TOLL BROTHERS INC
Form 10-K
December 21, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended October 31, 2015
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT of 1934
For the transition period from to

Commission file number 1-9186
TOLL BROTHERS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	23-2416878
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
250 Gibraltar Road, Horsham, Pennsylvania	19044
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code
(215) 938-8000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (par value $.01)*	New York Stock Exchange
Guarantee of Toll Brothers Finance Corp. 5.625% Senior Notes due 2024	New York Stock Exchange

* Includes associated Right to Purchase Series A Junior Participating Preferred Stock

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.Yes x No o
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act.
Yes o No x
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
	(Do not check if a smaller reporting company)		

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of April 30, 2015, the aggregate market value of the Common Stock held by non-affiliates (all persons other than executive officers and directors of Registrant) of the Registrant was approximately $5,743,487,000.

As of December 11, 2015, there were approximately 174,322,000 shares of Common Stock outstanding.

Documents Incorporated by Reference: Portions of the proxy statement of Toll Brothers, Inc. with respect to the 2016 Annual Meeting of Stockholders, scheduled to be held on March 8, 2016, are incorporated by reference into Part III of this report.

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The following exhibits have been filed electronically with this Form 10-K:

EX-101 DEFINITION LINKBASE DOCUMENT

PART I

ITEM 1. BUSINESS

Toll Brothers, Inc., a corporation incorporated in Delaware in May 1986, began doing business through predecessor entities in 1967. When this report uses the words “we,” “us,” “our,” and the “Company,” they refer to Toll Brothers, Inc. and its subsidiaries, unless the context otherwise requires. References herein to fiscal year refer to our fiscal years ended or ending October 31.

General

We design, build, market, and arrange financing for detached and attached homes in luxury residential communities. We cater to move-up, empty-nester, active-adult, age-qualified, and second-home buyers in the United States (“Traditional Home Building Product”). We also build and sell homes in urban infill markets through Toll Brothers City Living® (“City Living”). At October 31, 2015, we were operating in 19 states. In the five years ended October 31, 2015, we delivered 21,003 homes from 571 communities, including 5,525 homes from 352 communities in fiscal 2015. At October 31, 2015, we had 539 communities containing approximately 44,253 home sites that we owned or controlled through options.

We operate our own land development, architectural, engineering, mortgage, title, landscaping, security monitoring, lumber distribution, house component assembly, and manufacturing operations. We also develop, own, and operate golf courses and country clubs, which generally are associated with several of our master planned communities.

We are developing several land parcels for master planned communities in which we intend to build homes on a portion of the lots and sell the remaining lots to other builders. Two of these master planned communities are being developed 100% by us, and the remaining communities are being developed through joint ventures with other builders or financial partners.

In February 2014, we acquired the home building business of Shapell Industries, Inc., a Delaware corporation (“Shapell”), for $1.49 billion in cash, net of cash acquired. Prior to the acquisition, Shapell designed, constructed, and marketed single-family detached and attached homes and developed land in master planned communities and neighborhoods throughout coastal Northern and Southern California. See “Acquisition” below for more information.

We also operate through a number of joint ventures. These joint ventures (i) develop land for the joint venture participants and for sale to outside builders (“Land Development Joint Ventures”); (ii) develop for-sale homes (“Home Building Joint Ventures”); (iii) develop luxury for-rent residential apartments, commercial space, and a hotel (“Rental Property Joint Ventures”); and (iv) invest in a portfolio of distressed loans and real estate (“Structured Asset Joint Venture”). We earn construction and management fee income from many of these joint ventures. At October 31, 2015, we had investments in these joint ventures of $412.9 million.

At October 31, 2015, our Land Development Joint Ventures owned approximately 12,000 home sites, including approximately 4,000 home sites we expect to acquire for our own use, and our Homebuilding Joint Ventures owned approximately 500 home sites.

In fiscal 2015, the value of net contracts signed by our Home Building Joint Ventures was $260.2 million (147 homes), and they delivered $78.1 million (96 homes) of revenue. At October 31, 2015, our Homebuilding Joint Ventures had a backlog of undelivered homes of $466.6 million (186 homes).

In addition to our residential for-sale business, we also develop and operate for-rent apartments. These projects, which are located in the metro Boston to metro Washington, D.C. corridor and Atlanta, are being operated, are being developed, or will be developed with partners under the brand names Toll Brothers Apartment Living, Toll Brothers Campus Living, and Toll Brothers Realty Trust. At October 31, 2015, we had approximately 1,450 units in for-rent apartment projects that were occupied or ready for occupancy, 1,100 units in the lease-up stage, 1,400 units under active development, and 3,500 units in the planning stage. Of the 7,450 units at October 31, 2015, 3,950 were owned by joint ventures in which we have an interest; approximately 1,450 were owned by us, as we look for a joint venture partner; 1,700 were under contract to be purchased by us; and 350 were under a letter of intent.

See “Investments in Unconsolidated Entities” below for more information relating to these joint ventures.

In fiscal 2010, we formed Gibraltar Capital and Asset Management, LLC (“Gibraltar”) to invest in distressed real estate opportunities. Gibraltar focuses primarily on residential loans and properties, from unimproved ground to partially and fully improved developments, as well as commercial opportunities. At October 31, 2015, Gibraltar had investments in foreclosed real estate and distressed loans of approximately $51.7 million, and $12.2 million for a 20% interest in a joint venture that purchased a 40% interest in an entity that owns and controls a portfolio of loans and real estate.

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Business Trends and Outlook

We believe that, in fiscal 2012, the housing market began to recover from the significant slowdown that started in the fourth quarter of our fiscal year ended October 31, 2005. During fiscal 2012 and the first nine months of fiscal 2013, we saw a strong recovery in the number and value of new sales contracts signed. Beginning in the fourth quarter of fiscal 2013, we experienced a leveling in demand that continued through the second quarter of fiscal 2014, and was followed by a decline in demand in the third quarter of fiscal 2014. Since the third quarter of fiscal 2014, we have seen a strengthening in customer demand. In fiscal 2015, we signed 5,910 contracts with an aggregate value of $4.96 billion, compared to 5,271 contracts with an aggregate value of $3.90 billion in fiscal 2014. We are optimistic that the strengthening in customer demand will continue for the foreseeable future. We believe that, as the national economy improves and as the millennial generation comes of age, pent-up demand for homes will begin to be released.

For information and analysis of recent trends in our operations and financial condition, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of this Annual Report on Form 10-K (“Form 10-K”), and for financial information about our results of operations, assets, liabilities, stockholders’ equity, and cash flows, see the accompanying Consolidated Financial Statements and Notes thereto in Item 15(a)1 of this Form 10-K.

At October 31, 2015, we had 539 communities containing approximately 44,253 home sites that we owned or controlled through options; we owned approximately 35,872 of these home sites and controlled approximately 8,381 additional home sites through options. Of the 44,253 home sites, approximately 16,505 were substantially improved. Of the 539 communities, 333 were residential communities under development (“operating communities”) containing 23,406 home sites and 206 were future communities containing 20,847 home sites. Of our 333 operating communities at October 31, 2015, a total of 288 communities were offering homes for sale; 34 communities were sold out but not all homes had been completed and delivered; and 11 communities had been temporarily shut down and are expected to reopen in fiscal 2016. Of the 23,406 home sites in operating communities, 19,342 were available for sale and 4,064 were under agreement of sale but not yet delivered (“backlog”). Included in the 206 future communities are 15 communities containing 1,900 home sites that had previously been open but were shut down due to the slowdown in the housing market.

In addition, at October 31, 2015, our Land Development Joint Ventures owned approximately 12,000 home sites, and our Homebuilding Joint Ventures owned approximately 500 home sites.

At October 31, 2015, we were offering homes for sale in 281 communities at base prices, for our Traditional Home Building Product, generally ranging from approximately $161,000 to $1,991,000, and we were offering homes for sale in seven communities at base prices, for our City Living Product, generally ranging from $317,000 to 6,155,000. In a number of communities being developed, we are offering homes at prices substantially higher than those indicated.

During fiscal 2015, we delivered 5,525 homes at an average base price of approximately $646,000. On average, our home buyers added approximately 20.7%, or $134,000 per home, in customized options and lot premiums to the base price of the homes we delivered in fiscal 2015, as compared to 19.9% or $124,000 per home in fiscal 2014 and 20.7% or $115,000 per home in fiscal 2013.

We had a backlog of $3.50 billion (4,064 homes) at October 31, 2015; $2.72 billion (3,679 homes) at October 31, 2014; and$2.63 billion (3,679 homes) at October 31, 2013. Of the 4,064 homes in backlog at October 31, 2015, approximately 96% are expected to be delivered by October 31, 2016.

In recognition of our achievements, we have received numerous awards from national, state, and local home builder publications and associations. Toll Brothers was named as The Most Admired Home Building Company in Fortune magazine’s survey of the World’s Most Admired Companies for 2015. Toll Brothers was also named 2015 America’s Most Trusted Home Builder™ by Lifestory Research, an award which was based on a study of 43,200 new home shoppers in the nation’s top 27 housing markets. In 2014, we were named Builder of the Year by Builder magazine and in 2012, we were named Builder of the Year by Professional Builder magazine.

Our business is subject to many risks associated with obtaining the necessary approvals on a property and completing the land improvements on it. We attempt, where possible, to reduce certain risks by controlling land for future development through options (also referred to herein as “land purchase contracts” or “option and purchase agreements”). These options enable us to obtain the necessary governmental approvals before we acquire title to the land. We also reduce certain risks by generally commencing construction of a detached home only after executing an agreement of sale and receiving a substantial down payment from the buyer, and by using subcontractors to perform home construction and land development work on a fixed-price basis.

Acquisition

On February 4, 2014, we completed our acquisition of Shapell pursuant to the Purchase and Sale Agreement (the "Purchase Agreement") dated November 6, 2013 with Shapell Investment Properties, Inc. ("SIPI"). We acquired all of the equity interests in Shapell from SIPI on February 4, 2014, for $1.49 billion, net of cash acquired (the "Acquisition"). We acquired the single-family residential real property development business of Shapell, including a portfolio of approximately 4,950 home sites in California, some of which we have sold to other builders. The Acquisition provided us with a premier California land portfolio including 11 active selling communities, as of the Acquisition date, in affluent, high-growth markets: the San Francisco Bay area, metro Los Angeles, Orange County, and the Carlsbad market. As part of the Acquisition, we assumed contracts to deliver 126 homes with an aggregate value of approximately $105.3 million. The Shapell operations have been fully integrated into our operations.

