation. We believe that equity awards:

balance the overall compensation program by providing an appropriate mix of equity and cash compensation;

properly focus executives on long-term value creation for shareholders; and

encourage executive retention, particularly through fluctuating business cycles.

Our philosophy is to award equity grants to our named executive officers in amounts reflecting market data and the participant's position, ability to influence our overall performance and individual performance based on a review of our named executive officers' performance during the prior year against pre-determined objectives such as operational efficiency, employee engagement, and retention and development of key management talent. In addition, the Committee considers historical grant practices, the current value of each executive's unvested equity holdings, market compensation levels, and executive ownership levels in determining grants for individual executives.

The Committee believes that the annual equity grants to the named executive officers should be determined after a review of the Company's financial statements for a full year. As a result, all annual equity awards are expected to be granted on the date of the regular Board meeting to be held in February of the following year.

In determining the annual equity grants for 2015 performance (which were granted in February 2016), the Committee considered the following: (i) the Company's historical year-over-year compensation practices, including historical grant levels; (ii) total compensation earned by the named executive officers; (iii) current equity ownership of each of the named executive officers; (iv) a peer group analysis conducted by Pearl Meyer of the compensation of executive officers holding comparable positions at the companies within the compensation peer group; and (v) PulteGroup's objective to provide greater incentive based on long-term Company performance.



As set forth in the table below, in February 2016, the Committee granted the following awards in recognition of each named executive officer's performance in 2015. The value of these awards is excluded from the 2015 Summary Compensation Table, which reflects the value of the equity awards granted in 2015 in recognition of the named executive officers' performance in 2014.

Executive	Time-Based	
	Restricted Share Units(1)	
	#	Value(2)
Richard J. Dugas, Jr.	162,784	\$ 2,550,011
Robert T. O' Shaughnessy	51,070	\$ 800,012
Harmon D. Smith	51,070	\$ 800,012
Ryan Marshall	57,453	\$ 900,001
James R. Ellinghausen	44,686	\$ 700,006

(1) These equity awards were granted in 2016 and, accordingly, are excluded from the 2015 Summary Compensation Table.

(2) The amounts reported in this column are valued based on the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. On December 5, 2011, the Committee granted Messrs. O' Shaughnessy, Smith, Marshall and Ellinghausen performance-based equity awards representing the right to receive the Company's common shares upon satisfaction of certain performance-based milestones. During 2013, 50% of the shares subject to such awards vested based on our achievement of a quarterly adjusted gross margin goal of 20% during 2012 and a quarterly adjusted gross margin goal of 22% during 2013. The remaining portion of the December 2011 performance-based equity awards may vest based on inventory turn performance through the end of the five-year performance period (December 5, 2016).

#### ***Executive Severance Policy***

The Committee has adopted the PulteGroup, Inc. Executive Severance Policy, which provides for severance benefits ranging from one times base salary to two times base salary, depending on the length of service with the Company and the executive's position at the time of a qualifying termination of employment. The Committee also has adopted the PulteGroup Inc. Retirement Policy, which establishes administrative guidelines for the treatment of outstanding equity and long-term incentive awards following an employee's qualifying retirement. The Committee believes that these policies help us accomplish our compensation philosophy of attracting and retaining exemplary talent and reduces the need to negotiate individual severance arrangements with new and departing executives.

While these policies reduce the need to negotiate individual severance provisions, the Committee recognizes that under certain circumstances individual severance arrangements may be desirable or beneficial to the Company. Pursuant to the Company's Executive Severance Policy, the Company is prohibited from entering into a severance agreement with a senior executive of the Company without shareholder approval if such agreement would provide for specified benefits exceeding 2.99 times the sum of (a) the senior executive's annual base salary as in effect immediately prior to termination of employment and (b) the senior executive's target annual bonus in the fiscal year in which the termination of employment occurs. Benefits excluded from this policy are (i) the value of any accelerated vesting of any outstanding equity-based award provided under plans, programs or arrangements of the Company applicable to one or more groups of employees in addition to the Company's senior executives, (ii) a pro-rata portion of the value of any accelerated vesting of any outstanding long-term cash-based incentive award provided under plans, programs or arrangements of the Company applicable to one or more groups of employees in addition to the Company's senior



executives, (iii) compensation and benefits for services rendered through the date of termination of employment, (iv) any post-termination retirement and other benefits, special benefits or perquisites provided under plans, programs or arrangements of the Company applicable to one or more groups of employees in addition to the Company's senior executives and (v) payments that are required by the Company's bylaws regarding indemnification and/or a settlement of any claim made against the Company. The policy is available for viewing on our website at [www.pultegroupinc.com](http://www.pultegroupinc.com).

### **Benefits**

Named executive officers participate in employee benefit plans on the same terms as generally available to all employees. In addition, each of the named executive officers were eligible to participate in the Financial Counseling Reimbursement Plan. In connection with the Company's relocation of its corporate headquarters to Atlanta, Georgia, certain employees who also relocated to Atlanta received benefits pursuant to the Company's existing relocation policy. Pursuant to this relocation policy, during 2015, Messrs. Dugas, Smith and Marshall received relocation benefits. These relocation benefits were deemed to be important in retaining our employees in connection with our corporate relocation and are subject to repayment if the named executive officer resigns or is terminated by the Company with cause within 12 months of his relocation.

The named executive officers, as well as other PulteGroup 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 2015 Non-Qualified Deferred Compensation Table. We do not have a defined benefit pension plan.

### **Clawback Policy**

The Committee has adopted a clawback policy with respect to the Annual Program, LTI Program, and equity grants. Under the policy, in the event any named executive officer engages in detrimental conduct (as defined in the policy), the Committee may require that such named executive officer (i) reimburse the Company for all or any portion of any bonus, incentive payment, equity-based award, or other compensation received by such named executive officer within the 36 months following such detrimental conduct and (ii) remit to the Company any profits realized from the sale of Company securities within the 36 months following such detrimental conduct.

### **Prohibition Against Pledging and Hedging of Company Securities**

To further enhance the linkage between executives' long-term incentive compensation and shareholder value, PulteGroup's insider trading policy prohibits directors and executive officers from engaging in hedging or monetization transactions, such as zero-cost collars and forward sale contracts, with respect to their PulteGroup security holdings. Additionally, under PulteGroup's insider trading policy, directors and executive officers are prohibited from holding PulteGroup securities in a margin account or pledging PulteGroup securities as collateral for a loan, as such arrangements could result under some circumstances in a margin sale or foreclosure sale occurring at a time when the director or executive officer is aware of material nonpublic information or otherwise is not permitted to trade in PulteGroup securities. The policy is available for viewing on our website at [www.pultegroupinc.com](http://www.pultegroupinc.com).

### **Share Ownership Guidelines**

To align our executives' interests with those of our shareholders and to assure that our executives own meaningful levels of PulteGroup common shares throughout their tenures with the Company, our executive officers are subject to share ownership guidelines adopted by the Committee. The share ownership guidelines require, within a five-year period from date of hire, promotion or determination

that a position is subject to Section 16 of the Exchange Act, the Chief Executive Officer to own PulteGroup common shares equal in value to at least six times his base salary and each of the other named executive officers to own PulteGroup common shares equal to at least three times their respective base salary. Included in the definition of share ownership are restricted shares and restricted share units, any PulteGroup common shares owned outright (including the value of restricted shares that have vested at the higher of the current market price or the share price on the date of vesting), common shares in any PulteGroup benefit plan, and the intrinsic value of vested in-the-money stock options. Unvested and/or underwater stock options do not count towards meeting share ownership guidelines. As of March 10, 2016, all of the named executive officers have met or, within the applicable period, are expected to meet the share ownership guidelines.

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

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), 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. The Committee structures compensation to avail itself of the performance-based compensation exemption under Section 162(m) to the extent practicable. 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 PulteGroup to continue to attract, retain, and motivate highly-qualified executives, it reserves the authority to approve potentially non-deductible compensation in appropriate circumstances. Due to the 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.

### **2016 Compensation Decisions**

At its February 2016 meeting, the Committee took the following actions with respect to 2016 compensation matters:

**Double Trigger Vesting.** The Committee approved the requirement that all equity awards, beginning in 2016, include double trigger vesting upon a change-in-control, which requires that both a change-in-control and qualifying termination of employment must occur for equity awards to vest in connection with or following a change-in-control.

**Base Salary.** The Committee approved 2016 base salary increases for the named executive officers, other than Mr. Dugas. For 2016, the named executive officer base salary increases were as follows: Mr. Ellinghausen from \$525,000 to \$550,000; Mr. Marshall from \$550,000 to \$700,000; Mr. O Shaughnessy from \$700,000 to \$750,000; and Mr. Smith from \$625,000 to \$700,000.

**Annual Program.** The Committee approved the performance metrics, consisting of pre-tax income, adjusted operating margin and inventory turns, and the 2016 target award opportunities under the Annual Program. The Committee also approved a modifier to the Annual Program based on certain quality related metrics. Mr. Dugas' 2016 Annual Program target opportunity did not change compared to his 2015 target opportunity. For 2016, the other named executive officers' Annual Program target opportunities increased as follows: Mr. Ellinghausen from \$525,000 to \$550,000; Mr. Marshall from \$550,000 to \$700,000; Mr. O Shaughnessy from \$700,000 to \$750,000; and Mr. Smith from \$625,000 to \$700,000.

**Long-Term Incentive Awards.** The Committee approved the grant of performance-based awards that will be settled in PulteGroup shares in accordance with the terms of the

applicable award agreements and time-based restricted share unit awards. The Committee also approved relative TSR performance, as measured against the companies in our 2016 peer group, as the performance metric under the 2016-2018 LTI Program. The award opportunities under the 2016-2018 LTI Program did not change compared to 2015 for the named executive officers other than Messrs. Marshall, O Shaughnessy and Smith. For the 2016-2018 LTI Program, Mr. Marshall's target award opportunity increased from \$1,250,000 to \$1,800,000, Mr. O Shaughnessy's target award opportunity increased from \$1,550,000 to \$1,600,000 and Mr. Smith's target award opportunity increased from \$1,500,000 to \$1,600,000.

**Compensation and Management Development Committee Report**

The Compensation and Management Development 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 and Management Development 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.

Patrick J. O Leary, Chair

Bryce Blair

Richard W. Dreiling

Cheryl W. Grisé

James J. Postl

## 2015 EXECUTIVE COMPENSATION

## 2015 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 as of December 31, 2015 (collectively, the named executive officers). In 2013, the Company replaced its cash-settled long-term incentive awards with stock-settled performance awards. Due to SEC reporting requirements, the grant date fair values of the stock-settled performance awards were reported in the year of grant in the Stock Awards column, rather than after the completion of the three-year performance period that commenced during 2013. Because the payment for the 2011-2013 LTI Program is included in the Non-Equity Incentive Plan Compensation column, the Summary Compensation Table in effect double counts the named executive officers' long-term incentive compensation for 2013. For example, if the stock-settled performance awards were not included in this table, Mr. Dugas' stock awards for 2013 would have been \$2,250,011 and his total compensation would have been \$11,678,859.

Name and Principal Position	Year	Salary (\$)	Bonus	Stock Awards (\$)(1)	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation	All Other Compensation	Total (\$)
					(\$)(2)	(\$)	(\$)(3)	
<b>Richard J. Dugas, Jr.</b>	<b>2015</b>	<b>\$ 1,200,000</b>	<b>\$</b>	<b>\$ 5,100,011</b>	<b>\$ 1,503,750</b>	<b>\$ 3,721</b>	<b>\$ 120,008</b>	<b>\$ 7,927,490</b>
	2014	\$ 1,200,000	\$	\$ 5,100,019	\$ 1,380,000	\$	\$ 43,022	\$ 7,723,041
Chairman, President & CEO	2013	\$ 1,200,000	\$	\$ 4,500,011	\$ 8,200,000	\$	\$ 28,848	\$ 13,928,860
<b>Robert T. O Shaughnessy</b>	<b>2015</b>	<b>\$ 700,000</b>	<b>\$</b>	<b>\$ 1,550,012</b>	<b>\$ 701,750</b>	<b>\$</b>	<b>\$ 2,336</b>	<b>\$ 2,954,098</b>
	2014	\$ 700,000	\$	\$ 1,550,014	\$ 644,000	\$	\$ 1,385,677	\$ 4,279,691
EVP & CFO	2013	\$ 700,000	\$	\$ 1,550,015	\$ 2,800,000	\$	\$ 25,408	\$ 5,075,423
<b>Harmon D. Smith</b>	<b>2015</b>	<b>\$ 625,000</b>	<b>\$</b>	<b>\$ 1,500,018</b>	<b>\$ 626,563</b>	<b>\$ 3,954</b>	<b>\$ 467,094</b>	<b>\$ 3,222,628</b>
	2014	\$ 625,000	\$	\$ 1,500,006	\$ 588,477	\$	\$ 130,820	\$ 2,844,303
EVP Field Operations	2013	\$ 625,000	\$	\$ 1,000,009	\$ 1,724,375	\$	\$ 14,861	\$ 3,364,245
<b>Ryan R. Marshall</b>	<b>2015</b>	<b>\$ 538,462</b>	<b>\$</b>	<b>\$ 1,250,022</b>	<b>\$ 551,375</b>	<b>\$ 384</b>	<b>\$ 125,409</b>	<b>\$ 2,465,653</b>
	2014	\$ 482,308	\$	\$ 1,000,004	\$ 1,071,372	\$	\$ 77,258	\$ 2,630,942
<b>James R. Ellinghausen</b>	<b>2015</b>	<b>\$ 525,000</b>	<b>\$</b>	<b>\$ 1,400,006</b>	<b>\$ 526,313</b>	<b>\$</b>	<b>\$ 252</b>	<b>\$ 2,451,571</b>
	2014	\$ 525,000	\$	\$ 1,400,015	\$ 483,000	\$	\$ 99,876	\$ 2,507,891
EVP HR	2013	\$ 525,000	\$	\$ 1,400,001	\$ 2,100,000	\$	\$ 933,257	\$ 4,958,258

(1) The amounts reported in this column for 2015 are awards granted pursuant to the Company's Stock Incentive Plans and are valued based on the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation (FASB ASC Topic 718). Assumptions used in the calculation of these amounts are included in note 8 to the Company's audited financial statements included in our Annual Report for the fiscal year ended December 31, 2015. The amounts included in the Stock Awards column for the stock-settled performance-based awards granted during 2015 are calculated based on the probable satisfaction of the performance conditions for such awards. Assuming the highest level of performance is achieved for these performance-based awards, the maximum value of these awards at the grant date would be as follows: Mr. Dugas \$5,100,000; Mr. O Shaughnessy \$1,550,000; Mr. Smith \$1,500,000; Mr. Marshall \$1,250,000; and Mr. Ellinghausen \$1,400,000.

(2) For 2015, the amounts reflect the actual payout received under the Annual Program.

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(3) The following table contains information regarding the compensation and benefits included in All Other Compensation.

Name	Perquisites & Other Personal Benefits	Relocation Expenses	TOTAL
	(A)	(B)	All Other Compensation
Richard J. Dugas, Jr.	\$ 13,225	\$ 106,783	\$ 120,008
Robert T. O Shaughnessy	\$ 2,336	\$	\$ 2,336
Harmon D. Smith	\$ 6,650	\$ 460,444	\$ 467,094
Ryan Marshall	\$ 10,679	\$ 114,730	\$ 125,409
James R. Ellinghausen	\$ 252	\$	\$ 252

(A) Amounts in this column include the cost of financial planning services reimbursed to certain of the named executive officers, the incremental cost of a Company-sponsored event for Mr. Marshall, life insurance premiums for each of the named executive officers and reimbursements under our health examination reimbursement program.

(B) Amounts in this column include the incremental cost or valuation of relocation expenses for the named executive officers in connection with the Company's relocation of its corporate headquarters to Atlanta, Georgia. Pursuant to the Company's relocation policy, the named executive officer received assistance with relocation expenses, which included travel, shipping household goods, temporary housing, and closing costs associated with the purchase of a new home in Georgia and, in the case of Mr. Smith, the costs associated with the sale of Mr. Smith's home in Texas (including a loss on sale) and purchase of his home in Georgia. This amount also includes tax reimbursements for such relocation costs as follows: Mr. Dugas \$2,561 and Mr. Smith \$35,082. The named executive officers' relocation benefits are subject to repayment if the named executive officer resigns or is terminated by the Company with cause prior to the 12-month anniversary of his relocation. These relocation expenses represent the amount accrued for payment or paid to the service provider or the named executive officer, as applicable.

**2015 Grants of Plan-Based Awards Table**

The following table sets forth information concerning award opportunities under our LTI Program and grants under the 2013 Stock Incentive Plan to the named executive officers during the fiscal year ended December 31, 2015, as well as estimated possible payouts under the Annual Program.

Name	Grant Date	Estimated Possible Payouts			Estimated Possible Payouts			All Other	
		Under Non-Equity			Under Equity			Stock	
		Incentive Plan Awards(1)			Incentive Plan Awards(2)			Awards:	Grant Date
		Threshold	Target	Maximum	Threshold	Target	Maximum	Number of	Fair Value
							Shares of	of Stock	
							Stock or	and Option	
							Units	Awards	
							(#)(3)	(4)	
Richard J. Dugas, Jr.	2/12/2015	\$ 187,500	\$ 1,500,000	\$ 3,000,000					
	2/12/2015				\$ 1,275,000	\$ 2,550,000	\$ 5,100,000	\$ 2,550,000	
Robert T. O Shaughnessy	2/12/2015	\$ 87,500	\$ 700,000	\$ 1,400,000			112,633	\$ 2,550,011	
	2/12/2015				\$ 387,500	\$ 775,000	\$ 1,550,000	\$ 775,000	
Harmon D. Smith	2/12/2015	\$ 78,125	\$ 625,000	\$ 1,250,000			34,232	\$ 775,012	
	2/12/2015				\$ 375,000	\$ 750,000	\$ 1,500,000	\$ 750,000	
Ryan R. Marshall	2/12/2015	\$ 68,750	\$ 550,000	\$ 1,100,000			33,128	\$ 750,018	
	2/12/2015				\$ 312,500	\$ 625,000	\$ 1,250,000	\$ 625,000	
	2/12/2015						27,607	\$ 625,022	

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James R. Ellinghausen

	\$ 65,625	\$ 525,000	\$ 1,050,000						
2/12/2015				\$ 350,000	\$ 700,000	\$ 1,400,000		\$ 700,000	
2/12/2015							30,919	\$ 700,006	

- (1) Consists of award opportunities under the Annual Program. For each of our named executive officers, the performance goals under the Annual Program were pre-tax income (as adjusted), gross margins, SG&A expenses and inventory turns (see the Annual Incentive Compensation section of the Compensation Discussion and Analysis for further information regarding the Annual Program).