As part of the Acquisition, we did not acquire the apartment and commercial rental properties owned and operated by Shapell (the "Shapell Commercial Properties") or Shapell's mortgage lending activities relating to their home building operations. Accordingly, the Purchase Agreement provides that SIPI will indemnify us for any loss arising out of or resulting from, among other things, (i) any liability (other than environmental losses, subject to certain exceptions) related to the Shapell Commercial Properties, and (ii) any liability (other than environmental losses, subject to certain exceptions) to the extent related to Shapell Mortgage, Inc. See Note 2, "Acquisition," in this Form 10-K for additional information regarding the Acquisition.

Our Communities

Our home building communities are generally located in affluent suburban areas near major highways providing access to major cities and are generally located on land we have either acquired and developed or acquired fully approved and, in some cases, improved. We also currently operate in the affluent urban markets of Hoboken and Jersey City, New Jersey; New York City, New York; Philadelphia, Pennsylvania; and the suburbs of Washington, D.C.

At October 31, 2015, we were operating in the following major suburban and urban residential markets:

- Boston, Massachusetts, metropolitan area
- Fairfield, Hartford, and New Haven Counties, Connecticut
- Westchester, Dutchess, and Ulster Counties, New York
- Boroughs of Manhattan and Brooklyn in New York City
- Central and northern New Jersey
- Philadelphia, Pennsylvania, metropolitan area
- Lehigh Valley area of Pennsylvania
- Virginia and Maryland suburbs of Washington, D.C.
- Raleigh and Charlotte, North Carolina, metropolitan areas
- Southeast and southwest coasts and the Jacksonville and Orlando areas of Florida
- Detroit, Michigan, metropolitan area
- Chicago, Illinois, metropolitan area
- Minneapolis/St. Paul, Minnesota, metropolitan area
- Dallas, Houston, and Austin, Texas, metropolitan areas
- Denver, Colorado, metropolitan area and Fort Collins, Colorado
- Phoenix, Arizona, metropolitan area
- Las Vegas and Reno, Nevada, metropolitan areas
- San Diego and Palm Springs, California, areas
- Los Angeles, California, metropolitan area

- San Francisco Bay, Sacramento, and San Jose areas of northern California, and
- Seattle, Washington, metropolitan area

We develop individual stand-alone communities as well as multi-product, master planned communities. Our master planned communities, many of which include golf courses and other country club-type amenities, enable us to offer multiple home types and sizes to a broad range of move-up, empty-nester, active-adult, and second-home buyers. We seek to realize efficiencies from shared common costs, such as land development and infrastructure, over the several communities within the master planned community.

Each of our detached home communities offers several home plans with the opportunity for home buyers to select various exterior styles. We design each community to fit existing land characteristics. We strive to achieve diversity among architectural styles within a community by offering a variety of house models and several exterior design options for each model, preserving existing trees and foliage whenever practicable, and curving street layouts to allow relatively few homes to be seen from any vantage point. Normally, homes of the same type or color may not be built next to each other. Our communities have attractive entrances with distinctive signage and landscaping. We believe that our added attention to community detail gives each community a diversified neighborhood appearance that enhances home values.

Our traditional attached home communities generally offer one- to four-story homes, provide for limited exterior options, and often include commonly owned recreational facilities such as clubhouses, playing fields, swimming pools, and tennis courts.

We market our high quality homes to upscale luxury home buyers, generally comprised of those persons who have previously owned a principal residence and who are seeking to buy a larger or more desirable home — the so-called "move-up" market. We believe our reputation as a developer of homes for this market enhances our competitive position with respect to the sale of our smaller, more moderately priced homes.

We also market to the 50+ year-old "empty-nester" market, which we believe has strong growth potential. We have developed a number of home designs with features such as one-story living and first-floor master bedroom suites, as well as communities with recreational amenities such as golf courses, marinas, pool complexes, country clubs, and recreation centers that we believe appeal to this category of home buyers. We have integrated certain of these designs and features in some of our other home types and communities. We also develop active-adult, "age-qualified" communities for households in which at least one member must be 55+ years of age. As of October 31, 2015, we were selling from 39 active-adult/age-qualified communities and expect to open additional active-adult/age-qualified communities during the next few years. Of the value and number of net contracts signed in fiscal 2015, approximately 11% and 16%, respectively, were in active-adult/age-qualified communities; in fiscal 2014, approximately 12% and 16%, respectively, were in such communities; and in fiscal 2013, approximately 9% and 12%, respectively were in active-adult/age-qualified communities.

In order to serve a growing market of affluent move-up families, empty-nesters, and young professionals seeking to live in or close to major cities, we have developed and are developing on our own or through joint ventures with third parties, a number of high-density, high-, mid- and low-rise urban luxury communities. These communities are currently marketed under our City Living brand. These communities, which we are currently developing or planning to develop on our own or through joint ventures, are located in Bethesda, Maryland; Hoboken and Jersey City, New Jersey; the boroughs of Manhattan and Brooklyn, New York; and Philadelphia, Pennsylvania.

At October 31, 2015, nine of these buildings were open for sale, containing a total of 918 units. The table below provides information related to deliveries and revenues and net contracts signed by our City Living group in communities it is developing on its own or through joint ventures in fiscal 2015, 2014, and 2013 and its backlog at October 31, 2015, 2014, and 2013:

	2015 Units	2014 Units	2013 Units	2015 $ millions	2014 $ millions	2013 $ millions
Deliveries	219	266	147	316.1	283.6	179.5
Net contracts	255	265	286	513.3	490.1	291.3
Backlog at October 31,	235	199	200	633.2	436.1	229.5

A great majority of our City Living communities are high-rise projects and take an extended period of time to construct. We generally start selling homes in these communities after construction has commenced and by the time construction has been completed we typically have a significant number of homes in backlog. Once construction has been completed, the homes in backlog in these communities are generally delivered very quickly.

We believe that the demographics of the move-up, empty-nester, active-adult, age-qualified, and second-home upscale markets will provide us with an opportunity for growth in the future, and that our financial strength and portfolio of approved home sites in the Washington, D.C. to Boston corridor and in our California markets, in which land is scarce and approvals are more difficult to obtain, give us a competitive advantage. We continue to believe that many of our communities are in desirable locations that are difficult to replace and that many of these communities have substantial embedded value that may be realized in the future as the housing recovery strengthens.

According to the U.S. Census Bureau ("Census Bureau"), the number of households earning $100,000 or more (in constant 2014 dollars) at September 2015 stood at 30.8 million, or approximately 24.7% of all U.S. households. This group has grown at three times the rate of increase of all U.S. households since 1980. According to Harvard University's 2015 report, "The State of the Nation's Housing," demographic forces are likely to drive the addition of just under 1.2 million new households per year during the next decade.

Housing starts, which encompass the units needed for household formations, second homes, and the replacement of obsolete or demolished units, have not kept pace with this projected household growth. According to the Census Bureau's October 2015 New Residential Sales Report, new home inventory stands at a supply of just 5.5 months, based on current sales paces. If demand and pace increase significantly, the supply of 5.5 months could quickly be drawn down. During the period 1970 through 2007, total housing starts in the United States averaged approximately 1.6 million per year, while during the period 2008 through 2014, total housing starts averaged approximately 0.8 million per year according to the Census Bureau.

At October 31, 2015, we were selling homes from 288 communities, compared to 263 communities at October 31, 2014, and 232 communities at October 31, 2013. In addition, at October 31, 2015, we had 26 communities that were temporarily closed due to market conditions or awaiting approvals on future phases, of which we currently expect to reopen approximately 11 in fiscal 2016.

The following table summarizes certain information with respect to our operating communities at October 31, 2015:

	Total number of communities	Number of selling communities	Homes approved	Homes closed	Homes under contract but not closed	Home sites available
Traditional Home Building:						
North	74	68	9,901	4,524	890	4,487
Mid-Atlantic	76	65	11,074	5,312	811	4,951
South	65	53	7,186	2,399	824	3,963
West	74	64	6,822	2,262	816	3,744
California	36	31	3,606	1,140	609	1,857
Traditional Home Building	325	281	38,589	15,637	3,950	19,002
City Living	8	7	781	327	114	340
Total	333	288	39,370	15,964	4,064	19,342

At October 31, 2015, significant site improvements had not yet commenced on approximately 6,901 of the 19,342 available home sites. Of the 19,342 available home sites, 1,776 were not yet owned by us but were controlled through options.

Of our 333 operating communities at October 31, 2015, a total of 288 communities were offering homes for sale; 34 communities were sold out but not all homes had been completed and delivered; and 11 communities had been temporarily shut down and are expected to reopen in fiscal 2016. Of the 288 communities in which homes were being offered for sale at October 31, 2015, a total of 226 were detached home communities and 62 were attached home communities. At October 31, 2015, we had 660 homes (exclusive of model homes) under construction or completed but not under contract in our traditional communities, of which 371 were in detached home communities and 289 were in attached home communities. In addition, we had 123 units that were temporarily being held as rental units. At October 31, 2015, we had 380 homes (exclusive of model homes) under construction or completed but not under contract, in seven City Living communities that were wholly owned.

Our Homes

In most of our detached home communities, we offer a number of different house floor plans, each with several substantially different architectural styles. In addition, the exterior of each basic floor plan may be varied further by the use of stone, stucco, brick, or siding. Our traditional attached home communities generally offer several different floor plans with two, three, or four bedrooms.

We offer some of the same basic home designs in similar communities; however, we are continuously developing new designs to replace or augment existing ones to ensure that our homes reflect current consumer tastes. We use our own architectural staff and also engage unaffiliated architectural firms to develop new designs. During the past fiscal year, we introduced 153 new models for our Traditional Home Building Product (124 detached models and 29 attached models).

In our Traditional Home Building Product communities, a wide selection of options are available to home buyers for additional charges. The number and complexity of options in our Traditional Home Building Product typically increase with the size and base selling price of our homes. Major options include additional garages, extra fireplaces, guest suites, finished lofts, and other additional rooms.

The table below provides the average value of options purchased by our home buyers, including lot premiums, and the value of the options as a percent of the base selling price of the homes purchased in fiscal 2015, 2014, and 2013:

	2015		2014		2013	
	Option value (in thousands)	Percent of base selling price	Option value (in thousands)	Percent of base selling price	Option value (in thousands)	Percent of base selling price
Overall	$134	20.7 %	$124	19.9 %	$115	20.7 %
Traditional Home Building Product						
Detached	$158	23.6 %	$144	22.2 %	$138	24.0 %
Attached	$69	15.8 %	$61	14.3 %	$54	13.5 %
City Living Product	$47	3.3 %	$27	2.6 %	$26	2.1 %

In general, our attached homes and City Living products do not offer significant structural options to our home buyer and thus they have a smaller option value as a percentage of base selling price.

As a result of our wide product and geographic diversity, we have a wide range of base sales prices. The general range of base sales prices for our different lines of homes at October 31, 2015, was as follows:

Traditional Home Building Product			
Detached homes			
Move-up	$275,000	to	$919,000
Executive	188,000	to	1,091,000
Estate	349,000	to	1,991,000
Active-adult, age-qualified	232,000	to	730,000
Attached homes			
Flats	$161,000	to	$432,000
Townhomes/Carriage homes	225,000	to	850,000
Active-adult, age-qualified	267,000	to	695,000
City Living Product	$317,000	to	$6,155,000

A number of communities that we are developing are offering units at prices substantially in excess of those listed above.

For more information regarding revenues, net contracts signed, income (loss) before income taxes, and assets by segment, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Segments” in Item 7 of this Form 10-K.

Land Policy

Before entering into an agreement to purchase a land parcel, we complete extensive comparative studies and analysis that assist us in evaluating the acquisition. Historically, we have attempted to enter into option agreements to purchase land for future communities; however, in recent years, we have had more success in negotiating land parcels for immediate purchase since many sellers were in financial distress, not in a position to wait for our obtaining land approvals, or unwilling to take the financial risk of not completing the sale. We have also entered into several joint ventures with other builders or developers to develop land for the use of the joint venture participants or for sale to outside parties. In addition, we have, at times, acquired the underlying mortgage on a property and subsequently obtained title to that property.

Where possible, we enter into agreements to purchase land, referred to in this Form 10-K as “land purchase contracts,” “purchase agreements,” “options,” or “option agreements,” on a non-recourse basis, thereby limiting our financial exposure to the amounts expended in obtaining any necessary governmental approvals, the costs incurred in the planning and design of the community, and, in some cases, some or all of our deposit. The use of these agreements may increase the price of land that we eventually acquire, but reduces our risk by allowing us to obtain the necessary development approvals before acquiring the land or allowing us to delay the acquisition to a later date. Historically, as approvals were obtained, the value of the purchase agreements and land generally increased; however, in any given time period, this may not happen. We have the ability to extend some of these purchase agreements for varying periods of time, in some cases by making an additional payment and, in other cases, without making any additional payment. Our purchase agreements are typically subject to numerous conditions, including, but not limited to, the ability to obtain necessary governmental approvals for the proposed community. Our deposit under an agreement may be returned to us if all approvals are not obtained, although predevelopment costs may not be recoverable. We generally have the right to cancel any of our agreements to purchase land by forfeiture of some or all of the deposits we have made pursuant to the agreement.

Our optioned land as a percentage of land controlled has declined from our historical averages as a result of our cancellation of many land purchase contracts during the 2006–2011 downturn, the need for distressed sellers to liquidate their land positions, and our purchase of Shapell in February 2014.

During fiscal 2015 and 2014, we acquired control of approximately 2,611 home sites (net of options terminated and home sites sold) and, approximately 3,936 home sites (net of options terminated), respectively. At October 31, 2015, we controlled approximately 44,253 home sites, as compared to approximately 47,167 home sites at October 31, 2014, and 48,628 home sites at October 31, 2013. In addition, at October 31, 2015, we had an understanding to acquire 378 home sites from one of our Land Development Joint Ventures and we expect to purchase approximately 3,600 additional home sites over a number of years from several other joint ventures in which we have interests.

We are developing several parcels of land for master planned communities in which we intend to build homes on a portion of the lots and sell the remaining lots to other builders. Two of these master planned communities are being developed 100% by us, and the remaining communities are being developed through joint ventures with other builders or financial partners. In addition, at October 31, 2015, our Land Development Joint Ventures owned approximately 12,000 home sites, and our Homebuilding Joint Ventures owned approximately 500 home sites.

Our ability to continue development activities over the long term will be dependent upon, among other things, a suitable economic environment and our continued ability to locate and enter into options or agreements to purchase land, obtain governmental approvals for suitable parcels of land, and consummate the acquisition and complete the development of such land.

The following is a summary of home sites for future communities that we either owned or controlled through options or purchase agreements at October 31, 2015, as distinguished from our operating communities:

	Number of communities	Number of home sites
Traditional Home Building:		
North	29	2,832
Mid-Atlantic	49	5,337
South	33	3,542
West	47	3,534
California	38	4,221
Traditional Home Building	196	19,466
City Living	10	1,381
Total	206	20,847

Of the 20,847 planned home sites at October 31, 2015, we owned 14,242 and controlled 6,605 through options and purchase agreements.

At October 31, 2015, the aggregate purchase price of land parcels subject to option and purchase agreements in operating communities and future communities was approximately $1.22 billion (including $136.3 million of land to be acquired from joint ventures in which we have invested). Of the $1.22 billion of land purchase commitments, we paid or deposited $79.1 million, and, if we acquire all of these land parcels, we will be required to pay an additional $1.14 billion. The purchases of these land parcels are expected to occur over the next several years. We have additional land parcels under option that have

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been excluded from the aforementioned aggregate purchase price since we do not believe that we will complete the purchase of these land parcels and no additional funds will be required from us to terminate these contracts. These option contracts have either been written off or written down to the estimated amount that we expect to recover on them when the contracts are terminated.

We have a substantial amount of land currently under control for which approvals have been obtained or are being sought. We devote significant resources to locating suitable land for future development and obtaining the required approvals on land under our control. There can be no assurance that the necessary development approvals will be secured for the land currently under our control or for land that we may acquire control of in the future or that, upon obtaining such development approvals, we will elect to complete the purchases of land under option or complete the development of land that we own. We generally have been successful in obtaining governmental approvals in the past. We believe that we have an adequate supply of land in our existing communities and proposed communities (assuming that all properties are developed) to maintain our operations at current levels for several years.

Community Development

We typically expend considerable effort in developing a concept for each community, which includes determining the size, style, and price range of the homes; the layout of the streets and individual home sites; and the overall community design. After the necessary governmental subdivision and other approvals have been obtained, which may take several years, we improve the land by clearing and grading it; installing roads, underground utility lines, and recreational amenities; distinctive entrance features; and staking out individual home sites.

Each community is managed by a project manager. Working with sales staff, construction managers, marketing personnel, and, when required, other in-house and outside professionals such as accountants, engineers, and architects, a project manager is responsible for supervising and coordinating the various developmental steps such as land approval, land acquisition, marketing, selling, construction, and customer service, and monitoring the progress of work and controlling expenditures. Major decisions regarding each community are made in consultation with senior members of our management team.

We act as a general contractor for most of our projects. Subcontractors perform all home construction and land development work, generally under fixed-price contracts. We purchase most of the materials we use in our home construction and in our land development activities directly from the manufacturers or producers. We generally have multiple sources for the materials we purchase, and we have not experienced significant delays due to unavailability of necessary materials. See “Manufacturing/Distribution Facilities” in Item 2 of this Form 10-K.

Our construction managers coordinate subcontracting activities and supervise all aspects of construction work and quality control. One of the ways in which we seek to achieve home buyer satisfaction is by providing our construction managers with incentive compensation arrangements based upon each home buyer’s satisfaction, as expressed by the buyers’ responses on pre- and post-closing questionnaires.

The most significant variable affecting the timing of our revenue stream, other than housing demand, is the opening of the community for sale, which generally occurs shortly after receipt of final land regulatory approvals. Receipt of approvals permits us to begin the process of obtaining executed sales contracts from home buyers. Although our sales and construction activities vary somewhat by season, which can affect the timing of closings, any such seasonal effect is relatively insignificant compared to the effect of the timing of receipt of final regulatory approvals, the opening of the community, and the subsequent timing of closings.

Marketing and Sales

We believe that our marketing strategy for our Traditional Home Building Product, which emphasizes our more expensive “Estate” and “Executive” lines of homes, has enhanced our reputation as a builder and developer of high quality upscale homes. We believe this reputation results in greater demand for all of our lines of homes. We generally include attractive decorative features such as chair rails, crown moldings, dentil moldings, vaulted and coffered ceilings, and other aesthetic elements, even in our less expensive homes, based on our belief that this additional construction expense enhances our product and improves our marketing and sales effort.

In determining the prices for our homes, we utilize, in addition to management’s extensive experience, an internally developed value analysis program that compares our homes with homes offered by other builders in each local marketing area. In our application of this program, we assign a positive or negative dollar value to differences between our product features and those of our competitors, such as house and community amenities, location, and reputation.

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We typically have a sales office in each community that is staffed by our own sales personnel. Sales personnel are generally compensated with both salary and commission. A significant portion of our sales is also derived from the introduction of customers to our communities by local cooperating real estate agents.

We expend great effort and cost in designing and decorating our model homes, which play an important role in our marketing. In our models, we create an appealing atmosphere, which may include bread baking in the oven, fires burning in fireplaces, and music playing in the background. Interior decorating varies among the models and is carefully selected to reflect the lifestyles of prospective buyers.

Increasingly, the Internet is an important resource we use in marketing and providing information to our customers. Visitors to our website, www.TollBrothers.com, can obtain detailed information regarding our communities and homes across the country, take panoramic or video tours of our homes, and design their own home based upon our available floor plans and options. We also advertise in newspapers, in other local and regional publications, and on billboards. We also use color brochures to market our communities.