- (2) Represents the award opportunities under the LTI Program relating to the Company's performance for the 2015-2017 performance period. Payment of the award depends on the Company's TSR performance compared to the 2015 compensation peer group measured over the 2015-2017 performance period. The award will be settled in PulteGroup shares in accordance with the terms of the underlying award agreements. Please see Compensation Discussion and Analysis for further information regarding the award.
- (3) Consists of restricted share unit awards under the 2013 Stock Incentive Plan, which are scheduled to vest on the third anniversary of the grant date. During the restriction period, the named executive officers are entitled to receive dividends. These restricted share unit grants are subject to only time-based vesting and, accordingly, do not include a performance-based vesting requirement.
- (4) The amounts reported in this column are valued based on the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 and, in the case of the stock-settled performance-based awards, are valued based upon the probable outcome of the applicable performance conditions. Assumptions used in the calculation of these amounts are included in note 8 to the Company's audited financial statements included in our Annual Report for the fiscal year ended December 31, 2015.

**Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table**

***Employment Arrangements***

The Company generally executes an offer of employment prior to the time an executive joins the Company that describes the basic terms of the executive's employment, including his or her start date and initial compensation levels. None of the named executive officers has an employment contract with the Company.

***Equity Awards***

Time-based restricted share unit grants generally cliff vest three years from the anniversary of the grant date. On February 12, 2015, the Committee granted each named executive officer a stock-settled performance-based award under the Company's LTI Program. Actual settlement of the stock-settled performance-based award will be determined after the end of the three-year performance period based on the Company's TSR performance relative to the Company's 2015 compensation peer group during the performance period. Under the award agreement, the 2015-2017 LTI Program will be settled in PulteGroup shares, subject to potential settlement in cash in certain circumstances. See Compensation Discussion and Analysis Long-Term Incentive Compensation 2015-2017 Program.

**2015 Outstanding Equity Awards at Fiscal Year-End Table**

The following table provides information regarding outstanding option awards and unvested stock awards held by each of the named executive officers at December 31, 2015.

Name	Option Awards					Stock Awards			
	Number of Securities Awards: Underlying Unexercised Options	Number of Securities Awards: Underlying Unexercised Options	Equity Incentive Plan Awards: Exercise Price	Option Expiration	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Of Unearned Shares, Units or Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Richard J. Dugas, Jr.	165,000		\$ 7.765	2/10/2021	357,741(1)	\$ 6,374,945	572,390(6)	\$ 10,200,000	
	330,000		\$ 11.445	2/11/2020					
	400,000		\$ 34.235	12/7/2016					
Robert T. O Shaughnessy	25,000		\$ 8.200	6/1/2021	113,349(2)	\$ 2,019,880	51,206(7)	\$ 912,493	
							173,961(6)	\$ 3,100,000	
Harmon D. Smith	25,000		\$ 34.235	12/7/2016	97,896(3)	\$ 1,744,507	51,206(7)	\$ 912,493	
							168,350(6)	\$ 3,000,000	
Ryan R. Marshall	15,000		\$ 12.335	8/18/2019	66,854(4)	\$ 1,191,339	51,206(7)	\$ 912,493	
	5,000		\$ 34.235	12/7/2016			126,262(6)	\$ 2,250,000	
James R. Ellinghausen	37,500		\$ 7.765	2/10/2021	102,379(5)	\$ 1,824,394	51,206(7)	\$ 912,493	
	75,000		\$ 11.445	2/11/2020			157,126(6)	\$ 2,800,000	
	150,000		\$ 12.335	8/18/2019					
	75,000		\$ 34.235	12/7/2016					

(1) This amount includes 114,069 restricted shares that vested on February 6, 2016, 131,039 restricted share units that are scheduled to vest on February 5, 2017 and 112,633 restricted share units that are scheduled to vest on February 12, 2018.

(2) This amount includes 39,291 restricted shares that vested on February 6, 2016, 39,826 restricted share units that are scheduled to vest on February 5, 2017 and 34,232 restricted share units that are scheduled to vest on February 12, 2018.

(3) This amount includes 25,349 restricted shares that vested on February 6, 2016, 25,694 restricted share units that are scheduled to vest on February 5, 2017, 13,725 restricted share units that are scheduled to vest in May 7, 2017 and 33,128 restricted share units that are scheduled to vest on February 12, 2018.

(4) This amount includes 12,675 restricted share units that vested on February 6, 2016, 12,847 restricted share units that are scheduled to vest on February 5, 2017, 13,725 restricted share units that are scheduled to vest in May 7, 2017 and 27,607 restricted share units that are scheduled to vest on February 12, 2018.



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- (5) This amount includes 35,488 restricted share units that vested on February 6, 2016, 35,972 restricted share units that are scheduled to vest on February 5, 2017 and 30,919 restricted share units that are scheduled to vest on February 12, 2018.
  
- (6) Represents stock-settled performance awards granted under the 2014-2016 and 2015-2017 LTI Programs that will vest on December 31, 2016 and December 31, 2017, respectively, following the completion of the three-year performance periods. The 2014-2016 awards will be settled based on the Company's ROIC improvement and TSR performance relative to a peer group over the three-year performance period. The 2015-2017 awards will be settled based on the Company's TSR performance relative to a peer group over the three-year performance period. In accordance with SEC executive compensation disclosure rules, these awards are being reported based on achieving maximum performance goals with respect to both performance periods. For the 2014-2016

performance period, the named executive officers had outstanding stock-settled performance awards in the following amounts: Mr. Dugas \$5,100,000; Mr. O Shaughnessy \$1,550,000; Mr. Smith \$1,500,000; Mr. Marshall \$1,000,000; and Mr. Ellinghausen \$1,400,000. For the 2015-2017 performance period, the named executive officers had outstanding stock-settled performance awards in the following amounts: Mr. Dugas \$5,100,000; Mr. O Shaughnessy \$1,550,000; Mr. Smith \$1,500,000; Mr. Marshall \$1,250,000; and Mr. Ellinghausen \$1,400,000.

(7) Represents performance-based equity awards granted in December 2011, with settlement of the award determined based upon achievement of certain performance goals relating to inventory turns. The performance period with respect to this award commenced on the December 5, 2011 grant date and ends on the earlier to occur of (i) the last day of the quarter in which the applicable performance measure is satisfied and (ii) the five-year anniversary of the grant date.

(8) Reflects the value using the closing share price at the 2015 fiscal year end of \$17.82.

**2015 Option Exercises and Stock Vested Table**

The following table provides information regarding the exercise of stock options and the vesting of stock awards for each of the named executive officers during 2015.

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (b)	Value Realized on Exercise (c)	Number of Shares Acquired on Vesting (d)	Value Realized on Vesting (e)
Richard J. Dugas, Jr.	362,102	\$ 8,017,449	254,382	\$ 5,662,543(1)
Robert T. O Shaughnessy		\$	87,621	\$ 1,950,443(1)
Harmon D. Smith		\$	33,918	\$ 755,015(1)
Ryan R. Marshall	13,500	\$ 294,570		\$
James R. Ellinghausen	30,000	\$ 636,975	79,141	\$ 1,761,679(1)

(1) Value realized reflects number of shares that vested multiplied by the closing price of \$22.26 per share on February 9, 2015.

**2015 Non-Qualified Deferred Compensation Table**

The following table provides information regarding the Company's Non-Qualified Deferral Program.

Name	Executive	Registrant	Aggregate Earnings in Last FY	Aggregate	Aggregate
	Contributions in Last FY	Contributions in Last FY		Withdrawals / Distributions	Balance at Last FYE
Richard J. Dugas, Jr.	\$	\$	\$ 31,183	\$	\$ 885,542
Robert T. O Shaughnessy	\$	\$	\$	\$	\$
Harmon D. Smith	\$	\$	\$ 33,131	\$ 33,993	\$ 937,739
Ryan R. Marshall	\$	\$	\$ 3,215	\$	\$ 91,313
James R. Ellinghausen	\$	\$	\$	\$	\$

**Non-Qualified Deferral Program**

Pursuant to the Company's Non-Qualified Deferral Program, certain executives, including each of our named executive officers, may defer awards earned under the Senior Management Annual Incentive Plan. Deferral elections are made by executives prior to the beginning of the performance period in which awards are earned. Executives may elect to defer from 5% to a maximum of 90% of their incentive pay, with a minimum deferral amount of \$10,000. The executive selects a deferral period that may range from two to twenty years. Payout period elections are restricted to either a lump-sum or annual installments over a period of up to ten years. In the event of death, permanent disability or termination from employment, any remaining deferral period is overridden with the payouts to occur as



either a lump-sum or in two or three annual installments. Unfunded deferral accounts are credited with interest on a monthly basis. The annual interest rate is determined each January 1 for a period of one calendar year and is equal to the applicable yield on the five-year U.S. Treasury Note as of the first business day of January, plus 2%. The interest crediting rate for 2015 was 3.645%.

#### **Potential Payments Upon Termination or Change in Control**

The Committee has adopted an Executive Severance Policy, which provides for the payment of certain benefits to named executive officers and other eligible executives and key employees of the Company upon a qualifying termination of employment. Under the terms of the policy, a qualifying termination of employment is generally defined as a termination of employment other than due to cause, death, disability, resignation other than for constructive termination or as a result of a sale, spin-off, other divestiture, merger or other business combination where the executive obtains or is offered comparable employment with the resulting entity. In the event of a qualifying termination of employment, the Executive Severance Policy provides for the following severance benefits, subject to the executive's timely execution of a release and restrictive covenant agreement:

**Severance Pay.** For named executive officers employed by the Company for five or more years as of the termination date, a severance payment equal to 1/12 of the executive's base salary in effect as of the termination date, multiplied by 24. For named executive officers employed by the Company for less than five years as of the termination date, a severance payment equal to 1/12 of the executive's base salary in effect as of the termination date, multiplied by 18. As of December 31, 2015, each of the named executive officers other than Mr. O'Shaughnessy was eligible to receive a multiple equal to 24, while Mr. O'Shaughnessy's severance multiple was equal to 18.

**Bonus.** The executive will receive a prorated bonus under the Annual Incentive Program for the year in which the termination occurs, calculated based on actual performance during the year.

**Long-Term Incentive Plan Awards.** The executive will be entitled to a prorated portion of any outstanding long-term incentive plan awards at the end of the applicable performance period, based on actual performance during the period.

**Continued Benefits Coverage.** Provided that the executive properly elects continued health care coverage under applicable law, a payment equal to the difference between active employee premiums and continuation coverage premiums for up to 18 months of coverage.

In addition, the Committee has adopted a Retirement Policy which clarifies the definition of retirement for purposes of determining the treatment of equity and long-term incentive awards following a qualifying retirement. Under the policy, a qualifying retirement will occur upon a separation from the Company (i) on or after attaining age 60 and completing five consecutive years of service or (ii) on or after attaining age 55 and completing ten consecutive years of service; in both cases, provided that the employee gives at least six months' notice to the Company. In the event of a qualifying retirement, the Retirement Policy provides for outstanding equity and long-term incentive awards to be treated as follows, subject to the employee's timely execution of a release and restrictive covenant agreement:

**Time-Based Restricted Shares/Restricted Share Units.** For any outstanding time-based restricted share awards, fifty percent (50%) of the shares of common stock subject to the award that were not vested immediately prior to the employee's qualifying retirement will vest upon such retirement date. The remaining shares of common stock will continue to vest in accordance with the original vesting schedule set forth in the underlying agreement.

**Stock Options.** Any outstanding stock options will be exercisable only to the extent that the options are exercisable as of such retirement date or become exercisable pursuant to the terms of the underlying agreement.

Long-Term Incentive Plan Awards. The employee will be entitled to a prorated portion of any outstanding long-term incentive plan awards at the end of the applicable performance period, based on actual performance during the period.

As of December 31, 2015, Mr. Ellinghausen was our only named executive officer who would have been eligible for benefits under the Retirement Policy assuming he had given timely notice of his intent to retire. If Mr. Ellinghausen had experienced a qualifying retirement on December 31, 2015, he would have been eligible to continue vesting in restricted stock unit awards with respect to 102,379 shares (valued at \$1,824,394 based on our December 31, 2015 share price, with 50% of those shares vesting immediately upon such retirement).

Our 2004 Stock Incentive Plan, 2013 Stock Incentive Plan and LTI Programs under the 2008 Senior Management Incentive Plan and 2013 Senior Management Incentive Plan provide for the payment of awards following a change in control and certain terminations of employment. In general, our stock incentive plans and LTI Programs define a change in control as follows:

the acquisition by any individual, entity or group of the beneficial ownership of 40% or more of the then outstanding common shares of the Company or the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors;

individuals who constitute the Board as of the date of relevant stock incentive plans or future directors approved by such Board cease for any reason to constitute at least a majority of such Board;

subject to certain exceptions contained in the plans, the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company; or

the consummation of a plan of complete liquidation or dissolution of the Company.

The tables below reflect the amount of compensation to be received by each of the named executive officers in the event of a change in control and certain terminations of each executive's employment. The amounts shown assume that such change in control or termination was effective as of December 31, 2015, and thus includes amounts earned through such time and are estimates of the amounts which would be received by the executives upon a change in control or their termination. The calculations in the tables below are based on our closing stock price on December 31, 2015 of \$17.82 per share. The actual amounts to be received by the executives can only be determined at the time of such change in control or separation from the Company.

***Involuntary Termination without Cause or Termination for Good Reason(1)***

	Cash Severance(2)	Annual Incentive(3)	Acceleration of Long-Term Incentive Awards(4)	Acceleration of Outstanding Restricted Shares and Performance Shares(4)	Continued Benefits Coverage(5)	Total Benefits
Richard J. Dugas, Jr.	\$ 2,400,000	\$ 1,503,750	\$ 1,181,877	\$ 6,374,945	\$ 23,650	\$ 11,484,222
Robert T. O. Shaughnessy	\$ 1,050,000	\$ 701,750	\$ 359,198	\$ 2,019,880	\$ 23,650	\$ 4,154,478
Harmon D. Smith	\$ 1,250,000	\$ 626,563	\$ 347,643	\$ 1,744,507	\$ 23,650	\$ 3,992,363
Ryan R. Marshall	\$ 1,100,000	\$ 551,375	\$ 237,569	\$ 1,191,339	\$ 18,579	\$ 3,098,862
James R. Ellinghausen	\$ 1,050,000	\$ 526,313	\$ 324,437	\$ 1,824,394	\$ 18,579	\$ 3,743,723

**Termination due to Death or Disability**

	<b>Acceleration of Long-Term Incentive Awards(4)</b>	<b>Acceleration of Outstanding Restricted Shares and Performance Shares(4)</b>	<b>Total Accelerated Long- Term Awards</b>
Richard J. Dugas, Jr.	\$ 2,550,000	\$ 6,374,945	\$ 8,924,945
Robert T. O Shaughnessy	\$ 775,000	\$ 2,019,880	\$ 2,794,880
Harmon D. Smith	\$ 750,000	\$ 1,744,507	\$ 2,494,507
Ryan R. Marshall	\$ 541,629	\$ 1,191,339	\$ 1,732,968
James R. Ellinghausen	\$ 700,000	\$ 1,824,394	\$ 2,524,394

**Change In Control**

	<b>Acceleration of Long-Term Incentive Awards(4)</b>	<b>Acceleration of Outstanding Restricted Shares and Performance Shares(4)</b>	<b>Total Accelerated Long- Term Awards</b>
Richard J. Dugas, Jr.	\$ 5,100,000	\$ 6,374,945	\$ 11,474,945
Robert T. O Shaughnessy	\$ 1,550,000	\$ 2,932,373	\$ 4,482,373
Harmon D. Smith	\$ 1,500,000	\$ 2,657,000	\$ 4,157,000
Ryan R. Marshall	\$ 1,125,000	\$ 2,103,832	\$ 3,228,832
James R. Ellinghausen	\$ 1,400,000	\$ 2,736,887	\$ 4,136,887

- (1) Under the terms of the Executive Severance Policy, the named executive officers are eligible to receive cash severance, a prorated payout of the annual incentive award for the year of termination, a prorated payout of outstanding long-term incentive awards and a cash payment equal to health care continuation coverage in the event of a termination other than due to cause, death, disability resignation other than for constructive termination or as a result of a corporate transaction where the executive is offered comparable employment. In addition, pursuant to the terms of the award agreements, the named executive officers are eligible to receive additional equity vesting in the event of an involuntary termination without cause (as described in footnote 5 to this table).
- (2) Amounts reported in this column represent cash severance (base salary multiplied by the applicable severance multiple) under the Executive Severance Policy for a qualifying termination of employment under the Executive Severance Policy. Under the terms of the Executive Severance Policy, as of December 31, 2015, the severance multiple applicable to each of the named executive officers other than Mr. O Shaughnessy was 2, while Mr. O Shaughnessy's severance multiple was 1.5.
- (3) The executive will receive a prorated bonus under the Annual Incentive Program for the year in which the termination occurs, calculated based on actual performance during the year. Because termination is assumed to occur as of the last day of the fiscal year, the amounts reported represent the full payout of the 2015 Annual Incentive Plan award. This amount is also reported as 2015 compensation in the 2015 Summary Compensation Table.