We have a two-step sales process. The first step takes place when a potential home buyer visits one of our communities and decides to purchase one of our homes, at which point the home buyer signs a non-binding deposit agreement and provides a small, refundable deposit. This deposit will reserve, for a short period of time, the home site or unit that the home buyer has selected. This deposit also locks in the base price of the home. Because these deposit agreements are non-binding, they are not recorded as signed contracts, nor are they recorded in backlog. Deposit rates are tracked on a weekly basis to help us monitor the strength or weakness in demand in each of our communities. If demand for homes in a particular community is strong, senior management determines whether the base selling prices in that community should be increased. If demand for the homes in a particular community is weak, we determine whether or not sales incentives and/or discounts on home prices should be adjusted.

The second step in the sales process occurs when we actually sign a binding agreement of sale with the home buyer and the home buyer gives us a cash down payment that is generally nonrefundable. Cash down payments currently average approximately 8% of the total purchase price of a home. Between the time that the home buyer signs the non-binding deposit agreement and the binding agreement of sale, he or she is required to complete a financial questionnaire that gives us the ability to evaluate whether the home buyer has the financial resources necessary to purchase the home. If we determine that the home buyer is not financially qualified, we will not enter into an agreement of sale with the home buyer. During fiscal 2015, 2014, and 2013, our customers signed net contracts for $4.96 billion (5,910 homes), $3.90 billion (5,271 homes), and $3.63 billion (5,294 homes), respectively. When we report net contracts signed, the number and value of contracts signed are reported net of all cancellations occurring during the reporting period, whether signed in that reporting period or in a prior period. Only outstanding agreements of sale that have been signed by both the home buyer and us as of the end of the period for which we are reporting are included in backlog.

Customer Mortgage Financing

We maintain relationships with a widely diversified group of mortgage financial institutions, many of which are among the largest in the industry. We believe that regional and community banks continue to recognize the long-term value in creating relationships with affluent customers such as our home buyers, and these banks continue to provide such customers with financing.

We believe that our home buyers generally are, and should continue to be, better able to secure mortgages due to their typically lower loan-to-value ratios and attractive credit profiles, as compared to the average home buyer. Nevertheless, in recent years, tightened credit standards have shrunk the pool of potential home buyers and hindered accessibility of or eliminated certain loan products previously available to our home buyers. Our home buyers continue to face stricter mortgage underwriting guidelines, higher down payment requirements, and narrower appraisal guidelines than in the past. In addition, some of our home buyers continue to find it more difficult to sell their existing homes as prospective buyers of their homes may face difficulties obtaining a mortgage. In addition, other potential buyers may have little or negative equity in their existing homes and may not be able or willing to purchase a larger or more expensive home.

Our mortgage subsidiary provides mortgage financing for a portion of our home closings. Our mortgage subsidiary determines whether the home buyer qualifies for the mortgage he or she is seeking based upon information provided by the home buyer and other sources. For those home buyers who qualify, our mortgage subsidiary provides the home buyer with a mortgage commitment that specifies the terms and conditions of a proposed mortgage loan based upon then-current market conditions.

Information about the number and amount of loans funded by our mortgage subsidiary is contained in the table below.

Fiscal year	Total Toll Brothers, Inc. settlements (a)	TBI Mortgage Company financed settlements*(b)	Gross capture rate (b/a)	Amount financed (in thousands)
2015	5,525	2,103	38.1%	$1,001,164
2014	5,397	1,866	34.6%	$801,493
2013	4,184	1,803	43.1%	$717,335
2012	3,286	1,572	47.8%	$585,732
2011	2,611	1,361	52.1%	$508,880

* TBI Mortgage Company financed settlements exclude brokered and referred loans, which amounted to approximately 6.2%, 4.4%, 5.1%, 6.2%, and 7.1% of our home closings in fiscal 2015, 2014, 2013, 2012, and 2011, respectively.

Prior to the actual closing of the home and funding of the mortgage, the home buyer may lock in an interest rate based upon the terms of the commitment. At the time of rate lock, our mortgage subsidiary agrees to sell the proposed mortgage loan to one of several outside recognized mortgage financing institutions (“investors”) that are willing to honor the terms and conditions, including the interest rate, committed to the home buyer. We believe that these investors have adequate financial resources to honor their commitments to our mortgage subsidiary. At October 31, 2015, our mortgage subsidiary was committed to fund $1.26 billion of mortgage loans. Of these commitments, $316.2 million, as well as $115.9 million of mortgage loans receivable, have “locked-in” interest rates. Our mortgage subsidiary funds its commitments through a combination of its own capital, capital provided from us, its loan facility, and the sale of mortgage loans to various investors. Our mortgage subsidiary has commitments from investors to acquire all $432.0 million of these locked-in loans and receivables. Our home buyers have not locked in the interest rate on the remaining $941.2 million of mortgage loans.

Competition

The home building business is highly competitive and fragmented. We compete with numerous home builders of varying sizes, ranging from local to national in scope, some of which have greater sales and financial resources than we do. Sales of existing homes, whether by a homeowner or by a financial institution that has acquired a home through a foreclosure, also provide competition. We compete primarily on the basis of price, location, design, quality, service, and reputation. We also believe our financial stability, relative to many others in our industry, is a favorable competitive factor as more home buyers focus on builder solvency.

There are fewer and more selective lenders serving our industry as compared to prior years and we believe that these lenders gravitate to the home building companies that offer them the greatest security, the strongest balance sheets, and the broadest array of potential business opportunities.

Investments in Unconsolidated Entities

We have investments in various unconsolidated entities. These entities include land development joint ventures, home building joint ventures, rental property joint ventures, and a structured asset joint venture. At October 31, 2015, we had investments in these unconsolidated entities of $412.9 million and were committed to invest or advance up to an additional $195.6 million to these entities if they require additional funding.

In fiscal 2015, 2014, and 2013, we recognized income from the unconsolidated entities in which we had an investment of $21.1 million, $41.1 million, and $14.4 million, respectively. In addition, we earned construction and management fee income from these unconsolidated entities of $11.3 million in fiscal 2015, $7.3 million in fiscal 2014, and $2.9 million in fiscal 2013.

Land Development Joint Ventures

We have investments in a number of Land Development Joint Ventures to develop land. Some of these Land Development Joint Ventures develop land for the sole use of the venture participants, including us, and others develop land for sale to the joint venture participants and to unrelated builders. At October 31, 2015, we had approximately $214.1 million invested in our Land Development Joint Ventures and funding commitments of $162.0 million to five of the Land Development Joint Ventures which would be funded if additional investments in the ventures are required. At October 31, 2015, four of these joint ventures had aggregate loan commitments of $505.0 million and outstanding borrowings against these commitments of $415.9 million. At October 31, 2015, our Land Development Joint Ventures owned approximately 12,000 home sites.

At October 31, 2015, we had an understanding to acquire 378 home sites from one of our Land Development Joint Ventures for an aggregate purchase price of approximately $136.3 million. In addition, we expect to purchase approximately 3,600 additional home sites over a number of years from several joint ventures in which we have interests; the purchase prices of these home sites will be determined at a future date.

Home Building Joint Ventures

At October 31, 2015, we had an aggregate of $76.1 million of investments in various Home Building Joint Ventures to develop approximately 500 luxury for-sale homes. At October 31, 2015, we had $23.0 million of funding commitments to two of these joint ventures. In fiscal 2015, the value of net contracts signed by our Home Building Joint Ventures was $260.2 million (147 homes), and they delivered $78.1 million (96 homes) of revenue. At October 31, 2015, our Homebuilding Joint Ventures had a backlog of undelivered homes of $466.6 million (186 homes).

Rental Property Joint Ventures

Over the past several years, we acquired control of a number of land parcels as for-rent apartment projects, including two student housing sites. At October 31, 2015, we controlled 20 land parcels as for-rent apartment projects containing approximately 7,450 units. These projects, which are located in the metro Boston to metro Washington, D.C. corridor and Atlanta, are being developed or will be developed with partners under the brand names Toll Brothers Apartment Living, Toll Brothers Campus Living and Toll Brothers Realty Trust. A number of these sites had been acquired by us as part of a larger purchase or were originally acquired to be developed as for-sale homes.

At October 31, 2015, we had approximately 1,450 units in for-rent apartment projects that were occupied or ready for occupancy, 1,100 units in the lease-up stage, 1,400 units under active development, and 3,500 units in the planning stage. Of the 7,450 units at October 31, 2015, 3,950 were owned by joint ventures in which we have an interest; approximately 1,450 were owned by us, as we look for a joint venture partner; 1,700 were under contract to be purchased by us; and 350 were under a letter of intent.

Regulation and Environmental Matters

We are subject to various local, state, and federal statutes, ordinances, rules, and regulations concerning zoning, building design, construction, and similar matters, including local regulations that impose restrictive zoning and density requirements. In a number of our markets, there has been an increase in state and local legislation authorizing the acquisition of land as dedicated open space, mainly by governmental, quasi-public, and nonprofit entities. In addition, we are subject to various licensing, registration, and filing requirements in connection with the construction, advertisement, and sale of homes in our communities. The impact of these laws and requirements has been to increase our overall costs, and they may have delayed, and in the future may delay, the opening of communities, or may have caused, and in the future may cause, us to conclude that development of particular communities would not be economically feasible, even if any or all necessary governmental approvals were obtained. See “Land Policy” in this Item 1. We also may be subject to periodic delays or may be precluded entirely from developing communities due to building moratoriums in one or more of the areas in which we operate. Generally, such moratoriums often relate to insufficient water or sewage facilities or inadequate road capacity.

In order to secure certain approvals in some areas, we may be required to provide affordable housing at below market rental or sales prices. The impact of these requirements on us depends on how the various state and local governments in the areas in which we engage, or intend to engage, in development implement their programs for affordable housing. To date, these restrictions have not had a material impact on us.

We also are subject to a variety of local, state, and federal statutes, ordinances, rules, and regulations concerning protection of public health and the environment (“environmental laws”). The particular environmental laws that apply to any given community vary greatly according to the location and environmental condition of the site and the present and former uses of the site. Complying with these environmental laws may result in delays, may cause us to incur substantial compliance and other costs, and/or may prohibit or severely restrict development in certain environmentally sensitive regions or areas.

Before consummating an acquisition, we engage independent environmental consultants to evaluate land for the potential of hazardous or toxic materials, wastes, or substances. Because we generally have obtained such assessments for the land we have purchased, we have not been significantly affected to date by the presence of such materials on our land.

Our mortgage subsidiary is subject to various state and federal statutes, rules, and regulations, including those that relate to licensing, lending operations, and other areas of mortgage origination and financing. The impact of those statutes, rules, and regulations can be to increase our home buyers’ cost of financing, increase our cost of doing business, and restrict our home buyers’ access to some types of loans.

Insurance/Warranty

All of our homes are sold under our limited warranty as to workmanship and mechanical equipment. Many homes also come with a limited 10-year warranty as to structural integrity.

We maintain insurance, subject to deductibles and self-insured amounts, to protect us against various risks associated with our activities, including, among others, general liability, “all-risk” property, construction defects, workers’ compensation, automobile, and employee fidelity. We accrue for our expected costs associated with the deductibles and self-insured amounts.

Employees

At October 31, 2015, we employed approximately 3,900 persons full-time. At October 31, 2015, we were subject to one collective bargaining agreement that covered less than 2% of our employees. We believe our employee relations are good.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). These filings are available over the internet at the SEC’s website at http://www.sec.gov. All of the documents we file with the SEC may also be read and copied at the SEC’s public reference room located at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

Our principal Internet address is www.TollBrothers.com. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 available through our website, free of charge, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We provide information about our business and financial performance, including our corporate profile, on our Investor Relations website. Additionally, we webcast our earnings calls and certain events we participate in with members of the investment community on our Investor Relations website. Further corporate governance information, including our code of ethics, code of business conduct, corporate governance guidelines, and board committee charters, is also available on our Investor Relations website. The content of our websites is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

FORWARD-LOOKING STATEMENTS

Certain information included in this report or in other materials we have filed or will file with the SEC (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these statements by the fact that they do not relate to matters of strictly historical or factual nature and generally discuss or relate to future events. These statements contain words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “may,” “can, “might,” “should” and other words or phrases of similar meaning. Such statements may include, but are not limited to, information related to: anticipated operating results; home deliveries; financial resources and condition; changes in revenues; changes in profitability; changes in margins; changes in accounting treatment; cost of revenues; selling, general and administrative expenses; interest expense; inventory write-downs; unrecognized tax benefits; anticipated tax refunds; sales paces and prices; effects of home buyer cancellations; growth and expansion; joint ventures in which we are involved; anticipated results from our investments in unconsolidated entities; the ability to acquire land and pursue real estate opportunities; the ability to gain approvals and open new communities; the ability to sell homes and properties; the ability to deliver homes from backlog; the ability to secure materials and subcontractors; the ability to produce the liquidity and capital necessary to expand and take advantage of opportunities; and legal proceedings and claims.

From time to time, forward-looking statements also are included in other reports on Forms 10-Q and 8-K, in press releases, in presentations, on our website and in other materials released to the public. Any or all of the forward-looking statements included in this report and in any other reports or public statements made by us are not guarantees of future performance and may turn out to be inaccurate. This can occur as a result of incorrect assumptions or as a consequence of known or unknown risks and uncertainties. Many factors mentioned in this report or in other reports or public statements made by us, such as market conditions, government regulation and the competitive environment, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from our forward-looking statements.

Forward-looking statements speak only as of the date they are made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

For a discussion of factors that we believe could cause our actual results to differ materially from expected and historical results, see "Item 1A – Risk Factors" below. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995, and all of our forward-looking statements are expressly qualified in their entirety by the cautionary statements contained or referenced in this section.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information about our executive officers is incorporated by reference from Part III, Item 10 of this Form 10-K.

ITEM 1A. RISK FACTORS

We are subject to demand fluctuations in the housing industry. Any reduction in demand would adversely affect our business, results of operations, and financial condition.

Demand for our homes is subject to fluctuations, often due to factors outside of our control. In a housing market downturn, our sales and results of operations will be adversely affected; we may have significant inventory impairments and other write-offs; our gross margins may decline significantly from historical levels; and we may incur substantial losses from operations. We cannot predict the continuation of the current housing recovery, nor can we provide assurance that should the recovery not continue, our response will be successful.

Adverse changes in economic conditions in markets where we conduct our operations and where prospective purchasers of our homes live could reduce the demand for homes and, as a result, could adversely affect our business, results of operations, and financial condition.

Adverse changes in economic conditions in markets where we conduct our operations and where prospective purchasers of our homes live have had and may in the future have a negative impact on our business. Adverse changes in employment levels, job growth, consumer confidence, interest rates, and population growth, or an oversupply of homes for sale may reduce demand and depress prices for our homes and cause home buyers to cancel their agreements to purchase our homes. This, in turn, could adversely affect our results of operations and financial condition.

Increases in cancellations of existing agreements of sale could have an adverse effect on our business.

Our backlog reflects agreements of sale with our home buyers for homes that have not yet been delivered. We have received a deposit from our home buyer for each home reflected in our backlog, and generally we have the right to retain the deposit if the home buyer does not complete the purchase. In some cases, however, a home buyer may cancel the agreement of sale and receive a complete or partial refund of the deposit for reasons such as state and local law, the home buyer's inability to obtain mortgage financing, his or her inability to sell his or her current home, or our inability to complete and deliver the home within the specified time. At October 31, 2015, we had 4,064 homes with a sales value of $3.50 billion in backlog. If economic conditions decline, if mortgage financing becomes less available, or if our homes become less attractive due to conditions at or in the vicinity of our communities, we could experience an increase in home buyers canceling their agreements of sale with us, which could have an adverse effect on our business and results of operations.

The home building industry is highly competitive, and, if other home builders are more successful or offer better value to our customers, our business could decline.

We operate in a very competitive environment, which is characterized by competition from a number of other home builders in each market in which we operate. We compete with large national and regional home building companies and with smaller local home builders for land, financing, raw materials, and skilled management and labor resources. We also compete with the resale home market, also referred to as the "previously owned or existing" home market. An oversupply of homes available for sale or the heavy discounting of home prices by some of our competitors could adversely affect demand for our homes and the results of our operations. An increase in competitive conditions can have any of the following impacts on us: delivering fewer homes; sale of fewer homes or higher cancellations by our home buyers; an increase in selling incentives and/or reduction of prices; and realization of lower gross margins due to lower selling prices or an inability to increase selling prices to offset increased costs of the homes delivered. If we are unable to compete effectively in our markets, our business could decline disproportionately to that of our competitors.

If we are not able to obtain suitable financing, or if the interest rates on our debt are increased, or if our credit ratings are lowered, our business and results of operations may decline.

Our business and results of operations depend substantially on our ability to obtain financing, whether from bank borrowings or from financing in the public debt markets. Our revolving credit facility matures in July 2018, our $500.0 million term loan matures in February 2019, and $2.71 billion of our senior notes become due and payable at various times from October 2017 through September 2032. We cannot be certain that we will be able to continue to replace existing financing or find additional sources of financing in the future on favorable terms or at all.

If we are not able to obtain suitable financing at reasonable terms or replace existing debt and credit facilities when they become due or expire, our costs for borrowings will likely increase and our revenues may decrease or we could be precluded from continuing our operations at current levels.

Increases in interest rates can make it more difficult and/or expensive for us to obtain the funds we need to operate our business. The amount of interest we incur on our revolving bank credit facility and term loan fluctuates based on changes in short-term interest rates and the amount of borrowings we incur. Increases in interest rates generally and/or any downgrading in the ratings that national rating agencies assign to our outstanding debt securities could increase the interest rates we must pay on any subsequent issuances of debt securities, and any such ratings downgrade could also make it more difficult for us to sell such debt securities.

If we cannot obtain letters of credit and surety bonds, our ability to operate may be restricted.

We use letters of credit and surety bonds to secure our performance under various construction and land development agreements, escrow agreements, financial guarantees, and other arrangements. Should banks decline to issue letters of credit or surety companies decline to issue surety bonds, our ability to operate could be significantly restricted and could have an adverse effect on our business and results of operations.

If our home buyers or our home buyers' buyers are not able to obtain suitable financing, our results of operations may decline.

Our results of operations also depend on the ability of our potential home buyers to obtain mortgages for the purchase of our homes. The uncertainties in the mortgage markets and their impact on the overall mortgage market, including the tightening of credit standards, future increases in the cost of home mortgage financing, and increased government regulation, could adversely affect the ability of our customers to obtain financing for a home purchase, thus preventing our potential home buyers from purchasing our homes. In addition, where our potential home buyers must sell their existing homes in order to buy a home from us, increases in mortgage costs and/or lack of availability of mortgages could prevent the buyers of our potential home buyers' existing homes from obtaining the mortgages they need to complete their purchases, which would result in our potential home buyers' inability to buy a home from us. Similar risks apply to those buyers whose contracts are in our backlog of homes to be delivered. If our home buyers, potential buyers, or buyers of our home buyers' current homes cannot obtain suitable financing, our sales and results of operations could be adversely affected.

If our ability to resell mortgages to investors is impaired, our home buyers may be required to find alternative financing.

Generally, when our mortgage subsidiary closes a mortgage for a home buyer at a previously locked-in rate, it already has an agreement in place with an investor to acquire the mortgage following the closing. Should the resale market for our mortgages decline or the underwriting standards of our investors become more stringent, our ability to sell future mortgages could be adversely affected and either we would have to commit our own funds to long-term investments in mortgage loans, which could, among other things, delay the time when we recognize revenues from home sales on our statements of operations, or our home buyers would be required to find an alternative source of financing. If our home buyers cannot obtain another source of financing in order to purchase our homes, our sales and results of operations could be adversely affected.

If land is not available at reasonable prices, our sales and results of operations could decrease.