(4) Amounts in these columns reflect the long-term incentive awards and equity-based awards to be received upon a termination or a change in control calculated in accordance with the 2004 Stock Incentive Plan, 2013 Stock Incentive Plan, long-term award agreements and Retirement Policy. In the case of stock grants, the equity value represents the value of the shares (determined by multiplying the closing price of \$17.82 per share on December 31, 2015 by the number of unvested shares of restricted stock that would vest upon a change in control or following a qualifying termination of employment, death, disability or retirement). The calculation with respect to unvested long-term incentive awards and equity-based awards reflects the following additional assumptions under the 2004 Stock Incentive Plan, 2013 Stock Incentive Plan and long-term award agreements:

Event	Unvested		
	Restricted Stock Units (Other than December 2011 Performance Awards)	December 2011 Performance Awards	2014-2016 and 2015-2017 Long Term Awards
Voluntary Termination of Employment (Other than for Good Reason Following a Change in Control or Retirement)	Forfeit	Forfeit	Forfeit
Voluntary Termination of Employment Due to Constructive Termination Under Executive Severance Policy	Forfeit	Forfeit	Prorated, based on actual Company performance and service through termination date.
Involuntary Termination of Employment (Other than for Cause)	Forfeit, unless Committee exercises discretion pursuant to the applicable stock incentive plan to provide for acceleration. For purposes of quantifying potential payments that may be received upon a termination of employment, we have assumed that the Committee exercised discretion to provide for acceleration upon a termination of employment as of December 31, 2015.	Prorated, based on actual Company performance and service through termination date.	Prorated, based on actual Company performance and service through termination date.
Retirement (with consent of Company and execution of a non-competition, non-solicitation and confidentiality agreement)	50% of the shares of common stock subject to the award that were not vested immediately prior to the employee's qualifying retirement will vest upon such retirement date and remaining shares of common stock will continue to vest in accordance with the original vesting schedule set forth in the underlying award agreement.	Forfeit	Prorated, based on actual Company performance and service through termination date
Death or Termination due to Disability	Accelerate	Prorated, based on actual Company performance and service through termination date	Prorated, based on target performance and service through termination date

<b>Unvested</b>			
<b>Restricted Stock Units</b>			
<b>Event</b>	<b>(Other than December 2011 Performance Awards)</b>	<b>December 2011 Performance Awards</b>	<b>2014-2016 and 2015-2017 Long Term Awards</b>
Change in Control	Accelerate	Full vesting with award settled upon the earlier to occur of (i) five year anniversary of the date of grant or (ii) termination of employment due to death, disability or by the Company without cause	If executive remains employed with the Company following the change in control, award will be settled at the greater of (i) target and (ii) actual performance
Termination of Employment by the Company without Cause or by the Executive for Good Reason following a Change in Control	See above for treatment upon qualifying termination awards accelerated upon a change in control	Accelerated payout of award that vested in connection with a change in control upon a termination without cause	Target payout

- (5) Under the Executive Severance Policy, if the executive properly elects continued health care coverage under applicable law, the executive will receive a payment equal to the difference determined as of the date of termination between active employee premiums and continuation coverage premiums for up to 18 months of coverage.

### **Risk Management and Compensation**

As noted in our Compensation Discussion and Analysis, a key objective of the Company's compensation program is to appropriately incentivize our executives so that they may act in the best interests of the Company and its shareholders. The Compensation and Management Development Committee believes that its incentive compensation programs should encourage risk within parameters that are appropriate for the long-term health and sustainability of the Company's business.

At its February 11, 2016 meeting, the Compensation and Management Development Committee, in consultation with Pearl Meyer, reviewed each compensation element, the group of employees eligible to receive each compensation element, the current performance measures and payout ranges, the potential risks posed by each compensation element as well as the processes used to mitigate any such risks. The Compensation and Management Development Committee determined that any risks associated with the Company's executive and broad-based compensation plans were appropriately mitigated. For example, the maximum payouts under our executive and broad-based annual incentive plans are capped at 200% of target. In addition, the Company uses multiple performance metrics under the Annual Program (e.g., consolidated pre-tax income, gross margins, SG&A expenses and inventory turns), each of which is subject to the scrutiny of our internal control system as well as the Company's annual audit. The Compensation and Management Development Committee also believes that equity-based, long-term incentive awards which vest over a period of years aligns the interests of our executives and employees with those of our shareholders in support of the long-term health of the Company. Finally, the Compensation and Management Development Committee believes that its overall review of the competitiveness and reasonableness of the Company's compensation programs against market data serves as another mechanism to evaluate the compensation program and to identify any risks.

The Compensation and Management Development Committee has adopted a clawback policy. Under the policy, in the event any named executive officer engages in detrimental conduct (as defined in the policy), the Committee may require that such named executive officer (i) reimburse the Company for all



or any portion of any bonus, incentive payment, equity-based award or other compensation received by such named executive officer within the 36 months following such detrimental conduct and (ii) remit to the Company any profits realized from the sale of Company securities within the 36 months following such detrimental conduct. The purpose of this policy is to discourage inappropriate and excessive risks, as executives will be held accountable for conduct which is harmful to the Company.

Based on its review, the Compensation and Management Development Committee determined that the risks arising from the Company's executive and broad-based compensation programs are not reasonably likely to have a material adverse effect on the Company.

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**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information as of December 31, 2015 with respect to our common shares that may be issued under our existing equity compensation plans:

<b>Plan Category</b>	<b>Number of Common Shares to be Issued Upon Exercise of Outstanding Options (a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options (b)</b>	<b>Number of Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Common Shares Reflected in Column (a)) (c)</b>
Equity compensation plans approved			
by shareholders	6,040,317	\$ 18.9724	25,107,443
Equity compensation plans not approved			
by shareholders			
<b>Total</b>	<b>6,040,317</b>	<b>\$ 18.9724</b>	<b>25,107,443</b>

### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We or one of our subsidiaries may occasionally enter into transactions with a related party. Related parties include our executive officers, directors, nominees for director, 5% or more beneficial owners of our common shares, and immediate family members of these persons. We refer to transactions involving amounts in excess of \$100,000 and in which the related party has a direct or indirect material interest as an interested transaction. Each interested transaction must be approved or ratified by the Nominating and Governance Committee of the Board of Directors in accordance with our written Related Party Transaction Policies and Procedures. The Nominating and Governance Committee will consider, among other factors it deems appropriate, whether the interested transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances as well as the extent of the related party's interest in the transaction. Since January 1, 2015, there were no interested transactions.

Our Related Party Transaction Policies and Procedures provide that the Nominating and Governance Committee has determined that the following types of transactions are pre-approved or ratified, as applicable, by the Nominating and Governance Committee, even if such transactions involve amounts in excess of \$100,000:

employment by the Company of an executive officer of the Company if: (i) the related compensation is required to be reported in our proxy statement or (ii) the compensation would have been reported in our proxy statement if the executive officer was a named executive officer and the executive officer is not an immediate family member of another executive officer or director of the Company;

compensation paid to a director if the compensation is required to be reported in our proxy statement;

any transaction with another company at which a related party's only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed the greater of \$1,000,000, or 2% of that company's total annual revenues;

any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university at which a related party's only relationship is as an employee (other than an executive officer) or a director, if the aggregate amount involved does not exceed the lesser of \$1,000,000, or 2% of the charitable organization's total annual receipts;

any transaction where the related party's interest arises solely from the ownership of the Company's common shares and all holders of the Company's common shares received the same benefit on a pro rata basis; and

any transaction involving a related party where the rates or charges involved are determined by competitive bids.

### REPORT OF THE AUDIT COMMITTEE

The Audit Committee is comprised of four directors, all of whom meet the independence standards contained in the applicable NYSE and SEC rules, and operates under a written charter adopted by the Board of Directors. The Audit Committee selects, subject to shareholder ratification, the Company's independent public accountants.

PulteGroup management is responsible for the Company's internal controls and financial reporting process. The Company's independent public accountants, Ernst & Young LLP, are responsible for performing an independent audit of the Company's consolidated financial statements and issuing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, as well as an independent audit of the Company's internal control over financial reporting and issuing an opinion on the effectiveness of internal control over financial reporting. The Audit Committee monitors the Company's financial reporting process and reports to the Board of Directors on its findings.

During the last year, the Audit Committee met and held discussions with management and Ernst & Young LLP. The Audit Committee reviewed and discussed with PulteGroup management and Ernst & Young LLP the audited financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. The Audit Committee also discussed with Ernst & Young LLP the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board, as well as by SEC regulations.

The Audit Committee has received from Ernst & Young LLP the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young LLP's communications with the Audit Committee concerning independence. The Audit Committee discussed with Ernst & Young LLP such firm's independence.

The Audit Committee also considered whether the provision of other non-audit services by Ernst & Young LLP to the Company is compatible with maintaining the independence of Ernst & Young LLP, and the Audit Committee concluded that the independence of Ernst & Young LLP is not compromised by the provision of such services.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

#### Members of the Audit Committee

Brian P. Anderson, Chair

Thomas J. Folliard

André J. Hawaux

Debra J. Kelly-Ennis

**Audit and Non-Audit Fees**

The following table presents fees for professional audit services rendered by Ernst & Young LLP for the audit of the Company's annual financial statements for the years ended December 31, 2015 and 2014, and fees billed for other services rendered by Ernst & Young LLP during those periods.

	2015	2014
Audit Fees (1)	\$ 1,824,000	\$ 1,807,088
Audit-Related Fees (2)	60,995	29,995
Tax Fees (3)	116,149	107,735
All Other Fees (4)		
	\$ 2,001,144	\$ 1,944,818

Notes:

- (1) Audit services consisted principally of the audit of the consolidated financial statements included in the Company's Annual Report on Form 10-K, the audit of the effectiveness of the Company's internal controls over financial reporting, reviews of the consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q and various statutory audit reports.
- (2) Audit-related services consisted principally of audits of employee benefit plans.
- (3) Tax services consisted principally of assistance with tax compliance, the review of tax returns and tax consultation, planning and implementation services.
- (4) The Company did not engage Ernst & Young LLP to perform any other services during the years ended December 31, 2015 and 2014.

**Audit Committee Preapproval Policies**

The Audit Committee has adopted strict guidelines and procedures on the use of Ernst & Young LLP to provide any services, including a requirement that the Audit Committee approve in advance any services to be provided by Ernst & Young LLP. The Audit Committee approves the annual audit services and fees at its meeting in February and then reviews the Ernst & Young LLP audit plan for the current year during its May meeting. In 2015 and 2014, the Audit Committee preapproved the use of Ernst & Young LLP for certain routine accounting and tax consultation matters, provided that the fees for any individual consultation are not expected to exceed \$25,000. Prior to the commencement of any other audit-related, tax or other service, the Audit Committee reviews each individual arrangement, including the nature of the services to be provided and the estimate of the fees to be incurred, prior to engaging Ernst & Young LLP to perform the service.

**ADDITIONAL PROPOSALS REQUIRING YOUR VOTE**

**PROPOSAL TWO**

**RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP**

**AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Ernst & Young LLP as PulteGroup's independent registered public accounting firm for 2016, and the Board of Directors and the Audit Committee recommend that the shareholders ratify this appointment.

Although there is no requirement that Ernst & Young LLP's appointment be terminated if the ratification fails, the Audit Committee will consider the appointment of other independent registered public accounting firms if the shareholders choose not to ratify the appointment of Ernst & Young LLP. The Audit Committee may terminate the appointment of Ernst & Young LLP as our independent registered public accounting firm without the approval of the shareholders whenever the Audit Committee deems such termination appropriate.

Amounts paid by us to Ernst & Young LLP for audit and non-audit services rendered in 2015 and 2014 are disclosed elsewhere in this Proxy Statement.

Ernst & Young LLP served as our independent registered public accounting firm during 2015 and has served as our independent public accountants for many years. Representatives of Ernst & Young LLP are expected to attend the annual meeting and will be available to respond to appropriate questions, and to make a statement if they wish to do so.

*The Board of Directors and the Audit Committee recommend that shareholders vote **FOR** ratification of the appointment of Ernst & Young LLP as PulteGroup's independent registered public accounting firm for 2016.*

**PROPOSAL THREE**

**ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION**

Pursuant to Section 14A of the Exchange Act, we are providing shareholders with a vote to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with SEC rules. The advisory vote to approve executive compensation described in this proposal is commonly referred to as a say-on-pay vote.

The Company asks that you indicate your approval of the compensation paid to our named executive officers as described on pages 27 through 58 of this Proxy Statement. Because your vote is advisory, it will not be binding on the Board of Directors. However, the Board of Directors and the Compensation and Management Development Committee will review the voting results and take them into consideration when making future decisions regarding executive compensation.

At the 2015 annual meeting, the Company's say-on-pay proposal was approved, on an advisory basis, by more than 96% of the votes cast. At the 2011 annual meeting, shareholders were also asked to vote on a proposal seeking their views as to whether the say-on-pay vote should be held every year, every two years or every three years. A majority of shareholders voting on the matter indicated a preference for holding such vote on an annual basis. Accordingly, our Board of Directors decided, as previously disclosed, that the advisory vote on executive compensation will be held on an annual basis at least until the next non-binding stockholder vote on the frequency with which the advisory vote on executive compensation should be held.

As described in the Compensation Discussion and Analysis, our overall compensation philosophy applicable to named executive officers is to provide a compensation program that is intended to attract and retain qualified executives for PulteGroup through fluctuating business cycles, provide them with incentives to achieve our strategic, operational, and financial goals, increase shareholder value, and reward long-term financial success.

Key principles of our executive compensation philosophy include:

providing total compensation levels that are competitive with our direct competitors within the homebuilding industry, as well as companies of similar size and complexity in related industries;

fostering a pay for performance environment by delivering a significant portion of total compensation through performance-based, variable pay;

aligning the long-term interests of our executives with those of our shareholders;

requiring our executives to own significant levels of PulteGroup shares;

balancing cash compensation with equity compensation so that each executive has a significant personal financial stake in PulteGroup's share price performance (in general, we seek to provide a significant portion of total compensation to named executive officers in the form of equity-based compensation); and

balancing short-term compensation with long-term compensation to focus our senior executives on the achievement of both operational and financial goals and longer-term strategic objectives.

This proposal gives our shareholders the opportunity to express their views on the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. For the reasons discussed above, we are asking our shareholders to indicate their support for our named executive officer compensation by voting FOR the following resolution at the Annual Meeting:

**RESOLVED**, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission (which disclosure includes the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure).

*The Board of Directors recommends that shareholders vote FOR the approval of the advisory resolution relating to the compensation of our named executive officers as disclosed in this Proxy Statement.*

#### **PROPOSAL FOUR**

##### **AMENDMENT TO SECTION 382 RIGHTS AGREEMENT**

The Company entered into an Amended and Restated Section 382 Rights Agreement, dated as of March 18, 2010 (the "Original Rights Agreement"), with Computershare Trust Company, N.A., as rights agent. The Original Rights Agreement was not designed to protect shareholders against the possibility of a hostile takeover, but was adopted in an effort to protect shareholder value by preserving the Company's ability to use its net operating losses, built in losses and other tax benefits (collectively, the "NOLs"). The Original Rights Agreement was approved by the shareholders of the Company on May 12, 2010.

On March 14, 2013, the Board of Directors adopted an amendment to the Original Rights Agreement to extend the expiration date of the Rights Agreement from June 1, 2013 to June 1, 2016 (the First Rights Plan Extension). The First Rights Plan Extension was approved by the shareholders of the Company on May 8, 2013.

On March 10, 2016, the Board of Directors adopted an amendment to the Original Rights Agreement to extend the expiration date of the Rights Agreement from June 1, 2016 to June 1, 2019 (the Second Rights Plan Extension, and collectively with the Original Rights Agreement and the First Rights Plan Extension, the Rights Agreement) so that the Rights Agreement will continue to protect shareholder value by preserving the Company's NOLs. The Board of Directors is asking shareholders to approve the Second Rights Plan Extension.

If shareholders do not approve the Second Rights Plan Extension by June 1, 2016, the Rights Agreement will automatically expire on that date.

### **Background and Reasons for the Proposal**

As of December 31, 2015, we estimate that the Company had approximately \$1.5 billion (before valuation allowances) of deferred tax assets generated by net operating losses, built-in losses and other tax benefits. The net operating losses do not fully expire for many years. For example, any federal net operating losses in 2016 would generally not expire until 2036. To the extent we have future taxable income, and until the net operating losses expire, they can be used to offset future taxable income, if any. In addition, net operating losses may generally be carried back two years to offset past taxable income.

Because the amount and timing of the Company's future taxable income, if any, cannot be accurately predicted, we cannot estimate the exact amount of NOLs that can ultimately be used to reduce the Company's income tax liability. However, we continue to believe the NOLs are a valuable asset and that it is in the Company's best interests to attempt to preserve their use by extending the expiration of the Rights Agreement. The Second Rights Plan Extension leaves the Rights Agreement unchanged in all material respects, other than to extend the expiration date of the Rights Agreement from June 1, 2016 to June 1, 2019.

Limitations on the Company's ability to use the NOLs would arise if the Company undergoes an ownership change under Section 382 of the Code (Section 382). Calculating whether an ownership change has occurred is subject to inherent uncertainty. This uncertainty results from the complexity and ambiguity of the Section 382 provisions, as well as limitations on the knowledge that any publicly traded company can have about the ownership of and transactions in its securities on a timely basis. Based upon the information available to us, along with our evaluation of various scenarios, we believe that the Company has not experienced an ownership change; however, the amount by which the Company's ownership may change in the future is uncertain.

### **Section 382 Ownership Calculations**

The benefit of the NOLs would be significantly reduced if the Company were to experience an ownership change as defined in Section 382. In order to determine whether an ownership change has occurred, the Company must compare the percentage of shares owned by each 5.0-percent shareholder immediately after the close of the testing date to the lowest percentage of shares owned by such 5.0-percent shareholder at any time during the testing period (which is generally a three year rolling period). An ownership change occurs if the aggregate increase in ownership by all such 5.0-percent shareholders exceeds 50 percentage points.

For example, if a single investor acquired more than 50% of the Company's shares in a three-year period, an ownership change would occur. Similarly, if ten persons, none of whom owned shares,



each acquired slightly over 5.0% of the Company's shares within a three-year period (so that such persons owned, in the aggregate, more than 50%), an ownership change would occur.

In the event of an ownership change, the annual limit pursuant to Section 382 (the 382 Limitation) is obtained by multiplying (i) the aggregate value of the Company's outstanding equity immediately prior to the ownership change (reduced by certain capital contributions made during the immediately preceding two years and certain other items) by (ii) the federal long-term tax-exempt interest rate in effect for the month of the ownership change. In calculating the 382 Limitation, numerous special rules and limitations apply, including provisions dealing with built-in gains and losses. If the Company were to have taxable income in excess of the 382 Limitation following a Section 382 ownership change, it would not be able to offset tax on the excess income with the NOLs. Although any loss carryforwards not used as a result of any Section 382 Limitation would remain available to offset income in future years (again, subject to the Section 382 Limitation) until the NOLs expire, any subsequent ownership change could significantly defer the utilization of the loss carryforwards, accelerate payment of federal income tax and cause some of the NOLs to expire unused. Because the aggregate value of the Company's outstanding shares and the federal long-term tax-exempt interest rate fluctuate, it is impossible to predict the Section 382 Limitation on the Company's NOLs should an ownership change occur in the future. However, such limitation could be material.

In determining whether an ownership change has occurred, the rules of Section 382 are very complex, and are beyond the scope of this summary discussion. Some of the factors that must be considered in performing a Section 382 ownership change analysis include the following:

All holders who each own less than 5.0% of a company's common shares are generally (but not always) collectively treated as a single 5.0-percent shareholder. Transactions in the public markets among shareholders who are not 5.0-percent shareholders are generally (but not always) treated as within this single 5.0-percent shareholder.

There are several rules regarding the aggregation and segregation of shareholders who otherwise do not qualify as 5.0-percent shareholders. Certain constructive ownership rules, which generally attribute ownership of shares owned by estates, trusts, corporations, partnerships or other entities to the ultimate indirect individual owner thereof, or to related individuals, are applied in determining the level of share ownership of a particular shareholder. Ownership of shares is generally attributed to both their ultimate beneficial owner as well as to first-tier and higher-tier entities, including trusts, corporations, partnerships or other entities.

Acquisitions by a person which cause that person to become a 5.0-percent shareholder generally result in a five percentage (or more) point change in ownership, regardless of the size of the final purchase that caused the threshold to be exceeded.

Special rules can result in the treatment of options (including warrants) or other similar interests as having been exercised if such treatment would result in an ownership change.

The redemption or buyback of shares by an issuer will increase the ownership of any 5.0-percent shareholders (including groups of shareholders treated as a single 5.0-percent shareholder) and can contribute to an ownership change. In addition, it is possible that a redemption or buyback of shares could cause a holder of less than 5.0% to become a 5.0-percent shareholder, resulting in a five percentage (or more) point change in ownership.

#### **Description of the Rights Agreement**

The following description of the Rights Agreement is qualified in its entirety by reference to the text of the Original Rights Agreement, as amended by the First Rights Plan Extension, which are attached to this Proxy Statement as [Appendix I](#), and the text of the Second Rights Plan Extension, which is

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attached to this Proxy Statement as [Appendix II](#). **We urge you to read carefully the Original Rights Agreement, as amended, and the Second Rights Plan Extension in their entirety as the discussion below is only a summary.**

The Rights Agreement is intended to act as a deterrent to any person acquiring beneficial ownership of 4.9% or more of our outstanding common shares within the meaning of Section 382 and the Treasury Regulations promulgated thereunder (an Acquiring Person) without the approval of the Board. Shareholders who beneficially owned 4.9% or more of the Company's outstanding common shares as of the close of business on March 5, 2009 are not an Acquiring Person so long as they do not acquire any additional common shares at a time when they still beneficially own 4.9% or more of the Company's common shares. William J. Pulte and members of his family have been exempted from the definition of Acquiring Person. In addition, the Board may, in its sole discretion, exempt any other person or group from being deemed an Acquiring Person for purposes of the Rights Agreement.

*The Rights.* On March 5, 2009, in connection with the adoption of the original Section 382 rights agreement (which was subsequently amended and restated as of March 18, 2010 and amended as of March 14, 2013 and March 10, 2016), the Board of Directors authorized the issuance of one right per outstanding common share payable to the Company's shareholders of record as of March 16, 2009, and the rights were issued on March 16, 2009. Subject to the terms, provisions and conditions of the Rights Agreement, if the rights become exercisable, each right would initially represent the right to purchase from us one one-thousandth of a share of the Company's Series A Junior Participating Preferred Shares, par value \$0.01 per share (the Series A Preferred Shares), for a purchase price of \$50.00 per right (the Purchase Price). If issued, each fractional Series A Preferred Share would give the shareholder approximately the same dividend, voting and liquidation rights as does one common share. However, prior to exercise, a right does not give its holder any rights as a shareholder of the Company, including any dividend, voting or liquidation rights.

*Initial Exercisability.* The rights are not exercisable until the earlier of (i) ten days after a public announcement that a person has become an Acquiring Person or such earlier date as the Board becomes aware that there is an Acquiring Person and (ii) ten business days (or such later date as may be determined by the Board) after the commencement of a tender or exchange offer by or on behalf of a person that, if completed, would result in such person becoming an Acquiring Person. We refer to the date that the rights become exercisable as the Distribution Date.

Until the Distribution Date, the Company's common share certificates or the ownership statements issued with respect to uncertificated common shares will evidence the rights and will contain a notation to that effect. Any transfer of common shares prior to the Distribution Date will constitute a transfer of the associated rights. After the Distribution Date, separate rights certificates will be issued and the rights may be transferred apart from the transfer of the underlying common shares, unless and until the Board has determined to effect an exchange pursuant to the Rights Agreement (as described below).

*Flip-In Event.* In the event that a person becomes an Acquiring Person, each holder of a right, other than rights that are or, under certain circumstances, were beneficially owned by the Acquiring Person (which will thereupon become void), will thereafter have the right to receive upon exercise of a right and payment of the Purchase Price, a number of common shares having a market value of two times the Purchase Price. However, rights are not exercisable following the occurrence of a person becoming an Acquiring Person until such time as the rights are no longer redeemable by the Company (as described below).

*Exempted Persons and Exempted Transactions.* The Board recognizes that there may be instances when an acquisition of the Company's common shares that would cause a shareholder to become an Acquiring Person may not jeopardize or endanger in any material respect the availability of the NOLs

to the Company. Accordingly, the Rights Agreement grants discretion to the Board to designate a person as an Exempted Person or to designate a transaction involving the Company's common shares as an Exempted Transaction. An Exempted Person cannot become an Acquiring Person and an Exempted Transaction cannot result in a person becoming an Acquiring Person. The Board can revoke an Exempted Person designation if it subsequently makes a contrary determination regarding whether a person jeopardizes or endangers in any material respect the availability of the NOLs to the Company.

*Redemption.* At any time until ten calendar days following the first date of public announcement that a person has become an Acquiring Person or such earlier date as a majority of the Board becomes aware of the existence of an Acquiring Person, the Board may redeem the rights in whole, but not in part, at a price of \$0.001 per right (the Redemption Price). The redemption of the rights may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish. Immediately upon any redemption of the rights, the right to exercise the rights will terminate and the only right of the holders of rights will be to receive the Redemption Price.

*Exchange.* At any time after a person becomes an Acquiring Person and prior to the acquisition by the Acquiring Person of 50% or more of the outstanding common shares, the Board may exchange the rights (other than rights that have become void), in whole or in part, at an exchange ratio of one common share, or a fractional Series A Preferred Share (or of a share of a similar class or series of our preferred shares having similar rights, preferences and privileges) of equivalent value, per right (subject to adjustment). Immediately upon an exchange of any rights, the right to exercise such rights will terminate and the only right of the holders of rights will be to receive the number of common shares (or fractional Series A Preferred Share or of a share of a similar class or series of our preferred shares having similar rights, preferences and privileges) equal to the number of such rights held by such holder multiplied by the exchange ratio.

*Expiration.* The rights and the Rights Agreement will expire on the earliest of the following:

June 1, 2016 if the Second Rights Plan Extension has not been approved by the shareholders by such date;

the close of business on June 1, 2019 if the Second Rights Plan Extension has been approved by the shareholders by June 1, 2016;

the redemption of the rights;

the exchange of the rights;

the close of business on the effective date of the repeal of Section 382 or any successor statute if the Board determines that the Rights Agreement is no longer necessary or desirable for the preservation of certain tax benefits; and

the close of business on the first day of a taxable year to which the Board determines that certain tax benefits may not be carried forward.

*Anti-Dilution Provisions.* The Board may adjust the Purchase Price of the Series A Preferred Shares, the number of Series A Preferred Shares issuable and the number of outstanding rights to prevent dilution that may occur as a result of certain events, including among others, a share dividend, a share split or a reclassification of the Series A Preferred Shares or of the Company's common shares. With certain exceptions, no adjustments to the Purchase Price will be required until cumulative adjustments amount to at least 1% of the Purchase Price.

*Amendments.* For so long as the rights are redeemable, the Board may supplement or amend any provision of the Rights Agreement in any respect without the approval of the holders of the rights. From and after the time there is an Acquiring Person, no amendment can adversely affect the interests of the holders of the rights.

### **Certain Considerations Relating to the Rights Agreement**

The Board believes that continuing to attempt to protect the NOLs described above is in the Company's and the shareholders' best interests. Nonetheless, we cannot eliminate the possibility that an ownership change will occur even if the Second Rights Plan Extension is approved. You should consider the factors below when making your decision.

*Future Use and Amount of the NOLs is Uncertain.* The Company's use of the NOLs depends on its ability to generate taxable income in the future. The Company cannot assure you whether it will have taxable income in any applicable period or, if it does, whether such income or the NOLs at such time will exceed any potential Section 382 limitation.

*Potential Challenge to the NOLs.* The amount of the NOLs has not been audited or otherwise validated by the Internal Revenue Service (the IRS). The IRS could challenge the amount of the NOLs, which could result in an increase in the Company's liability in the future for income taxes. In addition, determining whether an ownership change has occurred is subject to uncertainty, both because of the complexity and ambiguity of the Section 382 provisions and because of limitations on the knowledge that any publicly traded company can have about the ownership of, and transactions in, its securities on a timely basis. Therefore, the Company cannot assure you that the IRS or other taxing authority will not claim that the Company experienced an ownership change and attempt to reduce the benefit of the NOLs even if the Second Rights Plan Extension is approved and the Rights Agreement is in place.

*Continued Risk of Ownership Change.* Although the Second Rights Plan Extension is intended to diminish the likelihood of an ownership change, the Company cannot assure you that it will be effective. The amount by which the Company's ownership may change in the future could, for example, be affected by purchases and sales of shares by 5-percent shareholders, over which the Company has no control, and new issuances of shares by the Company, should it choose to do so.

*Potential Effects on Liquidity.* The Rights Agreement is intended to deter persons or groups of persons from acquiring beneficial ownership of common shares in excess of the specified limitations. A shareholder's ability to dispose of the Company's common shares may be limited if the Second Rights Plan Extension reduces the number of persons willing to acquire the Company's common shares or the amount they are willing to acquire. A shareholder may become an Acquiring Person upon actions taken by persons related to, or affiliated with, them. Shareholders are advised to carefully monitor their ownership of the Company's shares and consult their own legal advisors and/or us to determine whether their ownership of the Company's shares approaches the proscribed level.

*Potential Impact on Value.* The Second Rights Plan Extension could negatively impact the value of the Company's common shares by deterring persons or groups of persons from acquiring the Company's common shares, including in acquisitions for which some shareholders might receive a premium above market value.

*Anti-Takeover Effect.* The Board adopted the Rights Agreement to diminish the risk that the Company's ability to use the NOLs to reduce potential federal income tax obligations becomes limited. Nonetheless, the Second Rights Plan Extension may have an anti-takeover effect because it may deter a person or group of persons from acquiring beneficial ownership of 4.9% or more of the Company's common shares or, in the case of a person or group of persons that already own 4.9% or more of the Company's common shares, from acquiring any additional common shares. The Second Rights Plan Extension could discourage or prevent a merger, tender offer, proxy contest or accumulations of substantial blocks of shares.

Existing provisions in the Company's Restated Articles of Incorporation and By-laws may also have the effect of delaying or preventing a merger with or acquisition of the Company, even where the

shareholders may consider it to be favorable. These provisions could also prevent or hinder an attempt by shareholders to replace our current directors and include: (i) a limitation on the maximum number of directors; (ii) advance notice requirements for nominations for election to the Board of Directors, (iii) the ability of the Board of Directors to designate and issue shares of the Company's preferred stock, and (v) certain limitations on shareholders holding 10% or more of the Company's shares from engaging in a merger or similar transaction with the Company. In addition, Chapter 7A of the Michigan Business Corporation Act may affect attempts to acquire control of the Company. In general, under Chapter 7A, business combinations (defined to include, among other transactions, certain mergers, dispositions of assets or shares and recapitalizations) between covered Michigan business corporations or their subsidiaries and an interested shareholder (defined as the direct or indirect beneficial ownership of at least 10% of the voting power of a covered corporation's shares) can be consummated only if approved by at least 90% of the votes of each class of the corporation's shares entitled to vote and by at least two-thirds of such voting shares not held by the interested shareholder, or such shareholder's affiliates, unless five years have elapsed after the person involved became an interested shareholder and unless certain price and other conditions are satisfied. The Board of Directors may exempt business combinations with a particular interested shareholder by resolution adopted prior to the time the interested shareholder attained that status. The Company has elected not to be governed by Chapter 7A of the Michigan Business Corporation Act; however, the Board of Directors may terminate such election.

#### **By-laws of the Company.**

On April 7, 2009, the Board approved an amendment to the Company's By-laws in order to preserve the tax treatment of the Company. The amendment added a new Article IX to the By-laws, which provides that any transfer of the Company's securities is prohibited and will be void if such transfer results in any person or group owning 4.9% or more of the Company's then-outstanding common shares (a 4.9-percent Shareholder), or if such transfer would increase the percentage ownership interest of a 4.9-percent Shareholder. These transfer restrictions are subject to certain exceptions, including an exception for transfers approved by the Board or a committee thereof. These transfer restrictions are applicable to transfers made, or pursuant to agreements entered into, between April 7, 2009 and such date as may be determined by the Board of Directors in accordance with Article IX of the By-laws.

Although Article IX of the By-laws is intended to reduce the likelihood of an ownership change that could adversely affect the Company, we cannot assure you that such restrictions would prevent all transfers that could result in such an ownership change. In particular, absent a court determination, there can be no assurance that the acquisition restrictions in the By-laws will be enforceable against all shareholders. They may be subject to challenge on equitable or other grounds. In particular, the restrictions may not be enforceable against shareholders who do not have notice of the restrictions at the time they acquired their shares. Accordingly, the Board believes that extending the expiration date of the Rights Agreement is in the best interests of all of the shareholders.

***The Board of Directors recommends that shareholders vote FOR the approval of the amendment to extend the term of our amended and restated Section 382 rights agreement.***

#### **PROPOSAL FIVE**

The Southwest Regional Council of Carpenters Pension Fund, 101 Constitution Avenue, N.W., Washington, D.C. 20001, which has represented to us that it beneficially owns approximately 4,812 of our shares, has submitted the following proposal.

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**DIRECTOR ELECTION MAJORITY VOTE STANDARD PROPOSAL**

**Resolved:** That the shareholders of PulteGroup, Inc. ( Company ) hereby request that the Board of Directors initiate the appropriate process to amend the Company s articles of incorporation to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats.

**Supporting Statement:** PulteGroup s Board of Directors should establish a majority vote standard in director elections in order to provide shareholders a meaningful role in these important elections. The proposed majority vote standard requires that a director nominee receive a majority of the votes cast in an election in order to be formally elected. The Company s current plurality standard is not well-suited for the typical director election that involves only a management slate of nominees running unopposed. Under these election circumstances, a board nominee is elected with as little as a single affirmative vote, even if a substantial majority of the withhold votes are cast against the nominee. So-called withhold votes simply have no legal consequence in uncontested director elections. We believe that a majority vote standard in board elections establishes a challenging vote standard for board nominees, enhances board accountability, and improves the performance of boards and individual directors. Over the past ten years, nearly 90% of the companies in the S&P 500 Index have adopted a majority vote standard in company bylaws, articles of incorporation, or charters. Further, these companies have also adopted a director resignation policy that establishes a board-centered post-election process to determine the status of any director nominee that is not elected. This dramatic move to a majority vote standard is in direct response to strong shareholder demand for a meaningful role in director elections. PulteGroup s Board of Directors continues to persistently oppose the adoption of a majority vote standard. The Board should adopt a majority vote standard in its governance documents and then adapt its director resignation policy to address the status of unelected directors. A majority vote standard combined with a post-election director resignation policy would establish meaningful voting rights for shareholders in director elections at PulteGroup, while reserving for the Board an important post-election role. We urge the Board to join the mainstream of major U.S. companies and establish a majority vote standard.

***The Board of Directors recommends that shareholders vote AGAINST this proposal for the following reasons:***

In eight of the past ten years, PulteGroup has received a similar proposal, and each such year the proposal received less than a majority of the votes cast by shareholders. In light of these results and for the reasons provided below, after thoughtful consideration, the Board believes that the Company s current method of electing directors already adequately addresses the concerns the proposal raises and continues to be in the best long-term interest of the Company and its shareholders, and the Board therefore opposes the proposal.

The proposal, which states that under the Company s current voting standard a board nominee is elected with as little as a single affirmative vote, even if a substantial majority of the withhold votes are cast against the nominee, incorrectly describes the Company s current voting standard. As described in greater detail in this Proxy Statement under the caption Election of Directors , since 2006, the Company s Corporate Governance Guidelines have required a nominee who receives a greater number of withheld votes than votes for his or her election (shareholders are not given the option to abstain with respect to the election of directors) in an unopposed election to tender his or her resignation to the Board. The Nominating and Governance Committee is then in turn obligated to focus its attention on and thoroughly assess any possible causes for concern related to the majority withhold vote for such nominee. Following such assessment, the Nominating and Governance Committee, which is composed exclusively of independent directors, must recommend to the Board whether to accept or reject the resignation, and the Board must take the action it deems appropriate with respect

to the resignation. These procedures, which have been in effect for over nine years, already provide the protections that could be achieved by the proposal's implementation, but without the limitations on the Board's judgment that would be attendant to such implementation as described below.

The procedures required under the Company's Corporate Governance Guidelines provide the benefit of ensuring that no director who has received a majority withhold vote will serve on the Board without a high degree of scrutiny. Simultaneously, the Company's Corporate Governance Guidelines preserve the Board's ability to take into account in its decision regarding the resignation all facts and circumstances surrounding the majority withhold vote, including the underlying reasons, the length of service and qualifications of the director, the director's contributions to the Company and compliance with listing standards and the Company's Corporate Governance Guidelines. The Board believes that the Corporate Governance Guidelines strike an appropriate balance that is sensitive to investors' views on the standard required for election of directors and effectively satisfies the goals of the shareholder proposal while preserving the flexibility of the Board to exercise its independent judgment on a case-by-case basis in the best interest of all shareholders.

Contrary to the shareholder proposal, which incorrectly argues that withhold votes have no legal consequence, we believe that, as a result of the procedures described above and in contrast to a scenario where there is a plurality standard and no such resignation policy, shareholder withhold votes are meaningful and provide an effective means by which shareholders are able to influence the Board's decision-making process.

Moreover, the shareholder proposal argues that a strict majority vote standard is a superior solution to a plurality standard, but fails to account for the issues that may arise due to the lost flexibility that would result if this proposal were implemented. Although the proposal, on its face, seems straightforward, the majority vote standard raises complicated issues in its implementation. For example, if a director nominee were to receive a plurality, but not a majority, of the votes cast, the Board would be faced with a choice among several options: (i) to decide whether to appoint a successor, which would be less democratic as a governance matter, (ii) to expend the funds to hold a special meeting to elect a successor or (iii) if the nominee were an existing director, to permit the director to remain in office until the next annual meeting of shareholders.