In the long term, our operations depend on our ability to obtain land at reasonable prices for the development of our residential communities. Due to the 2006–2011 downturn in the housing industry, our supply of available home sites, both owned and optioned, decreased from a peak of approximately 91,200 home sites controlled at April 30, 2006, to approximately 44,253 at October 31, 2015. In the future, changes in the general availability of land, competition for available land, availability of financing to acquire land, zoning regulations that limit housing density, and other market conditions may hurt our ability to obtain land for new residential communities at prices that will allow us to make a reasonable profit. If the supply of land appropriate for development of our residential communities becomes more limited because of these factors or for any other reason, the cost of land could increase and/or the number of homes that we are able to sell and build could be reduced.

If the market value of our land and homes declines, our results of operations will likely decrease.

The market value of our land and housing inventories depends on market conditions. We acquire land for expansion into new markets and for replacement of land inventory and expansion within our current markets. If housing demand decreases below what we anticipated when we acquired our inventory, we may not be able to make profits similar to what we have made in the past, may experience less than anticipated profits, and/or may not be able to recover our costs when we sell and build homes. Due to the significant decline in our business during the 2006–2011 downturn in the housing industry, we recognized significant write-downs of our inventory. Since fiscal 2012, we have seen a recovery in our business, although not back to 2005 levels. If the current recovery in market conditions does not continue or market conditions worsen, we may have to recognize write-downs of our inventories and/or may have to sell land or homes at a loss.

We rely on subcontractors to construct our homes. The failure of our subcontractors to properly construct our homes may be costly.

We engage subcontractors to perform the actual construction of our homes. Despite our quality control efforts, we may discover that our subcontractors were engaging in improper construction practices. The occurrence of such events could require us to repair the homes in accordance with our standards and as required by law. The cost of satisfying our legal obligations in these instances may be significant, and we may be unable to recover the cost of repair from subcontractors, suppliers and insurers.

We participate in certain joint ventures where we may be adversely impacted by the failure of the joint venture or its participants to fulfill their obligations.

We have investments in and commitments to certain joint ventures with unrelated parties. These joint ventures may borrow money to help finance their activities. In certain circumstances, the joint venture participants, including ourselves, are required to provide guarantees of certain obligations relating to the joint ventures. In most of these joint ventures, we do not have a controlling interest and, as a result, are not able to require these joint ventures or their participants to honor their obligations or renegotiate them on acceptable terms. If the joint ventures or their participants do not honor their obligations, we may be required to expend additional resources or suffer losses, which could be significant.

Government regulations and legal challenges may delay the start or completion of our communities, increase our expenses, or limit our home building activities, which could have a negative impact on our operations.

The approval of numerous governmental authorities must be obtained in connection with our development activities, and these governmental authorities often have broad discretion in exercising their approval authority. We incur substantial costs related to compliance with legal and regulatory requirements. Any increase in legal and regulatory requirements may cause us to incur substantial additional costs or, in some cases, cause us to determine that the property is not feasible for development.

Various local, state, and federal statutes, ordinances, rules, and regulations concerning building, zoning, sales, and similar matters apply to and/or affect the housing industry. Governmental regulation affects construction activities as well as sales activities, mortgage lending activities, and other dealings with home buyers. The industry also has experienced an increase in state and local legislation and regulations that limit the availability or use of land. Municipalities may also restrict or place moratoriums on the availability of utilities, such as water and sewer taps. In some areas, municipalities may enact growth control initiatives, which will restrict the number of building permits available in a given year. In addition, we may be required to apply for additional approvals or modify our existing approvals because of changes in local circumstances or applicable law. If municipalities in which we operate take actions like these, it could have an adverse effect on our business by causing delays, increasing our costs, or limiting our ability to operate in those municipalities. Further, we may experience delays and increased expenses as a result of legal challenges to our proposed communities, whether brought by governmental authorities or private parties.

Our mortgage subsidiary is subject to various state and federal statutes, rules, and regulations, including those that relate to licensing, lending operations, and other areas of mortgage origination and financing. The impact of those statutes, rules, and regulations can increase our home buyers’ cost of financing, increase our cost of doing business, and restrict our home buyers’ access to some types of loans.

Increases in taxes or government fees could increase our costs, and adverse changes in tax laws could reduce demand for our homes.

Increases in real estate taxes and other local government fees, such as fees imposed on developers to fund schools, open space, and road improvements, and/or provide low- and moderate-income housing, could increase our costs and have an adverse effect on our operations. In addition, increases in local real estate taxes could adversely affect our potential home buyers, who may consider those costs in determining whether to make a new home purchase and decide, as a result, not to purchase one of our homes. In addition, any changes in the income tax laws that would reduce or eliminate tax deductions or incentives to homeowners, such as a change limiting the deductibility of real estate taxes or interest on home mortgages, could make housing less affordable or otherwise reduce the demand for housing, which in turn could reduce our sales and hurt our results of operations.

Adverse weather conditions, natural disasters, and other conditions could disrupt the development of our communities, which could harm our sales and results of operations.

Adverse weather conditions and natural disasters, such as hurricanes, tornadoes, earthquakes, floods, droughts, and fires, can have serious effects on our ability to develop our residential communities. We also may be affected by unforeseen engineering, environmental, or geological conditions or problems, including conditions or problems which arise on lands of third-parties in the vicinity of our communities, but nevertheless negatively impact our communities. Any of these adverse events or circumstances could cause delays in or prevent the completion of, or increase the cost of, developing one or more of our residential communities and, as a result, could harm our sales and results of operations.

If we experience shortages or increased costs of labor and supplies or other circumstances beyond our control, there could be delays or increased costs in developing our communities, which could adversely affect our operating results.

Our ability to develop residential communities may be adversely affected by circumstances beyond our control, including work stoppages, labor disputes, and shortages of qualified trades people, such as carpenters, roofers, masons, electricians, and plumbers; changes in laws relating to union organizing activity; lack of availability of adequate utility infrastructure and services; our need to rely on local subcontractors who may not be adequately capitalized or insured; and shortages, delays in availability, or fluctuations in prices of building materials. Any of these circumstances could give rise to delays in the start or completion of, or could increase the cost of, developing one or more of our residential communities. We may not be able to recover these increased costs by raising our home prices because the price for each home is typically set months prior to its delivery pursuant to the agreement of sale with the home buyer. If that happens, our operating results could be harmed.

We are subject to one collective bargaining agreement that covers less than 2% of our employees. We have not experienced any work stoppages due to strikes by unionized workers, but we cannot make assurances that there will not be any work stoppages due to strikes or other job actions in the future. We use independent contractors, many of whom are nonunionized, to construct our homes. At any given point in time, those subcontractors, who are not yet represented by a union, may be unionized.

Product liability claims and litigation and warranty claims that arise in the ordinary course of business may be costly, which could adversely affect our business.

As a home builder, we are subject to construction defect and home warranty claims arising in the ordinary course of business. These claims are common in the home building industry and can be costly. In addition, the costs of insuring against construction defect and product liability claims are high, and the amount of coverage offered by insurance companies is currently limited. There can be no assurance that this coverage will not be further restricted and become more costly. If the limits or coverages of our current and former insurance programs prove inadequate, or we are not able to obtain adequate, or reasonably priced, insurance against these types of claims in the future, or the amounts currently provided for future warranty or insurance claims are inadequate, we may experience losses that could negatively impact our financial results.

We record expenses and liabilities based on the estimated costs required to cover our self-insured liability under our insurance policies, and estimated costs of potential claims and claim adjustment expenses that are above our coverage limits or that are not covered by our insurance policies. These estimated costs are based on an analysis of our historical claims and industry data, and include an estimate of claims incurred but not yet reported. The projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to our markets and the types of product we build, insurance industry practices, and legal or regulatory actions and/or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severities, and settlement patterns, which can occur over an extended period of time. In addition, changes in the frequency and severity of reported claims and the estimates to settle claims can impact the trends and assumptions used in the actuarial analysis, which could be material to our consolidated financial statements. Due to the degree of judgment required and the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated, and the difference could be material to our consolidated financial statements.

Our cash flows and results of operations could be adversely affected if legal claims are brought against us and are not resolved in our favor.

Claims have been brought against us in various legal proceedings that have not had, and are not expected to have, a material adverse effect on our business or financial condition. Should such claims be resolved in an unfavorable manner or should additional claims be filed in the future, it is possible that our cash flows and results of operations could be adversely affected.

We could be adversely impacted by the loss of key management personnel or if we fail to attract qualified personnel.
Our future success depends, to a significant degree, on the efforts of our senior management and our ability to attract qualified personnel. Our operations could be adversely affected if key members of our senior management leave our employ or we cannot attract qualified personnel to manage the expected growth in our business.
Changes in tax laws or the interpretation of tax laws may negatively affect our operating results.
We believe that our recorded tax balances are adequate; however, it is not possible to predict the effects of possible changes in the tax laws or changes in their interpretation and whether they could have a material adverse impact on our operating results. We have filed our tax returns in prior years based upon certain filing positions we believe are appropriate. If the Internal Revenue Service or state taxing authorities disagree with these filing positions, we may owe additional taxes.
In the construction of a high-rise building, whether a for-sale or a for-rent property, we incur significant costs before we can begin construction, sell and deliver the units to our customers, or commence the collection of rent and recover our costs. We may be subject to delays in construction that could lead to higher costs which could adversely affect our operating results. Changing market conditions during the construction period could negatively impact selling prices and rents, which could adversely affect our operating results.
Before a high-rise building generates any revenues, we make material expenditures to acquire land; to obtain permits, development approvals, and entitlements; and to construct the building. It generally takes several years for us to acquire the land and construct, market, and deliver units or lease units in a high-rise building. Completion times vary on a building-by-building basis depending on the complexity of the project, its stage of development when acquired, and the regulatory and community issues involved. As a result of these potential delays in the completion of a building, we face the risk that demand for housing may decline during the period and we may be forced to sell or lease units at a loss or for prices that generate lower profit margins than we initially anticipated. Furthermore, if construction is delayed, we may face increased costs as a result of inflation or other causes and/or asset carrying costs (including interest on funds used to acquire land and construct the building). These costs can be significant and can adversely affect our operating results. If values decline, we may also be required to recognize material write-downs of the book value of the building in accordance with GAAP.
Our high-rise business is subject to swings in delivery volume due to the extended construction time, levels of pre-sales, and quick delivery of units once the building is complete.
Our quarterly operating results will fluctuate depending on the timing of completion of construction of our high-rise building, levels of pre-sales and the relatively short delivery time of the pre-sold units, once the building is completed. Depending on the number of high-rise buildings that are completed in a quarter, our quarterly operating results may be uneven and may be marked by lower revenues and earnings in some quarters than in others.
Our quarterly operating results may fluctuate due to the seasonal nature of our business.
Our quarterly operating results fluctuate with the seasons; normally, a significant portion of our agreements of sale are entered into with customers in the winter and spring months. Construction of one of our traditional homes typically proceeds after signing the agreement of sale with our customer and can require seven months or more to complete. Weather-related problems may occur in the late winter and early spring, delaying starts or closings or increasing costs and reducing profitability. In addition, delays in opening new communities or new sections of existing communities could have an adverse impact on home sales and revenues. Expenses are not incurred and recognized evenly throughout the year.
Because of these factors, our quarterly operating results may be uneven and may be marked by lower revenues and earnings in some quarters than in others.
We invest in distressed loans and assets related to real estate at significant discounts; however, if the real estate markets deteriorate significantly, we could suffer losses.
We formed Gibraltar to invest in distressed real estate opportunities. Our investments have involved acquisitions of portfolios or interests in portfolios of distressed loans, some of which have been converted to real estate owned; however, these investments present many risks in addition to those inherent in normal lending activities, including the risk that the recovery of the U.S. real estate markets will abate and not resume for many years and that the value of our investments will not be recoverable. There is also the possibility that, if we cannot liquidate our investments as