For the reasons stated above, the Board believes that instituting the change called for by the proposal is unnecessary and not in the best interests of our shareholders.

***The Board of Directors recommends that shareholders vote AGAINST this proposal.***

## OTHER MATTERS

### Multiple Shareholders Sharing the Same Address

The SEC permits companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy materials with respect to two or more shareholders sharing the same address by delivering a single proxy statement and annual report addressed to those shareholders. This process, which is commonly referred to as householding, potentially means extra convenience for shareholders and cost savings for companies. Shareholders who hold their shares through a broker may receive notice from their broker regarding the householding of proxy materials. As indicated in the notice that will be provided by these brokers, a single proxy statement and annual report will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholder. Once a shareholder has received notice that the broker will be householding, householding will continue until the shareholder is notified otherwise or until the shareholder revokes its consent. If you would prefer to receive separate copies of the proxy materials, please contact your bank, broker or other intermediary. If you currently share an address with another shareholder but are nonetheless receiving separate copies of the proxy materials, you may request delivery of a single copy in the future by contacting your bank, broker or other intermediary. Upon written request to our Corporate Secretary at PulteGroup, Inc., 3350 Peachtree Road Northeast, Suite 150, Atlanta, Georgia, 30326, we will provide separate copies of the proxy materials.

### Proxy solicitation cost

PulteGroup pays the cost of soliciting proxies. Additionally, we hired D.F. King & Co., Inc. to assist in the distribution of proxy materials, and its fee is expected not to exceed \$14,000, plus reasonable out-of-pocket expenses. We also hired MacKenzie Partners, Inc. to assist with soliciting proxies, and its fee is expected not to exceed \$50,000, plus reasonable out-of-pocket expenses. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation material to shareholders.

### Shareholder proposals due for the 2017 annual meeting

To be included in our proxy statement for next year's annual meeting, shareholder proposals must be in writing and received by PulteGroup by December 5, 2016. Shareholder proposals must be sent to Steven M. Cook, our Executive Vice President, Chief Legal Officer and Corporate Secretary, by certified mail, return receipt requested, or by recognized overnight courier, at the following address:

Steven M. Cook

Executive Vice President, Chief Legal Officer and Corporate Secretary

PulteGroup, Inc.

3350 Peachtree Road NE, Suite 150

Atlanta, Georgia 30326

Shareholder proposals that are intended to be presented at our 2017 annual meeting of shareholders, but that are not intended to be considered for inclusion in our proxy statement and proxy related to that meeting, must be made in writing and sent to Mr. Cook by certified mail, return receipt requested, or recognized overnight courier at the mailing address specified for him above, and must be received by PulteGroup by February 18, 2017. Our form of proxy will confer discretionary authority to vote on proposals not received by that date, and the persons named in our form of proxy will vote the shares represented by such proxies in accordance with their best judgment.



**Communicating with the Board**

You may communicate directly with the Board of Directors, the non-management directors as a group or any individual director or directors by writing to our Corporate Secretary at the mailing address specified for him above. You should indicate on the outside of the envelope the intended recipient (i.e., full Board of Directors, non-management directors as a group or any individual director or directors) of your communication. Each communication intended for the Board of Directors or any of PulteGroup's non-management directors and received by our Corporate Secretary will be promptly forwarded to the specified party.

**PULTEGROUP, INC.**

and

**COMPUTERSHARE TRUST COMPANY, N.A.**

Rights Agent

Amended and Restated Section 382 Rights Agreement

Dated as of March 18, 2010

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**AMENDED AND RESTATED SECTION 382 RIGHTS AGREEMENT**

AMENDED AND RESTATED SECTION 382 RIGHTS AGREEMENT, dated as of March 18, 2010 (this Agreement ), between PulteGroup, Inc., a Michigan corporation (the Company ), and Computershare Trust Company, N.A., a federally chartered trust company (the Rights Agent ), amends and restates that certain Section 382 Rights Agreement, dated as of March 5, 2009, as amended as of April 7, 2009 and as of September 24, 2009 (collectively, the Original Section 382 Rights Agreement ), between the Company and the Rights Agent.

**WITNESSETH:**

**WHEREAS**, the Company has generated net operating losses for United States federal income tax purposes ( NOLs ) and certain other tax benefits, such NOLs and certain other tax benefits may potentially provide valuable tax benefits to the Company, the Company desires to avoid an ownership change within the meaning of Section 382 (as defined below) and thereby preserve the ability to utilize fully such NOLs and certain other tax benefits and, in furtherance of such objective, the Company entered into the Original Section 382 Rights Agreement; and

**WHEREAS**, in connection with the adoption of the Original Section 382 Rights Agreement, on March 5, 2009 (the Rights Dividend Declaration Date ), the Board of Directors of the Company authorized and declared a dividend distribution of one Right (as hereinafter defined) for each Common Share (as hereinafter defined) of the Company outstanding at the Close of Business (as hereinafter defined) on March 16, 2009 (the Record Date ), each Right initially representing the right to purchase one one-thousandth of a Series A Junior Participating Preferred Share of the Company having the rights, powers and preferences set forth in the form of the Certificate of Designation attached hereto as Exhibit A, upon the terms and subject to the conditions set forth in the Original Section 382 Rights Agreement (the Rights ), and further authorized the issuance of one Right (as such number may hereinafter be adjusted pursuant to the provisions of Section 11(p)) for each Common Share of the Company issued between the Record Date (whether originally issued or delivered from the Company's treasury) and the earlier of the Distribution Date and the Expiration Date (as such terms are hereinafter defined) or, in certain circumstances provided in Section 22, after the Distribution Date;

**WHEREAS**, the Board of Directors of the Company has determined it is in the best interests of the Company and its shareholders to revise Section 1(c) of the Original Section 382 Rights Agreement and to restate the Original Section 382 Rights Agreement; and

**WHEREAS**, pursuant to its authority under Section 27 of the Original Section 382 Rights Agreement, the Board of Directors of the Company has authorized and approved this Amended and Restated Section 382 Rights Agreement as of the date hereof, and an appropriate officer of the Company has delivered a certificate to the Rights Agent in accordance with Section 27 of the Original Section 382 Rights Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

**Section 1. Certain Definitions.** For purposes of this Agreement, the following terms have the meanings indicated:

(a) **Acquiring Person** shall mean any Person (other than the Company, any Related Person, any Grandfathered Person or any Exempted Person) who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 4.9% or more of the Corporation Securities then outstanding, provided, however, that a Person will not be deemed to have become an Acquiring Person solely as a result of (i) a reduction in the amount of Corporation Securities outstanding, (ii) the exercise of any options, warrants, rights or similar interests (including restricted shares) granted by the Company to its directors, officers and employees, (iii) any unilateral grant of any Corporation Securities by the Company, (iv) any issuance of Corporation Securities by the Company or any share dividend, share split or similar transaction effected by the Company in which all holders of Corporation Securities are treated equally or (v) any Exempted Transaction; unless and until such time as such Person (together with all Affiliates and Associates of such Person) acquires the Beneficial Ownership of any additional Corporation Securities. Notwithstanding the foregoing, the Board of Directors of the Company may, in its sole discretion, determine that any Exempted Person shall no longer be deemed to be an Exempted Person for any purposes of this Agreement at which time such Person shall be deemed to be an Acquiring Person. Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an Acquiring Person (as defined pursuant to the foregoing provisions of this Section 1(a)) has become such inadvertently, and such Person promptly enters into, and delivers to the Company, an irrevocable commitment to divest as promptly as practicable, and thereafter divests as promptly as practicable a sufficient number of Corporation Securities so that such Person would no longer be an Acquiring Person (as defined pursuant to the foregoing provisions of this Section 1(a)), then such Person shall not be deemed to be an Acquiring Person for any purposes of this Agreement unless and until such time as such Person (together with all Affiliates and Associates of such Person) is again the Beneficial Owner of 4.9% or more of the Corporation Securities then outstanding.

Notwithstanding anything in this Agreement to the contrary, none of Centex or any of its Affiliates, Associates or stockholders, or the general partners, limited partners or members of such stockholders (the Centex Holders), either individually, collectively, or in any combination, shall be deemed to be an Acquiring Person or an Affiliate or an Associate of an Acquiring Person solely by virtue of or as a result of (i) the approval, adoption, execution, delivery or performance of the Merger Agreement or the Voting Agreements by any of the Centex Holders in connection with the Merger, (ii) the acquisition of any Common Shares pursuant to the Merger Agreement or the announcement or consummation of the Merger, (iii) the voting of Common Shares pursuant to the terms of the Voting Agreements or (iv) the consummation of any other transactions specifically contemplated by the Merger Agreement or the Voting Agreements, unless and until such time with respect to any Centex Holder that such Centex Holder (together with all Affiliates and Associates of such Centex Holder) acquires the Beneficial Ownership of any additional Corporation Securities.

(b) **Act** shall mean the Securities Act of 1933, as amended.

(c) **Affiliate and Associate** means, with respect to any Person, any other Person whose Corporation Securities would be deemed constructively owned by such first Person for purposes of Section 382, would be deemed owned by a single entity as defined in Treasury Regulation § 1.382-3(a)(1) in which both such Persons are included, or otherwise would be deemed aggregated with Corporation Securities owned by such first Person pursuant to the provisions of Section 382 and the Treasury Regulations thereunder, provided, however, that a Person shall not be deemed to be the Affiliate or Associate of another Person solely because either or both Persons are or were directors of the Company.

- (d) A Person shall be deemed a Beneficial Owner of, shall be deemed to have Beneficial Ownership and shall be deemed to Beneficially Own any securities which such Person directly owns, or would be deemed to constructively own, pursuant to Section 382 and the Treasury Regulations promulgated thereunder.
- (e) Business Day shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the Commonwealth of Massachusetts are authorized or obligated by law or executive order to close.
- (f) Close of Business on any given date shall mean 5:00 P.M., Eastern time, on such date, provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., Michigan time, on the next succeeding Business Day.
- (g) Code means the Internal Revenue Code of 1986, as amended, or any successor statute.
- (h) Common Shares or Common Share shall mean (i) the common shares, par value \$0.01 per share, of the Company or (ii) any shares into which such common shares may be reclassified or exchanged.
- (i) Corporation Securities shall mean (i) Common Shares, (ii) preferred shares (other than preferred shares described in Section 1504(a)(4) of the Code) of the Company, and (iii) any other interest that would be treated as stock of the Company pursuant to Treasury Regulation § 1.382-2T(f)(18).
- (j) Exchange Act shall mean the Securities and Exchange Act of 1934.
- (k) Exempted Person shall mean any Person who or which would otherwise be an Acquiring Person but whose Beneficial Ownership (together with all Affiliates and Associates of such Person) of 4.9% or more of the Corporation Securities would not, as determined by the Board of Directors of the Company in its sole discretion, jeopardize, endanger or limit (in timing or amount) the availability to the Company of its Tax Benefits, at any time prior to the time at which the Company's right of redemption expires pursuant to Section 23(a) of this Agreement; provided, however, that such a Person will cease to be an Exempted Person and will become an Acquiring Person if the Board of Directors of the Company subsequently makes a contrary determination.
- (l) Exempted Transaction shall mean any transaction that the Board of Directors of the Company determines, in its sole discretion, is an Exempted Transaction, which determination shall be irrevocable.
- (m) Grandfathered Person shall mean any Person who would otherwise be an Acquiring Person as of the date of this Agreement; provided, however, that such Person shall cease to be a Grandfathered Person at such time as the Beneficial Ownership of Corporation Securities of such Person increases without the Prior Written Approval of the Company, other than any increase pursuant to or as a result of (i) a reduction in the amount of Corporation Securities outstanding, (ii) the exercise of any options, warrants, rights or similar interests (including restricted shares) granted by the Company to its directors, officers and employees, (iii) any unilateral grant of any Corporation Securities by the Company, (iv) any issuance of Corporation Securities by the Company or any share dividend, share split or similar transaction effected by the Company in which all holders of Corporation Securities are treated equally or (v) any Exempted Transaction.
- (n) Person shall mean any individual, estate, firm, limited liability company, corporation, trust, association, partnership or other entity, or any group of such Persons having a formal or informal understanding among themselves to make a coordinated acquisition of shares within the meaning of Treasury Regulation § 1.382-3(a)(1) or otherwise treated as an entity within the meaning of Treasury Regulation § 1.382-3(a)(1), and shall include any successor (by merger or otherwise) of any such entity or group.

(o) Preferred Shares or Preferred Share shall mean Series A Junior Participating Preferred Shares, par value \$0.01 per share, of the Company, and, to the extent that there is not a sufficient number of Series A Junior Participating Preferred Shares authorized to permit the full exercise of the Rights, any other series of preferred shares, par value \$0.01 per share, of the Company designated for such purpose containing terms substantially similar to the terms of the Series A Junior Participating Preferred Shares.

(p) Prior Written Approval of the Company shall mean prior express written consent of the Company to the action in question, executed on behalf of the Company by a duly authorized officer of the Company following express approval by action of at least a majority of the Board of Directors of the Company.

(q) Related Person shall mean (i) any Subsidiary of the Company, (ii) any employee benefit plan or other compensation arrangement of the Company or of any Subsidiary of the Company, (iii) any Person organized, appointed or established by the Company or any Subsidiary of the Company for or pursuant to the terms of any such plan or compensation arrangement, (iv) William J. Pulte, any spouse of William J. Pulte, any descendant of William J. Pulte or the spouse of any such descendant, the estate of William J. Pulte, any spouse of William J. Pulte, any descendant of William J. Pulte or the spouse of any such descendant, any trust or other arrangement for the benefit of William J. Pulte, any spouse of William J. Pulte, any descendant of William J. Pulte or the spouse of any such descendant or any charitable organization established by William J. Pulte, any spouse of William J. Pulte, any descendant of William J. Pulte or the spouse of any such descendant (the Pulte Family), or (v) any group which includes any member or members of the Pulte Family if a majority of the Corporation Securities beneficially owned by the members of such group are Beneficially Owned by a member or members of the Pulte Family (such a group is hereinafter referred to as a Pulte Group).

(r) Section 11(a)(ii) Event shall mean the event described in Section 11(a)(ii).

(s) Section 382 shall mean Section 382 of the Code or any successor or replacement provision.

(t) Share Acquisition Date shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) under the Exchange Act) by the Company or an Acquiring Person indicating that an Acquiring Person has become such or such earlier date as a majority of the Board of Directors of the Company shall become aware of the existence of an Acquiring Person; provided that if a Person is determined to be an Exempted Person in accordance with the provisions of Section 1(k) (and as a result such Person is not an Acquiring Person), then the Share Acquisition Date that otherwise shall have occurred shall be deemed not to have occurred.

(u) Subsidiary shall mean, with reference to any Person, any corporation or other entity of which an amount of voting securities sufficient to elect at least a majority of the directors of such corporation or other entity is beneficially owned, directly or indirectly, by such Person, or otherwise controlled by such Person.

(v) Tax Benefits shall mean NOLs, capital loss carryovers, general business credit carryovers, alternative minimum tax credit carryovers, foreign tax credit carryovers, any loss or deduction attributable to a net unrealized built-in loss within the meaning of Section 382, of the Company or any of its Subsidiaries and any other attribute the benefit of which is subject to possible limitation under Section 382 or Section 383 of the Code.

(w) Treasury Regulations shall mean the final, temporary and proposed regulations promulgated by the United States Department of the Treasury under the Code as amended or superseded from time to time.

(x) Centex shall mean Centex Corporation, a Nevada corporation.

- (y) Merger shall mean the merger of Merger Sub with and into Centex as contemplated by the Merger Agreement.
- (z) Merger Agreement shall mean the Agreement and Plan of Merger dated as of April 7, 2009 among the Company, Merger Sub and Centex, as the same may be amended in accordance with the terms thereof.
- (aa) Merger Sub shall mean Pi Nevada Building Company, a Nevada corporation and a wholly-owned subsidiary of the Company.
- (bb) Voting Agreements shall mean the Voting Agreements dated as of April 7, 2009 between Centex and each of Barbara Alexander, Thomas Falk, Clint Murchison, Frederic Poses, James Postl, David Quinn, Matthew Rose, Thomas Schoewe, Timothy Eller and Catherine Smith (in their capacities as shareholders of the Company), as the same may be amended in accordance with the terms thereof.
- (cc) Shareholder Approval shall mean the approval of this Agreement by the affirmative vote of the holders of a majority of the voting power of the outstanding Common Shares of the Company entitled to vote, and voting together without regard to class, and that are present, or represented by proxy, and are voted on the proposal to approve this Agreement, at a meeting of shareholders of the Company duly held in accordance with the Company's articles of incorporation (as amended) and applicable law.

In addition, for purposes of this Agreement, the following terms have the meanings indicated in specified sections of this Agreement:

- (i) Adjustment Shares shall have the meaning set forth in Section 11(a)(ii); (ii) common share equivalents shall have the meaning set forth in Section 11(a)(iii); (iii) Company shall have the meaning set forth in the preamble of this Agreement; (iv) current market price shall have the meaning set forth in Section 11(d)(i); (v) Current Value shall have the meaning set forth in Section 11(a)(iii); (vi) Distribution Date shall have the meaning set forth in Section 3(a); (vii) equivalent preferred shares shall have the meaning set forth in Section 11(b); (viii) Exchange Ratio shall have the meaning set forth in Section 24(a); (ix) Expiration Date shall have the meaning set forth in Section 7(a); (x) Final Expiration Date shall have the meaning set forth in Section 7(a); (xi) NOLs shall have the meaning set forth in the recitals to this Agreement; (xii) OTCBB shall have the meaning set forth in Section 11(d)(i); (xiii) Purchase Price shall have the meaning set forth in Section 4(a)(ii); (xiv) Record Date shall have the meaning set forth in the recitals of this Agreement; (xv) Redemption Price shall have the meaning set forth in Section 23(a); (xvi) Rights shall have the meaning set forth in the recitals of this Agreement; (xvii) Rights Agent shall have the meaning set forth in the parties clause of this Agreement; (xviii) Rights Certificates shall have the meaning set forth in Section 3(a); (xix) Rights Dividend Declaration Date shall have the meaning set forth in the first recital of this Agreement; (xx) Section 11(a)(ii) Trigger Date shall have the meaning set forth in Section 11(a)(iii); (xxi) Spread shall have the meaning set forth in Section 11(a)(iii); (xxii) Substitution Period shall have the meaning set forth in Section 11(a)(iii); (xxiii) Summary of Rights shall have the meaning set forth in Section 3(b); and (xxiv) Trading Day shall have the meaning set forth in Section 11(d)(i).

**Section 2. Appointment of Rights Agent.** The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the terms and conditions of this Agreement, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable, upon ten (10) days prior written notice to the Rights Agent. The Rights Agent shall have no duty to supervise, and shall be in no event liable for, the acts or omissions of any such co-Rights Agent.



**Section 3. Issue of Rights Certificates.**

(a) Until the earlier of (i) the Close of Business on the tenth day after the Share Acquisition Date (or, if the tenth day after the Share Acquisition Date occurs before the Record Date, the Close of Business on the Record Date) or (ii) the Close of Business on the tenth Business Day (or such later date as may be determined by action of the Board of Directors of the Company prior to such time as any Person becomes an Acquiring Person) after the date that a tender or exchange offer to acquire Corporation Securities by any Person (other than the Company or any Related Person) is first published or sent or given within the meaning of Rule 14d-2(a) of the General Rules and Regulations under the Exchange Act, if upon consummation thereof, such Person would become an Acquiring Person (the earlier of the dates referred to in clauses (i) and (ii) being herein referred to as the Distribution Date ), (x) the Rights will be evidenced (subject to the provisions of paragraph (b) of this Section 3) by the certificates for the Common Shares registered in the names of the holders of the Common Shares (which certificates for Common Shares shall be deemed also to be certificates for Rights) and not by separate certificates and (y) the Rights will be transferable only in connection with the transfer of the underlying Common Shares (including, without limitation, a transfer to the Company). The Company must promptly notify the Rights Agent of a Distribution Date and request its transfer agent to give the Rights Agent a shareholder list together with all other relevant information. As soon as practicable after the Rights Agent is notified of the Distribution Date and receives such information, the Rights Agent will send by first-class, insured, postage prepaid mail, to each record holder of the Common Shares as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more Rights certificates, in substantially the form of Exhibit B hereto (the Rights Certificates ), evidencing one Right for each Common Share so held, subject to adjustment as provided herein. In the event that any adjustment in the number of Rights per Common Share has been made pursuant to Section 11, at the time of distribution of the Rights Certificates, the Company shall make the necessary and appropriate rounding adjustments (in accordance with Section 14(a)) so that Rights Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of and after the Distribution Date, the Rights will be evidenced solely by such Rights Certificates.

(b) The Company will make available, as promptly as practicable following the Record Date, a copy of a Summary of Rights, in substantially the form attached hereto as Exhibit C (the Summary of Rights ), to any holder of Rights who may so request from time to time prior to the Expiration Date. With respect to certificates for the Common Shares outstanding as of the Record Date, or issued subsequent to the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof. Until the earlier of the Distribution Date or the Expiration Date, the surrender for transfer of any certificate representing Common Shares in respect of which Rights have been issued shall also constitute the transfer of the Rights associated with such Common Shares.

(c) Rights shall be issued in respect of all Common Shares which are issued (whether originally issued or from the Company's treasury) after the Record Date but prior to the earlier of the Distribution Date or the Expiration Date or, in certain circumstances provided in Section 22, after the Distribution Date. Certificates representing such Common Shares shall also be deemed to be certificates for Rights, and shall bear a legend substantially in the following form:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in the Amended and Restated Section 382 Rights Agreement between PulteGroup, Inc. (the Company ) and Computershare Trust Company, N.A. (the Rights Agent ) dated as of March 5, 2009, as the same may be amended from time to time (the Rights Agreement ), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of

mailing, without charge promptly after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person (as defined in the Rights Agreement), whether currently held by or on behalf of such Person or by any subsequent holder, may become null and void.

With respect to such certificates containing the foregoing legend, until the earlier of (i) the Distribution Date or (ii) the Expiration Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone and registered holders of Common Shares shall also be the registered holders of the associated Rights, and the transfer of any of such certificates shall also constitute the transfer of the Rights associated with the Common Shares represented by such certificates. In the event the Company purchases or acquires any of its Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such shares shall be deemed cancelled and retired so that the Company shall not be entitled to exercise any Rights associated with Common Shares that are not outstanding.

**Section 4. Form of Rights Certificates.**

(a) The Rights Certificates (and the forms of election to purchase and of assignment to be printed on the reverse thereof) shall each be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 11 and Section 22, the Rights Certificates, whenever distributed, shall be dated as of the Record Date or, in the case of Rights with respect to Common Shares issued or becoming outstanding after the Record Date, the same date as the date of the share certificate evidencing such shares, and on their face shall entitle the holders thereof to purchase such number of one one-thousandths of a Preferred Share as shall be set forth therein at the price set forth therein (such exercise price per one one-thousandth of a share, the Purchase Price ), but the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment from time to time as provided in Section 11.

(b) Any Rights Certificate issued pursuant to Section 3(a), Section 11(a)(ii) or Section 22 that represents Rights beneficially owned by any Person known to be: (i) an Acquiring Person, (ii) a transferee of an Acquiring Person who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom such Acquiring Person has any continuing plan, agreement, arrangement or understanding regarding the transferred Rights, shares of Corporation Securities or the Company or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, agreement, arrangement or understanding which has as a primary purpose or effect avoidance of Section 7(e), and any Rights Certificate issued pursuant to Section 6 or Section 11 upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain (to the extent feasible) the following legend:

The Rights represented by this Rights Certificate are or were beneficially owned by a Person who was or became an Acquiring Person (as defined in the Rights Agreement). Accordingly, this Rights Certificate and the Rights represented hereby may become null and void in the circumstances specified in Section 7(e) of such Agreement.

The absence of the foregoing legend on any Rights Certificate shall in no way affect any of the other provisions of this Agreement, including, without limitation, the provisions of Section 7(e).

**Section 5. Countersignature and Registration.**

(a) The Rights Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President or any Vice President, either manually or by facsimile signature, and shall have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Rights Certificates shall be countersigned manually or by facsimile signature by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Rights Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Rights Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Rights Certificates had not ceased to be such officer of the Company; and any Rights Certificates may be signed on behalf of the Company by any person who, at the actual date of the execution of such Rights Certificate, shall be a proper officer of the Company to sign such Rights Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office or offices designated as the appropriate place for surrender of Rights Certificates upon exercise or transfer, books for registration and transfer of the Rights Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Rights Certificates, the number of Rights evidenced on its face by each of the Rights Certificates and the certificate number and the date of each of the Rights Certificates.

**Section 6. Transfer, Split Up, Combination and Exchange of Rights Certificates; Mutilated, Destroyed, Lost or Stolen Rights Certificates.**

(a) Subject to the provisions of Section 4(b), Section 7(e), Section 11, Section 14 and Section 24, at any time after the Close of Business on the Distribution Date, and at or prior to the Close of Business on the Expiration Date, any Rights Certificate or Certificates (other than Rights Certificates representing Rights that have become null and void pursuant to Section 7(e) or that have been exchanged pursuant to Section 24) may be transferred, split up, combined or exchanged for another Rights Certificate or Certificates, entitling the registered holder to purchase a like number of one one-thousandths of a Preferred Share (or, following a Section 11(a)(ii) Event, Common Shares, other securities, cash or other assets, as the case may be) as the Rights Certificate or Certificates surrendered then entitled such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Rights Certificate or Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Rights Certificate or Certificates to be transferred, split up, combined or exchanged at the principal office or offices of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Rights Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Rights Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company or the Rights Agent shall reasonably request. Thereupon the Rights Agent shall, subject to Section 4(b), Section 7(e), Section 11, Section 14 and Section 24, countersign and deliver to the Person entitled thereto a Rights Certificate or Rights Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Rights Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Rights Certificate, and, in case of loss, theft or destruction, of indemnity or security satisfactory to them, and reimbursement to the Company and the Rights Agent

of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Rights Certificates if mutilated, the Company will execute and deliver a new Rights Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Rights Certificate so lost, stolen, destroyed or mutilated.

**Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights.** (a) Subject to Section 7(e), the registered holder of any Rights Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein including, without limitation, the restrictions on exercisability set forth in Section 9(c), Section 11(a)(iii) and Section 23(a)) in whole or in part at any time after the Distribution Date upon surrender of the Rights Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the principal office or offices of the Rights Agent designated for such purpose, together with payment of the aggregate Purchase Price with respect to the total number of one one-thousandths of a Preferred Share (or Common Shares, other securities, cash or other assets, as the case may be) as to which such surrendered Rights are then exercisable, at or prior to the earliest of (i) the Close of Business on June 1, 2013 (the Final Expiration Date ), (ii) the time at which the Rights are redeemed as provided in Section 23, (iii) the time at which such Rights are exchanged pursuant to Section 24, (iv) the Close of Business on the effective date of the repeal of Section 382 or any successor statute if the Board of Directors of the Company determines that this Agreement is no longer necessary or desirable for the preservation of Tax Benefits, (v) the Close of Business on the first day of a taxable year of the Company to which the Board of Directors of the Company determines that no Tax Benefits may be carried forward, and (vi) June 1, 2010 if Shareholder Approval has not been obtained by such date (the earliest of (i), (ii), (iii), (iv), (v) and (vi) being herein referred to as the Expiration Date ).

(b) The Purchase Price for each one one-thousandth of a Preferred Share pursuant to the exercise of a Right shall initially be \$50, and shall be subject to adjustment from time to time as provided in Section 11 and shall be payable in accordance with paragraph (c) below.

(c) Upon receipt of a Rights Certificate representing exercisable Rights, with the form of election to purchase and the certificate duly executed, accompanied by payment, with respect to each Right so exercised, of the Purchase Price per one one-thousandth of a Preferred Share (or other shares, securities, cash or other assets, as the case may be) to be purchased as set forth below and an amount equal to any applicable transfer tax required to be paid by the holder of the Rights Certificate in accordance with Section 9(e), the Rights Agent shall, subject to Section 20(k), thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Shares (or make available, if the Rights Agent is the transfer agent for such shares) certificates for the total number of one one-thousandths of a Preferred Share to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company shall have elected to deposit the total number of Preferred Shares issuable upon exercise of the Rights hereunder with a depositary agent, requisition from the depositary agent depositary receipts representing such number of one one-thousandths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Company will direct the depositary agent to comply with such request, (ii) requisition from the Company the amount of cash, if any, to be paid in lieu of fractional shares in accordance with Section 14, (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, and (iv) after receipt thereof, deliver such cash, if any, to or upon the order of the registered holder of such Rights Certificate. The payment of the Purchase Price (as such amount may be reduced pursuant to Section 11(a)(iii)) shall be made in cash or by certified bank check or bank draft payable to the order of the Company. In the event that the Company is obligated to issue other securities (including, without limitation, Common Shares) of the Company, pay cash and/or distribute other property pursuant to Section 11(a), the Company will make all

arrangements necessary so that such other securities, cash and/or other property are available for distribution by the Rights Agent, if and when necessary to comply with the terms of this Agreement. The Company reserves the right to require prior to the occurrence of a Section 11(a)(ii) Event that, upon any exercise of Rights, a number of Rights be exercised so that only whole Preferred Shares would be issued.

(d) In case the registered holder of any Rights Certificate shall exercise less than all the Rights evidenced thereby, a new Rights Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to, or upon the order of, the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, subject to the provisions of Section 14.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Section 11(a)(ii) Event, any Rights beneficially owned by (i) an Acquiring Person, (ii) a transferee of an Acquiring Person who becomes a transferee after the Acquiring Person becomes such, (iii) a transferee of an Acquiring Person who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing plan, agreement, arrangement or understanding regarding the transferred Rights, shares of Corporation Securities or the Company or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, agreement, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(e) and (iv) subsequent transferees of such Persons described in clause (i), (ii) or (iii) of this sentence shall become null and void without any further action, and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The Company shall notify the Rights Agent when this Section 7(e) applies and shall use all reasonable efforts to ensure that the provisions of this Section 7(e) and Section 4(b) are complied with, but neither the Company nor the Rights Agent shall have any liability to any holder of Rights Certificates or other Person as a result of the Company's failure to make any determinations with respect to an Acquiring Person or any of its transferees hereunder.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) properly completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Rights Certificate surrendered for such exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company or the Rights Agent shall reasonably request.

**Section 8. Cancellation and Destruction of Rights Certificates.** All Rights Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Rights Certificates shall be issued in lieu thereof, except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Rights Certificates purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Rights Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Rights Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

**Section 9. Reservation and Availability of Capital Shares.** (a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Preferred Shares (and, following the occurrence of a Section 11(a)(ii) Event, out of its authorized and unissued Common

Shares and/or other securities or out of its authorized and issued shares held in its treasury), the number of Preferred Shares (and, following the occurrence of a Section 11(a)(ii) Event, Common Shares and/or other securities) that, as provided in this Agreement, including, without limitation, Section 11(a)(iii), will be sufficient to permit the exercise in full of all outstanding Rights.

(b) So long as the Preferred Shares (and, following the occurrence of a Section 11(a)(ii) Event, Common Shares and/or other securities) issuable and deliverable upon the exercise of the Rights may be listed on any national securities exchange, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed on such exchange, upon official notice of issuance upon such exercise.

(c) The Company shall use its best efforts to (i) prepare and file, as soon as practicable following the earliest date after the first occurrence of a Section 11(a)(ii) Event on which the consideration to be delivered by the Company upon exercise of the Rights has been determined in accordance with Section 11(a)(iii), a registration statement under the Act with respect to the securities purchasable upon exercise of the Rights on an appropriate form, (ii) cause such registration statement to become effective as soon as practicable after such filing, and (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities, and (B) the Expiration Date. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or blue sky laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend, for a period of time not to exceed ninety (90) days after the date set forth in clause (i) of the first sentence of this Section 9(c), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. In addition, if the Company shall determine that filing a registration statement is required under the Act or any securities laws following the Distribution Date, and a Section 11(a)(ii) Event has not occurred, the Company may temporarily suspend (and shall give the Rights Agent prompt notice thereof) the exercisability of Rights until such time as a registration statement has been declared effective, and, upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite qualification or exemption in such jurisdiction shall not have been obtained, the exercise thereof shall not be permitted under applicable law or a registration statement shall not have been declared effective.

(d) The Company covenants and agrees that it will take all such actions as may be necessary to ensure that all one one-thousandths of a Preferred Share (and, following the occurrence of a Section 11(a)(ii) Event, Common Shares and/or other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable.

(e) The Company further covenants and agrees that it will pay, when due and payable, any and all transfer taxes and governmental charges which may be payable in respect of the issuance or delivery of the Rights Certificates and of any certificates for a number of one one-thousandths of a Preferred Share (or Common Shares and/or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Rights Certificates to a Person other than, or the issuance or delivery of a number of one one-thousandths of a Preferred Share (or Common Shares and/or other securities, as the case may be) in respect of a name other than that of, the registered holder of the Rights Certificates evidencing Rights surrendered for exercise or to issue or deliver any certificates for a

number of one one-thousandths of a Preferred Share (or Common Shares and/or other securities, as the case may be) in a name other than that of the registered holder upon the exercise of any Rights until such tax shall have been paid (any such tax being payable by the holder of such Rights Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

**Section 10. Preferred Shares Record Date.** Each Person in whose name any certificate for a number of one one-thousandths of a Preferred Share (or Common Shares and/or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of such fractional Preferred Shares (or Common Shares and/or other securities, as the case may be) represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and all applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Shares (or Common Shares and/or other securities, as the case may be) transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares (fractional or otherwise) on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares (or Common Shares and/or other securities, as the case may be) transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Rights Certificate shall not be entitled to any rights of a shareholder of the Company with respect to shares or other securities for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

**Section 11. Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights.** The Purchase Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of shares, or (D) issue any shares of its capital shares in a reclassification of the Preferred Shares (including, without limitation, any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of Preferred Shares or capital shares, as the case may be, issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the Purchase Price then in effect, the aggregate number and kind of Preferred Shares or capital shares, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Shares transfer books of the Company were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs which would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii), the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii).

(ii) Subject to Section 24, in the event any Person becomes an Acquiring Person, then each holder of a Right (except as provided below and in Section 7(e)) shall thereafter have the right to receive, upon exercise thereof at a price equal to the then current Purchase Price in accordance with the terms of this Agreement, in lieu of a number of one one-thousandths of a Preferred Share, such number of Common Shares of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the then number of one one-thousandths of a Preferred Share

for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event and (y) dividing that product (which, following such first occurrence shall thereafter be referred to as the Purchase Price for each Right and for all purposes of this Agreement) by 50% of the current market price (determined pursuant to Section 11(d)) per Common Share on the date of such first occurrence (such number of shares, the Adjustment Shares ).

(iii) In the event that the number of Common Shares which are authorized by the Company's articles of incorporation, as amended, but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights, is not sufficient to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) of this Section 11(a), the Company shall: (A) determine the value of the Adjustment Shares issuable upon the exercise of a Right (the Current Value ), and (B) with respect to each Right, make adequate provision to substitute for the Adjustment Shares, upon the exercise of a Right and payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) Common Shares or other equity securities of the Company (including, without limitation, preferred shares or units of preferred shares, such as the Preferred Shares, which the Board of Directors of the Company has deemed to have substantially the same value or economic rights as Common Shares (such preferred shares or units of preferred shares, common share equivalents )), (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing, having an aggregate value equal to the Current Value (less the amount of any reduction in the Purchase Price), where such aggregate value has been determined by the Board of Directors of the Company based upon the advice of a nationally recognized investment banking firm selected by the Board of Directors of the Company; provided, however, if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within thirty (30) days following the later of (x) the first occurrence of a Section 11(a)(ii) Event and (y) the date on which the Company's right of redemption pursuant to Section 23(a) expires (the later of (x) and (y) being referred to herein as the Section 11(a)(ii) Trigger Date ), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, Common Shares (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. For purposes of the preceding sentence, the term Spread shall mean the excess of (i) the Current Value over (ii) the Purchase Price. If the Board of Directors of the Company shall determine in good faith that it is likely that sufficient additional Common Shares could be authorized for issuance upon exercise in full of the Rights, the thirty (30) day period set forth above may be extended to the extent necessary, but not more than ninety (90) days after the Section 11(a)(ii) Trigger Date, in order that the Company may seek shareholder approval for the authorization of such additional shares (such thirty (30) day period, as it may be extended, the Substitution Period ). To the extent the Company determines that action should be taken pursuant to the first and/or third sentences of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(e), that such action shall apply uniformly to all outstanding Rights, and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek such shareholder approval for such authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect (with prompt notice of such announcements to the Rights Agent). For purposes of this Section 11(a)(iii), the value of each Adjustment Share shall be the current market price (as determined pursuant to Section 11(d)) per Common Share on the Section 11(a)(ii) Trigger Date and the value of any common share equivalent shall be deemed to equal the current market price (as determined pursuant to Section 11(d)) per Common Share on such date.