expected, we would be required to reduce the value at which they are carried on our financial statements.

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

Future terrorist attacks against the United States or any foreign country or increased domestic or international instability could significantly reduce the number of new contracts signed, increase the number of cancellations of existing contracts, and/or increase our operating expenses, which could adversely affect our business.

Information technology failures and data security breaches could harm our business.

As part of our normal business activities, we use information technology and other computer resources to carry out important operational activities and to maintain our business records. Our computer systems, including our backup systems, are subject to interruption or damage from power outages, computer and telecommunications failures, computer viruses, security breaches (including through cyber attack and data theft), usage errors, and catastrophic events such as fires, floods, tornadoes, and hurricanes. If our computer systems and our backup systems are compromised, degraded, damaged, or breached, or otherwise cease to function properly, we could suffer interruptions in our operations or unintentionally allow misappropriation of proprietary or confidential information (including information about our home buyers and business partners), which could damage our reputation and require us to incur significant costs to remediate or otherwise resolve these issues.

Our acquisition of Shapell may expose us to unknown liabilities.

As part of the Acquisition, we acquired all the outstanding equity interests of Shapell, and as a result we will generally be subject to all of its liabilities, other than certain excluded liabilities as set forth in the Purchase Agreement. If previously unknown liabilities or other obligations of Shapell emerge in the future including contingent liabilities, our business could be materially affected. We may learn additional information about Shapell that adversely affects us, such as unknown liabilities, including liabilities under environmental laws, issues that could affect our ability to comply with the Sarbanes-Oxley Act, or issues that could affect our ability to comply with other applicable laws.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Headquarters

Our corporate office, which we lease from an unrelated party, contains approximately 200,000 square feet and is located in Horsham, Pennsylvania.

Manufacturing/Distribution Facilities

We own a manufacturing facility of approximately 300,000 square feet located in Morrisville, Pennsylvania; a manufacturing facility of approximately 186,000 square feet located in Emporia, Virginia; and a manufacturing facility of approximately 134,000 square feet located in Knox, Indiana. We lease, from an unrelated party, a facility of approximately 56,000 square feet located in Fairless Hills, Pennsylvania. In addition, we own a 34,000-square foot manufacturing, warehouse, and office facility in Culpepper, Virginia. At these facilities, we manufacture open wall panels, roof and floor trusses, and certain interior and exterior millwork to supply a portion of our construction needs. These facilities supply components used in our North, Mid-Atlantic, and South geographic segments. These operations also permit us to purchase wholesale lumber, plywood, windows, doors, certain other interior and exterior millwork, and other building materials to supply to our communities. We believe that increased efficiencies, cost savings, and productivity result from the operation of these plants and from the wholesale purchase of materials.

Office and Other Facilities

We own or lease from unrelated parties office and warehouse space and golf course facilities in various locations, none of which are material to our business.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various claims and litigation arising principally in the ordinary course of business. We believe that adequate provision for resolution of all current claims and pending litigation has been made for probable losses and that the disposition of these matters will not have a material adverse effect on our results of operations and liquidity or on our financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Shares of our common stock are listed on the New York Stock Exchange ("NYSE") under the symbol "TOL". The following table sets forth, for the fiscal quarters indicated, the reported high and low sales prices per share of our common stock as reported on the NYSE:

	Three months ended			
	October 31	July 31	April 30	January 31
2015				
High	$41.88	$39.40	$39.99	$35.37
Low	$34.02	$35.54	$34.65	$30.92
2014				
High	$35.94	$37.60	$39.94	$37.58
Low	$28.92	$32.39	$33.42	$31.61

The closing price of our common stock on the NYSE on the last trading day of our fiscal years ended October 31, 2015, 2014, and 2013 was $35.97, $31.95, and $32.88, respectively. At December 11, 2015, there were approximately 661 record holders of our common stock.

Issuer Purchases of Equity Securities

During the three months ended October 31, 2015, we repurchased the following shares of our common stock:

Period	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of a publicly announced plan or program (b)	Maximum number of shares that may yet be purchased under the plan or program (a)
	(in thousands)		(in thousands)	(in thousands)
August 1 to August 31, 2015	1	$37.21	1	19,985
September 1 to September 30, 2015	1,284	$34.65	1,284	18,701
October 1 to October 31, 2015	166	$33.88	166	18,535
Total	1,451	$34.56	1,451	

(a) Our stock incentive plans permit us to withhold from the total number of shares that otherwise would be issued to a restricted stock unit recipient upon distribution that number of shares having a fair value at the time of distribution equal to the applicable income tax withholdings due and remit the remaining shares to the restricted stock unit recipient. During the three months ended October 31, 2015, we withheld 349 of the shares subject to restricted stock units to cover $13,100 of income tax withholdings and we issued the remaining 791 shares to the recipients. The 349 shares withheld are not included in the total number of shares purchased in the table above.

(b) On December 16, 2014, our Board of Directors authorized the repurchase of 20 million shares of our common stock in open market transactions or otherwise for the purpose of providing shares for the Company's equity award and other employee benefit plans and for any other and additional purpose or purposes as may be determined from time to time by the Board of Directors. The Board of Directors did not fix any expiration date for this repurchase program.

Except as set forth above, we did not repurchase any of our equity securities during the three-month period ended October 31, 2015.

We have not paid any cash dividends on our common stock to date and expect that, for the foreseeable future, we will not do so.

Stockholder Return Performance Graph

The following graph and chart compares the five-year cumulative total return (assuming that an investment of $100 was made on October 31, 2010, and that dividends, if any, were reinvested) from October 31, 2010, to October 31, 2015, for (a) our common stock, (b) the S&P Homebuilding Index and (c) the S&P 500®:

Comparison of 5 Year Cumulative Total Return Among Toll Brothers, Inc., the S&P 500®, and the S&P Homebuilding Index

October 31:	2010	2011	2012	2013	2014	2015
Toll Brothers, Inc.	100.00	97.21	184.00	183.28	178.09	200.50
S&P 500®	100.00	108.09	124.52	158.36	185.71	195.37
S&P Homebuilding	100.00	95.96	227.68	219.30	257.49	298.07

Dividends

We have not paid any cash dividends on our common stock to date and expect that, for the foreseeable future, we will not do so. Rather, we expect to follow a policy of retaining earnings in order to finance our business and, from time to time, repurchase shares of our common stock. The payment of dividends is within the discretion of our Board of Directors and any decision to pay dividends in the future will depend upon an evaluation of a number of factors, including our results of operations, our capital requirements, our operating and financial condition, and any contractual limitations then in effect. Our bank credit agreement requires us to maintain a minimum tangible net worth (as defined in the agreement), which restricts the amount of dividends we may pay. At October 31, 2015, under the most restrictive provisions of our bank credit agreement, we could have paid up to approximately $1.56 billion of cash dividends.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth selected consolidated financial and housing data at and for each of the five fiscal years in the period ended October 31, 2015. They should be read in conjunction with the Consolidated Financial Statements and Notes thereto, listed in Item 15(a)1 of this Form 10-K beginning at page F-1 and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of this Form 10-K.

Summary Consolidated Statements of Operations and Balance Sheets (amounts in thousands, except per share data):

Year ended October 31:	2015	2014	2013	2012	2011
Revenues	$4,171,248	$3,911,602	$2,674,299	$1,882,781	$1,475,881
Income (loss) before income taxes	$535,562	$504,582	$267,697	$112,942	$(29,366)
Net income	$363,167	$340,032	$170,606	$487,146	$39,795
Earnings per share:					
Basic	$2.06	$1.91	$1.01	$2.91	$0.24
Diluted	$1.97	$1.84	$0.97	$2.86	$0.24
Weighted average number of shares outstanding:					
Basic	176,425	177,578	169,288	167,346	167,140
Diluted	184,703	185,875	177,963	170,154	168,381
At October 31:	2015	2014	2013	2012	2011
Cash, cash equivalents, and marketable securities	$928,994	$598,341	$825,480	$1,217,892	$1,139,912
Inventory	$6,997,516	$6,490,321	$4,650,412	$3,732,703	$3,416,723
Total assets	$9,206,515	$8,398,457	$6,811,782	$6,165,915	$5,048,478
Debt:					
Loans payable	$1,000,439	$652,619	$107,222	$99,817	$106,556
Senior debt	2,689,801	2,638,241	2,305,765	2,065,334	1,484,204
Mortgage company loan facility	100,000	90,281	75,000	72,664	57,409
Total debt	$3,790,240	$3,381,141	$2,487,987	$2,237,815	$1,648,169
Equity	$4,228,079	$3,860,697	$3,339,164	$3,127,871	$2,592,551

Housing Data

Year ended October 31:	2015	2014	2013	2012	2011
Closings:					
Number of homes	5,525	5,397	4,184	3,286	2,611
Value (in thousands)	$4,171,248	$3,911,602	$2,674,299	$1,882,781	$1,475,881
Net contracts signed:					
Number of homes	5,910	5,271	5,294	4,159	2,784
Value (in thousands)	$4,955,579	$3,896,490	$3,633,908	$2,557,917	$1,604,827
At October 31:	2015	2014	2013	2012	2011
Backlog:					
Number of homes	4,064	3,679	3,679	2,569	1,667
Value (in thousands)	$3,504,004	$2,719,673	$2,629,466	$1,669,857	$981,052
Number of selling communities	288	263	232	224	215
Home sites:					
Owned	35,872	36,243	33,967	31,327	30,199
Controlled	8,381	10,924	14,661	9,023	7,298
Total	44,253	47,167	48,628	40,350	37,497

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

This discussion and analysis is based on, should be read together with, and is qualified in its entirety by, the consolidated financial statements and notes thereto included in Item 15(a)1 of this Form 10-K, beginning at page F-1. It also should be read in conjunction with the disclosure under "Forward-Looking Statements" in Part 1 of this Form 10-K.