(b) In case the Company shall fix a record date for the issuance of rights (other than the Rights), options or warrants to all holders of Preferred Shares entitling them to subscribe for or purchase (for a period expiring within forty-five (45) calendar days after such record date) Preferred Shares (or shares



having the same rights, privileges and preferences as the Preferred Shares ( equivalent preferred shares ) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or per share of equivalent preferred shares (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the current market price (as determined pursuant to Section 11(d)) per Preferred Share on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date, plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price, and the denominator of which shall be the number of Preferred Shares outstanding on such record date, plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid by delivery of consideration part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. Preferred Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for a distribution to all holders of Preferred Shares (including, without limitation, any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation) of evidences of indebtedness, cash (other than a regular periodic cash dividend out of the earnings or retained earnings of the Company), assets (other than a dividend payable in Preferred Shares, but including, without limitation, any dividend payable in shares other than Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b)), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the current market price (as determined pursuant to Section 11(d)) per Preferred Share on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights) of the portion of the cash, assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to a Preferred Share and the denominator of which shall be such current market price (as determined pursuant to Section 11(d)) per Preferred Share. Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such distribution is not so made, the Purchase Price shall be adjusted to be the Purchase Price which would have been in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a)(iii), the current market price per Common Share on any date shall be deemed to be the average of the daily closing prices per such Common Share for the thirty (30) consecutive Trading Days immediately prior to but not including such date, and for purposes of computations made pursuant to Section 11(a)(iii), the current market price per Common Share on any date shall be deemed to be the average of the daily closing prices per such Common Share for the ten (10) consecutive Trading Days immediately following but not including such date; provided, however, that in the event that the current market price per Common Share is determined during a period following the announcement by the issuer of such Common Shares of (A) a dividend or distribution on such Common Shares payable in such Common Shares or securities convertible

into such Common Shares (other than the Rights), or (B) any subdivision, combination or reclassification of such Common Shares, and the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification shall not have occurred prior to the commencement of the requisite thirty (30) Trading Day or ten (10) Trading Day period, as set forth above, then, and in each such case, the current market price shall be properly adjusted to take into account any trading during the period prior to such ex-dividend date or record date. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Common Shares are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Common Shares are listed or admitted to trading or, if the Common Shares are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the OTC Bulletin Board service (the OTCBB) or such other quotation system then in use, or, if on any such date the Common Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Shares selected by the Board of Directors of the Company. If on any such date no market maker is making a market in the Common Shares, the fair value of such shares on such date as determined in good faith by the Board of Directors of the Company shall be used. The term Trading Day shall mean a day on which the principal national securities exchange on which the Common Shares are listed or admitted to trading is open for the transaction of business or, if the Common Shares are not listed or admitted to trading on any national securities exchange, a Business Day. If the Common Shares are not publicly held or not so listed or traded, current market price per share shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) For the purpose of any computation hereunder, the current market price per Preferred Share shall be determined in the same manner as set forth above for the Common Shares in clause (i) of this Section 11(d) (other than the last sentence thereof). If the current market price per Preferred Share cannot be determined in the manner provided above, or if the Preferred Shares are not publicly held or listed or traded in a manner described in clause (i) of this Section 11(d), the current market price per Preferred Share shall be conclusively deemed to be an amount equal to 1,000 (as such number may be appropriately adjusted for such events as share splits, share dividends and recapitalizations with respect to the Common Shares occurring after the date of this Agreement) multiplied by the current market price per Common Share. If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, current market price per Preferred Share shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. For all purposes of this Agreement, the current market price of one one-thousandth of a Preferred Share shall be equal to the current market price of one Preferred Share divided by 1,000.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one ten-thousandth of a Common Share or one one-millionth of a Preferred Share or one ten-thousandth of

any other share or security, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three (3) years from the date of the transaction which mandates such adjustment, or (ii) the Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a)(ii), the holder of any Right thereafter exercised shall become entitled to receive any shares of capital shares other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right and the Purchase Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Sections 11(a), (b), (c), (e), (g), (h), (i), (j), (k) and (m), and the provisions of Sections 7, 9, 10 and 14 with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-thousandths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one-thousandths of a Preferred Share (calculated to the nearest one-millionth) obtained by (i) multiplying (x) the number of one one-thousandths of a share covered by a Right immediately prior to this adjustment, by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price, and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in lieu of any adjustment in the number of one one-thousandths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one-ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement (with prompt notice thereof to the Rights Agent) of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, shall be at least ten (10) days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates evidencing, subject to Section 14, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Rights Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-thousandths of a Preferred Share issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Purchase Price per one one-thousandth of a share and the number of one one-thousandths of a share which were expressed in the initial Rights Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then stated value, if any, of the number of one one-thousandths of a Preferred Share issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of one one-thousandths of a Preferred Share and other capital shares or securities of the Company, if any, issuable upon such exercise over and above the number of one one-thousandths of a Preferred Share and other capital shares or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment (and shall provide the Rights Agent prompt notice of such election); provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or securities upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that the Board of Directors of the Company, in its good faith judgment, shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Shares, (ii) issuance wholly for cash of any Preferred Shares at less than the current market price, (iii) issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, (iv) share dividends or (v) issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Company to holders of its Preferred Shares shall not be taxable to such shareholders.

(n) The Company covenants and agrees that it shall not, at any time after the Distribution Date, (i) consolidate with any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o)), (ii) merge with or into any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o)), or (iii) sell or transfer (or permit any Subsidiary to sell or transfer), in one transaction, or a series of related transactions, assets, cash flow or earning power aggregating more than 50% of the assets, cash flow or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which complies with Section 11(o)), if at the time of or immediately after such consolidation, merger, sale or transfer there are any rights, warrants or other instruments or securities outstanding or agreements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights.

(o) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Section 23, Section 24 or Section 27, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

(p) In the event that the Company shall at any time after the Rights Dividend Declaration Date and prior to the Distribution Date (i) declare a dividend on the outstanding Common Shares payable in Common Shares, (ii) subdivide the outstanding Common Shares, or (iii) combine the outstanding Common

Shares into a smaller number of shares, the number of Rights associated with each Common Share then outstanding, or issued or delivered thereafter but prior to the Distribution Date, shall be proportionately adjusted so that the number of Rights thereafter associated with each Common Share following any such event shall equal the result obtained by multiplying the number of Rights associated with each Common Share immediately prior to such event by a fraction the numerator of which shall be the total number of Common Shares outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of Common Shares outstanding immediately following the occurrence of such event.

**Section 12. Certificate of Adjusted Purchase Price or Number of Shares.** Whenever an adjustment is made as provided in Section 11, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts and computations accounting for such adjustment, (b) promptly file with the Rights Agent, and with each transfer agent for the Preferred Shares and the Common Shares, a copy of such certificate, and (c) if a Distribution Date has occurred, mail a brief summary thereof to each holder of a Rights Certificate in accordance with Section 26. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained and shall not be deemed to have knowledge of such adjustment unless and until it shall have received such certificate.

**Section 13. [Reserved].**

**Section 14. Fractional Rights and Fractional Shares.**

(a) The Company shall not be required to issue fractions of Rights, except prior to the Distribution Date as provided in Section 11, or to distribute Rights Certificates which evidence fractional Rights. In lieu of such fractional Rights, the Company shall pay or cause to be paid to the registered holders of the Rights Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of a Right for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price of a Right for any Trading Day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported to the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the principal national securities exchange on which the Rights are listed or admitted to trading, or if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the OTCBB or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-thousandth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one one-thousandth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-thousandth of a share may, at the election of the Company, be evidenced by depositary receipts pursuant to an appropriate agreement between the Company and a depositary selected by it; provided, however, that such agreement shall provide that the holders of such

depository receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the shares represented by such depository receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-thousandth of a Preferred Share, the Company shall pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one one-thousandth of a Preferred Share. For purposes of this Section 14(b), the current market value of one one-thousandth of a Preferred Share shall be one one-thousandth of the closing price of a Preferred Share (as determined pursuant to Section 11(d)(ii)) for the Trading Day immediately prior to the date of such exercise; provided, however, that if the closing price of the Preferred Shares cannot be so determined, the closing price of one Preferred Share for such Trading Day shall be conclusively deemed to be an amount equal to the closing price of one Common Share for such Trading Day multiplied by one hundred (as such number may be appropriately adjusted by the Company's Board of Directors, in its judgment, to reflect events such as share splits, share dividends, recapitalizations or similar transactions relating to the Common Shares occurring after the date of this Agreement).

(c) Following the occurrence of a Section 11(a)(ii) Event, the Company shall not be required to issue fractions of Common Shares upon exercise of the Rights or to distribute certificates which evidence fractional Common Shares. In lieu of fractional Common Shares, the Company shall pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Common Share. For purposes of this Section 14(c), the current market value of one Common Share shall be the closing price of one Common Share (as determined pursuant to Section 11(d)(i)) for the Trading Day immediately prior to the date of such exercise.

(d) The holder of a Right by the acceptance of the Rights expressly waives such holder's right to receive any fractional Rights or any fractional shares upon exercise of a Right, except as permitted by this Section 14.

(e) Whenever a payment for fractional Rights or fractional shares is to be made by the Rights Agent, the Company shall (i) promptly prepare and deliver to the Rights Agent a certificate setting forth in reasonable detail the facts related to such payment and the prices and/or formulas utilized in calculating such payments, and (ii) provide sufficient monies to the Rights Agent in the form of fully collected funds to make such payments.

**Section 15. Rights of Action.** All rights of action in respect of this Agreement, other than rights of action vested in the Rights Agent pursuant to the terms of this Agreement, are vested in the respective registered holders of the Rights Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Rights Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Rights Certificate (or, prior to the Distribution Date, of the Common Shares), may, in such holder's own behalf and for such holder's own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, such holder's right to exercise the Rights evidenced by such Rights Certificate in the manner provided in such Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and shall be entitled to specific performance of the obligations hereunder and injunctive relief against actual or threatened violations of the obligations hereunder of any Person subject to this Agreement.

**Section 16. Agreement of Rights Holders.** Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of Common Shares;

(b) after the Distribution Date, the Rights Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office or offices of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate forms and certificates fully executed;

(c) subject to Section 6(a) and Section 7(f), the Company and the Rights Agent may deem and treat the person in whose name a Rights Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on any Rights Certificate or associated Common Shares certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent, subject to the last sentence of Section 7(e), shall be required to be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree, judgment or ruling issued by any court of competent jurisdiction or by any governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided, however, that the Company shall use commercially reasonable efforts to have any such order, decree, judgment or ruling lifted or otherwise overturned as soon as possible.

**Section 17. Rights Certificate Holder Not Deemed a Shareholder.** No holder, as such, of any Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose to be the holder of the number of one one-thousandths of a Preferred Share or any other securities of the Company which may at any time be issuable upon the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights Certificate, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 25), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Rights Certificate shall have been exercised in accordance with the provisions hereof.

**Section 18. Concerning the Rights Agent.**

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and disbursements and other disbursements incurred in the preparation, execution, delivery and amendment of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, damage, judgment, fine, penalty, claim, demand, settlement, cost or expense incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent for any action taken, suffered or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including, without limitation, the reasonable costs and expenses of defending against any claim of liability in the premises.

(b) The Rights Agent shall be authorized and protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its acceptance and administration of this Agreement in reliance upon any Rights Certificate or certificate for Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement,

affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons, or otherwise upon the advice of counsel as set forth in Section 20.

**Section 19. Merger or Consolidation or Change of Name of Rights Agent.**

(a) Any Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any Person resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any Person succeeding to the stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, however, that such Person would be eligible for appointment as a successor Rights Agent under the provisions of Section 21. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Rights Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of a predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at the time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor or in the name of the successor Rights Agent; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed, and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case, at that time, any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

**Section 20. Duties of Rights Agent.** The Rights Agent undertakes only the duties and obligations expressly imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) Before the Rights Agent acts or refrains from acting, the Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person and the determination of current market price ) be proved or established by the Company prior to taking, suffering or omitting to take any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization and protection to the Rights Agent, and the Rights Agent shall incur no liability for or in respect of any action taken, suffered or omitted to be taken by it in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own gross negligence, bad faith or willful misconduct.



- (d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Rights Certificates or be required to verify the same (except as to its countersignature on such Rights Certificates), but all such statements and recitals are and shall be deemed to have been made by the Company only.
- (e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Rights Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any adjustment required under the provisions of Section 11 or Section 24 or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Rights Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Common Shares or Preferred Shares to be issued pursuant to this Agreement or any Rights Certificate or as to whether any Common Shares or Preferred Shares will, when so issued, be validly authorized and issued, fully paid and nonassessable.
- (f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.
- (g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall incur no liability for or in respect of any action taken, suffered or omitted by it in good faith in accordance with instructions of any such officer.
- (h) The Rights Agent and any shareholder, director, Affiliate, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other Person.
- (i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct; provided, however, that reasonable care was exercised in the selection and continued employment thereof.
- (j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.
- (k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

(l) At any time and from time to time after the Distribution Date, upon the request of the Company, the Rights Agent shall deliver to the Company a list, as of the most recent practicable date (or as of such earlier date as may be specified by the Company), of the holders of record of the Rights.

**Section 21. Change of Rights Agent.** The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon thirty (30) days' notice in writing mailed to the Company, and in the event that the Rights Agent or one of its Affiliates is not also the transfer agent for the Company, to each transfer agent of the Common Shares and Preferred Shares, by registered or certified mail. In the event the transfer agency relationship in effect between the Company and the Rights Agent with respect to the Common Shares terminates, the Rights Agent will be deemed to have resigned automatically and be discharged from its duties under this Agreement as of the effective date of such termination, and the Company shall be responsible for sending any notice required pursuant to the preceding sentence. The Company may remove the Rights Agent or any successor Rights Agent upon thirty (30) days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares and Preferred Shares, by registered or certified mail, and to the holders of the Rights Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by any registered holder of a Rights Certificate (who shall, with such notice, submit such holder's Rights Certificate for inspection by the Company), then any registered holder of any Rights Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a Person organized and doing business under the laws of the United States or of the State of Michigan or the State of New York (or of any other state of the United States so long as such Person is authorized to do business in the State of Michigan or the State of New York), in good standing, which is authorized under such laws to exercise stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50,000,000 or (b) an Affiliate of such Person. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further reasonable assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares and the Preferred Shares, and mail a notice thereof in writing to the registered holders of the Rights Certificates. Failure to give any notice provided for in this Section 21 or any defect therein shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

**Section 22. Issuance of New Rights Certificates.** Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Rights Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of Common Shares following the Distribution Date and prior to the redemption or expiration of the Rights, the Company (a) shall, with respect to Common Shares so issued or sold pursuant to the exercise of share options or under any employee plan or arrangement, granted or awarded prior to the Distribution Date, or upon the exercise, conversion or exchange of securities hereinafter issued by the Company, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue

Rights Certificates representing an appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) no such Rights Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Rights Certificate would be issued, and (ii) no such Rights Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

**Section 23. Redemption and Termination.**

(a) The Board of Directors of the Company may, at its option, at any time prior to the earlier of (i) the Close of Business on the tenth day following the Share Acquisition Date (or, if the Share Acquisition Date shall have occurred prior to the Record Date, the Close of Business on the tenth day following the Record Date), or (ii) the Final Expiration Date, redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.001 per Right, as such amount may be appropriately adjusted to reflect any share split, share dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the Redemption Price ). Notwithstanding anything contained in this Agreement to the contrary, the Rights shall not be exercisable after the first occurrence of a Section 11(a)(ii) Event until such time as the Company's right of redemption hereunder has expired. The Company may, at its option, pay the Redemption Price in cash, Common Shares (based on the current market price, as defined in Section 11(d)(i), of the Common Shares at the time of redemption) or any other form of consideration deemed appropriate by the Board of Directors of the Company. The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Company's Board of Directors in its sole discretion may establish.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights, evidence of which shall have been filed with the Rights Agent and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held. Promptly after the action of the Board of Directors of the Company ordering the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice to the Rights Agent and to all such holders at each holder's last address as it appears upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.

**Section 24. Exchange.**

(a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become null and void pursuant to the provisions of Section 7(e)) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any share split, share dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the Exchange Ratio ). Notwithstanding the foregoing, the Board of Directors of the Company shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan or other compensation arrangement of the Company or of any Subsidiary of the Company, any Person organized, appointed or established by the Company for or pursuant to the terms of any such plan or compensation arrangement, any member of the Pulte Family or any Pulte Group), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of fifty percent (50%) or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to subsection (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of any such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice (with prompt notice thereof to the Rights Agent) of any exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange will be effected pro rata based on the number of Rights (other than Rights which have become null and void pursuant to the provisions of Section 7(e)) held by each holder of Rights.

(c) In any exchange pursuant to this Section 24, the Company, at its option, may substitute Preferred Shares (or equivalent preferred shares, as such term is defined in paragraph (b) of Section 11) for Common Shares exchangeable for Rights, at the initial rate of one one-thousandth of a Preferred Share (or equivalent preferred shares) for each Common Share, as appropriately adjusted to reflect adjustments in the voting rights of the Preferred Shares pursuant to the terms thereof, so that the fraction of a Preferred Share delivered in lieu of each Common Share shall have the same voting rights as one Common Share.

(d) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such actions as may be necessary to authorize additional Common Shares for issuance upon exchange of the Rights.

(e) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional Common Shares would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Common Share. For the purposes of this subsection (e), the current market value of a whole Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d)(i)) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

**Section 25. Notice of Certain Events.**

(a) In case the Company shall propose, at any time after the Distribution Date, (i) to pay any dividend payable in shares of any class to the holders of Preferred Shares or to make any other distribution to the holders of Preferred Shares (other than a regular periodic cash dividend out of earnings or retained earnings of the Company), (ii) to offer to the holders of Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o)), or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one transaction or a series of related transactions, of more than 50% of the assets, cash flow or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company and/or any of

its Subsidiaries in one or more transactions each of which complies with Section 11(o)), or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to the Rights Agent and to each holder of a Rights Certificate, to the extent feasible and in accordance with Section 26, a notice of such proposed action, which shall specify the record date for the purposes of such share dividend, distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least twenty (20) days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least twenty (20) days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Preferred Shares, whichever shall be the earlier.

(b) In case a Section 11(a)(ii) Event shall occur, then, in any such case, (i) the Company shall as soon as practicable thereafter give to each holder of a Rights Certificate, to the extent feasible and in accordance with Section 26, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii), and (ii) all references in the preceding paragraph to Preferred Shares shall be deemed thereafter to refer to Common Shares and/or, if appropriate, other securities.

(c) Failure to give notice required by this Section 25 or any defect therein shall not affect the legality or validity of the action taken by the Company or the vote on any such action.

**Section 26. Notices.** Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Rights Certificate to or on the Company shall be sufficiently given or made if sent by overnight delivery service or first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) or by facsimile transmission (with receipt confirmed telephonically) as follows:

PulteGroup, Inc

100 Bloomfield Hills Parkway

Suite 300

Bloomfield Hills, Michigan 48304

Attention: Treasurer

Facsimile No.: 248-433-4595

Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Rights Certificate to or on the Rights Agent shall be sufficiently given or made if sent by overnight delivery service or first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) or by facsimile transmission (with receipt confirmed) as follows:

Computershare Trust Company, N.A.

250 Royall Street

Canton, Massachusetts 02021

Attention: Client Services

Facsimile No.: 781-575-4210

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Rights Certificate (or, if prior to the Distribution Date, to the holder of certificates representing Common Shares) shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

**Section 27. Supplements and Amendments.** The Company may from time to time supplement or amend this Agreement without the approval of any holders of Rights Certificates in order (a) to cure any ambiguity, (b) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provision herein, (c) to shorten or lengthen any time period hereunder (including, without limitation, to extend the Final Expiration Date), (d) to increase or decrease the Purchase Price or (e) to change or supplement the provisions hereunder in any manner which the Company may deem necessary or desirable; provided, however, that from and after such time as any Person becomes an Acquiring Person, this Agreement shall not be amended in any manner which would adversely affect the interests of the holders of Rights; provided further that this Agreement may not be supplemented or amended to lengthen pursuant to clause (c) of this sentence, (A) the time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, or the benefits to, the holders of the Rights. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment; provided that such supplement or amendment does not adversely affect the Rights Agent's own rights, duties, obligations or immunities under this Agreement.

**Section 28. Successors.** All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

**Section 29. Determination and Actions by the Board of Directors, etc.** The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board of Directors of the Company or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (a) interpret the provisions of this Agreement and (b) make all determinations deemed necessary or advisable for the administration of this Agreement (including, but not limited to, a determination to redeem or not redeem the Rights or to amend this Agreement). All such actions, calculations, interpretations and determinations (including, without limitation, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board of Directors of the Company in good faith shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other Persons and (y) not subject the Board of Directors of the Company to any liability to the holders of the Rights.

**Section 30. Benefits of this Agreement.** Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, registered holders of the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, registered holders of the Common Shares).

**Section 31. Severability.** If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, however, that notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right of redemption set forth in Section 23 shall be reinstated and shall not expire until the Close of Business on the tenth day following the date of such determination by the Board of Directors of the Company.

**Section 32. Governing Law.** This Agreement, each Right and each Rights Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Michigan and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts made and to be performed entirely within such State, provided, however, that all provisions regarding the rights, duties and obligations of the Rights Agent shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

**Section 33. Counterparts.** This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. A signature to this Agreement transmitted electronically shall have the same authority, effect, and enforceability as an original signature.

**Section 34. Descriptive Headings; Interpretation.** Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof, and the words herein, hereof, hereby, hereto, hereunder and words of similar import are references to this Agreement as a whole and not to any particular section or other provision hereof.

**Section 35. Force Majeure.** Notwithstanding anything to the contrary contained herein, the Rights Agent shall not be liable for any delays or failures in performance resulting from acts beyond its reasonable control including, without limitation, acts of God, terrorist acts, shortage of supply, breakdowns or malfunctions, interruptions or malfunction of computer facilities, or loss of data due to power failures or mechanical difficulties with information storage or retrieval systems, labor difficulties, war or civil unrest.

**Section 36. Certain Exceptions.** Notwithstanding anything to the contrary contained herein, (i) no Section 11(a)(ii) Event shall occur or be deemed to occur, in each case, as a result of the approval, execution or delivery of the Merger Agreement or the Voting Agreements, the voting of Common Shares pursuant to the terms of the Voting Agreements, or the consummation of the Merger or the other transactions contemplated by the Merger Agreement, and (ii) no Share Acquisition Date shall occur or be deemed to occur, in each case, as a result of the approval, execution or delivery of the Merger Agreement or the Voting Agreements, the voting of Common Shares pursuant to the terms of the Voting Agreements, or the consummation of the Merger (as defined in the Merger Agreement) or the other transactions contemplated by the Merger Agreement.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

Attest:

**PULTEGROUP, INC.**

By: /s/ Gregory M. Nelson  
Name: Gregory M. Nelson  
Title: Vice President and Assistant Secretary

By: /s/ Steven M. Cook  
Name: Steven M. Cook  
Title: Senior Vice President,

General Counsel and Secretary

Attest:

**COMPUTERSHARE TRUST COMPANY, N.A.**

By: /s/ Paul L. Eori  
Name: Paul L. Eori  
Title: Relationship Manager

By: /s/ Dennis V. Moccia  
Name: Dennis V. Moccia  
Title: Manager, Contract Administration



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**FIRST AMENDMENT TO AMENDED AND RESTATED**

**SECTION 382 RIGHTS AGREEMENT**

This First Amendment, dated as of March 14, 2013 (this Amendment ), to the Amended and Restated Section 382 Rights Agreement, dated as of March 18, 2010 (the Section 382 Rights Agreement ), is made between PulteGroup, Inc., a Michigan corporation (the Company ), and Computershare Trust Company, N.A., a federally chartered trust company (the Rights Agent ). Capitalized terms not otherwise defined herein have the meanings given to such terms in the Section 382 Rights Agreement.

WHEREAS, the Board of Directors of the Company (the Board ) has determined it is in the best interests of the Company and its shareholders to revise Section 7(a) of the Section 382 Rights Agreement and extend the expiration date of the Section 382 Rights Agreement, subject to the approval of the shareholders of the Company;

WHEREAS, the Board has determined that it is advisable and in the best interests of the Company and its shareholders to put the Section 382 Rights Agreement, as amended by this Amendment, to a binding vote at the Company's 2013 annual meeting; and

WHEREAS, pursuant to its authority under Section 27 of the Section 382 Rights Agreement, the Board has authorized and approved this Amendment to the Section 382 Rights Agreement as of the date hereof, and an appropriate officer of the Company has delivered a certificate to the Rights Agent in accordance with Section 27 of the Section 382 Rights Agreement.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein set forth in this Amendment, the parties hereby agree as follows:

1. The Company hereby directs the Rights Agent, in its capacity as Rights Agent and in accordance with Section 27 of the Section 382 Rights Agreement, to execute this Amendment.
2. Paragraph (a), clause (i) of Section 7 of the Section 382 Rights Agreement is hereby amended to read in its entirety as follows: (i) the Close of Business on June 1, 2016 (the Final Expiration Date ),
3. Paragraph (a), clause (vi) of Section 7 of the Section 382 Rights Agreement is hereby amended to read in its entirety as: (vi) June 1, 2013 if Shareholder Approval has not been obtained by such date (the earliest of (i), (ii), (iii), (iv), (v) and (vi) being herein referred to as the Expiration Date ).
4. This Amendment shall be deemed to be a contract made under the laws of the State of Michigan and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts made and to be performed entirely within such State, provided, however, that all provisions regarding the rights, duties and obligations of the Rights Agent shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.
5. This Amendment shall be deemed effective as of March 14, 2013. Except as otherwise amended hereby, the Section 382 Rights Agreement shall remain in full force and effect and shall be otherwise unaffected hereby.
6. This Amendment may be executed in counterparts and each of such counterparts shall for all purposes be deemed to be an original, and both such counterparts shall together constitute but one and the same instrument. A signature to this Agreement transmitted electronically shall have the same authority, effect, and enforceability as an original signature.

\* \* \* \* \*



IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Amended and Restated Section 382 Rights Agreement to be duly executed and attested, all as of the day and year first above written.

Attest:

**PULTEGROUP, INC.**

By: /s/ Greg M. Nelson  
Name: Greg M. Nelson

By: /s/ Steven M. Cook  
Name: Steven M. Cook

Title: Assistant Secretary

Title: Senior Vice President, General Counsel and Secretary

Attest:

**COMPUTERSHARE TRUST COMPANY, N.A.**

By: /s/ Douglas Ives

By: /s/ Dennis Moccia

Name: Douglas Ives

Name: Dennis Moccia

Title: Relationship Manager

Title: Manager, Contract Administration

**SECOND AMENDMENT TO AMENDED AND RESTATED**

**SECTION 382 RIGHTS AGREEMENT**

This Second Amendment, dated as of March 10, 2016 (this Amendment ), to the Amended and Restated Section 382 Rights Agreement, dated as of March 18, 2010, as amended by that certain First Amendment to Amended and Restated Section 382 Rights Agreement, dated as of March 14, 2013 (collectively, the Section 382 Rights Agreement ), is made between PulteGroup, Inc., a Michigan corporation (the Company ), and Computershare Trust Company, N.A., a federally chartered trust company (the Rights Agent ). Capitalized terms not otherwise defined herein have the meanings given to such terms in the Section 382 Rights Agreement.

**WHEREAS**, the Board of Directors of the Company (the Board ) has determined it is in the best interests of the Company and its shareholders to revise Section 7(a) of the Section 382 Rights Agreement and extend the expiration date of the Section 382 Rights Agreement, subject to the approval of the shareholders of the Company;

**WHEREAS**, the Board has determined that it is advisable and in the best interests of the Company and its shareholders to put the Section 382 Rights Agreement, as amended by this Amendment, to a binding vote at the Company's 2016 annual meeting; and

**WHEREAS**, pursuant to its authority under Section 27 of the Section 382 Rights Agreement, the Board has authorized and approved this Amendment to the Section 382 Rights Agreement as of the date hereof, and an appropriate officer of the Company has delivered a certificate to the Rights Agent in accordance with Section 27 of the Section 382 Rights Agreement.

**NOW THEREFORE**, in consideration of the premises and the mutual agreements herein set forth in this Amendment, the parties hereby agree as follows:

1. The Company hereby directs the Rights Agent, in its capacity as Rights Agent and in accordance with Section 27 of the Section 382 Rights Agreement, to execute this Amendment.
2. Paragraph (a), clause (i) of Section 7 of the Section 382 Rights Agreement is hereby amended to read in its entirety as follows:  
(i) the Close of Business on June 1, 2019 (the Final Expiration Date ),
3. Paragraph (a), clause (vi) of Section 7 of the Section 382 Rights Agreement is hereby amended to read in its entirety as follows:  
(vi) June 1, 2016 if Shareholder Approval has not been obtained by such date (the earliest of (i), (ii), (iii), (iv), (v) and (vi) being herein referred to as the Expiration Date ).
4. This Amendment shall be deemed to be a contract made under the laws of the State of Michigan and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts made and to be performed entirely within such State, provided, however, that all provisions regarding the rights, duties and obligations of the Rights Agent shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.
5. This Amendment shall be deemed effective as of March 10, 2016. Except as otherwise amended hereby, the Section 382 Rights Agreement shall remain in full force and effect and shall be otherwise unaffected hereby.

6. This Amendment may be executed in counterparts and each of such counterparts shall for all purposes be deemed to be an original, and both such counterparts shall together constitute but one and the same instrument. A signature to this Amendment executed and/or transmitted electronically shall have the same authority, effect, and enforceability as an original signature.

\* \* \* \* \*

**IN WITNESS WHEREOF**, the parties hereto have caused this Second Amendment to Amended and Restated Section 382 Rights Agreement to be duly executed and attested, all as of the day and year first above written.

Attest:

**PULTEGROUP, INC.**

By: /s/ Ellen P. Maturen  
Name: Ellen P. Maturen

By: /s/ Steven M. Cook  
Name: Steven M. Cook

Title: Vice President and Deputy General Counsel

Title: Executive Vice President, Chief Legal Officer and  
Corporate Secretary

Attest:

**COMPUTERSHARE TRUST COMPANY, N.A.**

By: /s/ Douglas Ives

By: /s/ Katherine Anderson

Name: Douglas Ives

Name: Katherine Anderson

Title: AVP, Relationship Manager

Title: Vice President, Relationship Management

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on Tuesday, May 3, 2016. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

*PulteGroup, Inc.*

*3350 Peachtree Road NE*

*Suite 150*

*Atlanta, GA 30326*

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on Tuesday, May 3, 2016. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

<b>The Board of Directors recommends you vote FOR the following:</b>	<table border="0"> <tr> <td style="padding-right: 10px;"><b>For All</b></td> <td style="padding-right: 10px;"><b>Withhold All</b></td> <td style="padding-right: 10px;"><b>For All Except</b></td> </tr> <tr> <td style="text-align: center;">..</td> <td style="text-align: center;">..</td> <td style="text-align: center;">..</td> </tr> </table>	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	..	..	..	To withhold authority to vote for any individual nominee(s), mark <b>For All Except</b> and write the number(s) of the nominee(s) on the line below.
<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>						
..	..	..						

1. Election of Directors

**Nominees**

- |                       |                    |                        |                          |
|-----------------------|--------------------|------------------------|--------------------------|
| 01 Brian P. Anderson  | 02 Bryce Blair     | 03 Richard W. Dreiling | 04 Richard J. Dugas, Jr. |
| 05 Thomas J. Folliard | 06 Cheryl W. Gris  | 07 Andr  J. Hawaux     | 08 Debra J. Kelly-Ennis  |
| 09 Patrick J. O Leary | 10 James J. Postl  |                        |                          |

**The Board of Directors recommends you vote FOR proposals 2, 3 and 4.**

**The Board of Directors recommends you vote AGAINST proposal 5. For Against Abstain**

- |  |  |                |                |                |    |    |    |
|--|--|----------------|----------------|----------------|----|----|----|
| <p>2. The ratification of the appointment of Ernst &amp; Young LLP as our independent registered public accounting firm.</p> | <table border="0"> <tr> <td style="padding-right: 10px;"><b>For</b></td> <td style="padding-right: 10px;"><b>Against</b></td> <td style="padding-right: 10px;"><b>Abstain</b></td> </tr> <tr> <td style="text-align: center;">..</td> <td style="text-align: center;">..</td> <td style="text-align: center;">..</td> </tr> </table> | <b>For</b>     | <b>Against</b> | <b>Abstain</b> | .. | .. | .. |
| <b>For</b>   | <b>Against</b>   | <b>Abstain</b> |                |                |    |    |    |
| ..   | ..   | ..             |                |                |    |    |    |
| <p>3. An advisory vote to approve executive compensation.</p>  | <table border="0"> <tr> <td style="padding-right: 10px;"><b>For</b></td> <td style="padding-right: 10px;"><b>Against</b></td> <td style="padding-right: 10px;"><b>Abstain</b></td> </tr> <tr> <td style="text-align: center;">..</td> <td style="text-align: center;">..</td> <td style="text-align: center;">..</td> </tr> </table> | <b>For</b>     | <b>Against</b> | <b>Abstain</b> | .. | .. | .. |
| <b>For</b>   | <b>Against</b>   | <b>Abstain</b> |                |                |    |    |    |
| ..   | ..   | ..             |                |                |    |    |    |
| <p>4. Approval of an amendment to extend the term of our amended and restated Section 382 rights agreement.</p>              | <table border="0"> <tr> <td style="padding-right: 10px;"><b>For</b></td> <td style="padding-right: 10px;"><b>Against</b></td> <td style="padding-right: 10px;"><b>Abstain</b></td> </tr> <tr> <td style="text-align: center;">..</td> <td style="text-align: center;">..</td> <td style="text-align: center;">..</td> </tr> </table> | <b>For</b>     | <b>Against</b> | <b>Abstain</b> | .. | .. | .. |
| <b>For</b>   | <b>Against</b>   | <b>Abstain</b> |                |                |    |    |    |
| ..   | ..   | ..             |                |                |    |    |    |

<p>5. A shareholder proposal requesting the election of directors by a majority, rather than plurality, vote, if properly presented at the meeting.</p>	<table border="0"> <tr> <td style="padding-right: 10px;"><b>For</b></td> <td style="padding-right: 10px;"><b>Against</b></td> <td style="padding-right: 10px;"><b>Abstain</b></td> </tr> <tr> <td style="text-align: center;">..</td> <td style="text-align: center;">..</td> <td style="text-align: center;">..</td> </tr> </table>	<b>For</b>	<b>Against</b>	<b>Abstain</b>	..	..	..
<b>For</b>	<b>Against</b>	<b>Abstain</b>					
..	..	..					

**NOTE:** The shares represented by this proxy card will be voted in accordance with specifications made herein. If no specifications are made, this proxy will be voted FOR Proposals 1, 2, 3, and 4, and AGAINST

Proposal 5. If any other matter is properly brought before the meeting and any adjournments thereof, the persons named in this proxy will vote in their discretion.

**Yes      No**

Please indicate if you plan to      ..      ..  
attend this meeting

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]

Signature (Joint Owners) \_\_\_\_\_



**2016 ANNUAL MEETING ADMISSION TICKET**

**2016 Annual Meeting of  
PulteGroup, Inc. Shareholders**

**May 4, 2016**

**Upon arrival, please present this admission ticket**

**And photo identification at the registration desk.**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Annual Report, Notice & Proxy Statement is/are available at [www.proxyvote.com](http://www.proxyvote.com)

**PulteGroup, Inc.  
2016 Annual Meeting of Shareholders  
May 4, 2016 at 4:00 p.m. Eastern Time  
This proxy is solicited by the Board of Directors**

The undersigned hereby revokes any proxy or proxies previously given and appoints Richard J. Dugas, Jr. and Steven M. Cook, and each of them, with the power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as provided on the other side, all the common shares of PulteGroup, Inc. which the undersigned is entitled to vote and, in their discretion, to vote upon such other business as may properly come before the Annual Meeting of Shareholders of the Company to be held May 4, 2016, at the Grand Hyatt Atlanta, 3300 Peachtree Road NE, Atlanta, GA 30305, and any adjournment or postponement thereof, with all powers which the undersigned would possess if present at the Meeting.

**The shares represented by this proxy card will be voted in accordance with specifications made herein. If no specifications are made, this proxy will be voted FOR Proposals 1, 2, 3, and 4, and AGAINST Proposal 5. If any other matter is properly brought before the meeting and any adjournments thereof, the persons named in this proxy will vote in their discretion.**

**Continued and to be signed on reverse side**