When this report uses the words "we," "us," "our," and the "Company," they refer to Toll Brothers, Inc. and its subsidiaries, unless the context otherwise requires. References herein to fiscal year refer to our fiscal years ended or ending October 31.

Unless otherwise stated in this report, net contracts signed represents a number or value equal to the gross number or value of contracts signed during the relevant period, less the number or value of contracts canceled during the relevant period, which includes contracts that were signed during the relevant period and in prior periods.

OVERVIEW

Our Business

We design, build, market, and arrange financing for detached and attached homes in luxury residential communities. We cater to move-up, empty-nester, active-adult, age-qualified, and second-home buyers in the United States ("Traditional Home Building Product"). We also build and sell homes in urban infill markets through Toll Brothers City Living® ("City Living"). At October 31, 2015, we were operating in 19 states. In the five years ended October 31, 2015, we delivered 21,003 homes from 571 communities, including 5,525 homes from 352 communities in fiscal 2015.

We are developing several land parcels for master planned communities in which we intend to build homes on a portion of the lots and sell the remaining lots to other builders. Two of these master planned communities are being developed 100% by us, and the remaining communities are being developed through joint ventures with other builders or financial partners.

Over the past several years, we have acquired control of a number of land parcels as for-rent apartment projects, including two student housing sites, totaling approximately 7,450 units. These projects, which are located in the metro Boston to metro Washington, D.C. corridor, and Atlanta, are being developed or will be developed with partners under the brand names Toll Brothers Apartment Living, Toll Brothers Campus Living and Toll Brothers Realty Trust (the "Trust").

In February 2014, we acquired the home building business of Shapell Industries, Inc., a Delaware corporation ("Shapell"), for $1.49 billion in cash, net of cash acquired. Prior to the acquisition, Shapell designed, constructed, and marketed single-family detached and attached homes and developed land in master planned communities and neighborhoods throughout coastal Northern and Southern California. See "Acquisition" below for more information.

In fiscal 2010, we formed Gibraltar Capital and Asset Management, LLC ("Gibraltar") to invest in distressed real estate opportunities. Gibraltar focuses primarily on residential loans and properties, from unimproved land to partially and fully improved developments, as well as commercial opportunities.

We operate our own land development, architectural, engineering, mortgage, title, landscaping, security monitoring, lumber distribution, house component assembly, and manufacturing operations. In addition, in certain markets, we develop land for sale to other builders, often through joint venture structures with other builders or with financial partners. We also develop, own, and operate golf courses and country clubs, which generally are associated with several of our master planned communities.

We have investments in various unconsolidated entities. We have investments in joint ventures (i) to develop land for the joint venture participants and for sale to outside builders ("Land Development Joint Ventures"); (ii) to develop for-sale homes ("Home Building Joint Ventures"); (iii) to develop luxury for-rent residential apartments, commercial space and a hotel ("Rental Property Joint Ventures"); and (iv) to invest in a portfolio of distressed loans and real estate ("Structured Asset Joint Venture").

Financial Highlights

In fiscal 2015, we recognized $4.17 billion of revenues and net income of $363.2 million, as compared to $3.91 billion of revenues and net income of $340.0 million in fiscal 2014.

In fiscal 2015 and 2014, the value of net contracts signed was $4.96 billion (5,910 homes) and $3.90 billion (5,271 homes), respectively. The value of our backlog at October 31, 2015 was $3.50 billion (4,064 homes), as compared to our backlog at October 31, 2014 of $2.72 billion (3,679 homes).

At October 31, 2015, we had $929.0 million of cash, cash equivalents, and marketable securities on hand and approximately $566.1 million for borrowing available under our $1.035 billion revolving credit facility ("Credit Facility") that matures in August 2018. At October 31, 2015, we had $350.0 million of outstanding borrowings under the Credit Facility and had outstanding letters of credit of approximately $118.9 million.

At October 31, 2015, our total equity and our debt to total capitalization ratio were $4.23 billion and 0.47 to 1:00, respectively,

Acquisition

On February 4, 2014, we completed our acquisition of Shapell Industries, Inc. ("Shapell") pursuant to the Purchase and Sale Agreement (the "Purchase Agreement") dated November 6, 2013, with Shapell Investment Properties, Inc. ("SIPI"). We acquired all of the equity interests in Shapell from SIPI for $1.49 billion net of cash acquired (the "Acquisition"). We acquired the single-family residential real property development business of Shapell, including a portfolio of approximately 4,950 home sites in California, some of which we have sold to other builders. The Acquisition provides us with a premier California land portfolio, including 11 active selling communities as of the acquisition date, in affluent, high-growth markets: the San Francisco Bay area, metro Los Angeles, Orange County, and the Carlsbad market. As part of the Acquisition, we assumed contracts to deliver 126 homes with an aggregate value of approximately $105.3 million. The Shapell operations have been fully integrated into our operations.

We did not acquire the apartment and commercial rental properties owned and operated by Shapell (the "Shapell Commercial Properties") or Shapell's mortgage lending activities relating to its home building operations. Accordingly, the Purchase Agreement provides that SIPI will indemnify us for any loss arising out of or resulting from, among other things, (i) any liability (other than environmental losses, subject to certain exceptions) related to the Shapell Commercial Properties, and (ii) any liability (other than environmental losses, subject to certain exceptions) to the extent related to Shapell Mortgage, Inc. See Note 2, "Acquisition" of our consolidated financial statements for further details.

Our Business Environment and Current Outlook

We believe that, in fiscal 2012, the housing market began to recover from the significant slowdown that started in the fourth quarter of our fiscal year ended October 31, 2005. During fiscal 2012 and the first nine months of fiscal 2013, we saw a strong recovery in the number and value of new sales contracts signed. Beginning in the fourth quarter of fiscal 2013, we experienced a leveling in demand that continued through the second quarter of fiscal 2014, and was followed by a decline in demand in the third quarter of fiscal 2014. Since the third quarter of fiscal 2014, we have seen a strengthening in customer demand.

In fiscal 2015, we signed 5,910 contracts with an aggregate value of $4.96 billion, compared to 5,271 contracts with an aggregate value of $3.90 billion in fiscal 2014. We are optimistic that the strengthening in customer demand will continue for the foreseeable future. We believe that, as the national economy improves and as the millennial generation comes of age, pent-up demand for homes will begin to be released.

We believe that the demographics of the move-up, empty-nester, active-adult, age-qualified, and second-home upscale markets will provide us with the potential for growth in the coming decade. According to the U.S. Census Bureau ("Census Bureau"), the number of households earning $100,000 or more (in constant 2014 dollars) at September 2015 stood at 30.8 million, or approximately 24.7% of all U.S. households. This group has grown at three times the rate of increase of all U.S. households since 1980. According to Harvard University's 2015 report, "The State of the Nation's Housing," demographic forces are likely to drive the addition of just under 1.2 million new households per year during the next decade.

Housing starts, which encompass the units needed for household formations, second homes, and the replacement of obsolete or demolished units, have not kept pace with this projected household growth. According to the Census Bureau's October 2015 New Residential Sales Report, new home inventory stands at a supply of just 5.5 months, based on current sales paces. If demand and pace increase significantly, the supply of 5.5 months could quickly be drawn down. During the period 1970 through 2007, total housing starts in the United States averaged approximately 1.6 million per year, while during the period 2008 through 2014, total housing starts averaged approximately 0.8 million per year according to the Census Bureau.

We continue to believe that many of our communities are in desirable locations that are difficult to replace and in markets where approvals have been increasingly difficult to achieve. We believe that many of these communities have substantial embedded value that may be realized in the future as the housing recovery strengthens.

Competitive Landscape

The home building business is highly competitive and fragmented. We compete with numerous home builders of varying sizes, ranging from local to national in scope, some of which have greater sales and financial resources than we do. Sales of existing homes, whether by a homeowner or by a financial institution that has acquired a home through a foreclosure, also provide competition. We compete primarily on the basis of price, location, design, quality, service, and reputation. We also believe our financial stability, relative to many others in our industry, is a favorable competitive factor as more home buyers focus on builder solvency.

In addition, there are fewer and more selective lenders serving our industry as compared to prior years and we believe that these lenders gravitate to the home building companies that offer them the greatest security, the strongest balance sheets, and the broadest array of potential business opportunities.

Land Acquisition and Development

Our business is subject to many risks, because of the extended length of time that it takes to obtain the necessary approvals on a property, complete the land improvements on it, and deliver a home after a home buyer signs an agreement of sale. In certain cases, we attempt to reduce some of these risks by utilizing one or more of the following methods: controlling land for future development through options (also referred to herein as "land purchase contracts" or "option and purchase agreements"), which enable us to obtain necessary governmental approvals before acquiring title to the land; generally commencing construction of a detached home only after executing an agreement of sale and receiving a substantial down payment from the buyer; and using subcontractors to perform home construction and land development work on a fixed-price basis.

During fiscal 2015 and 2014, we acquired control of approximately 2,611 home sites (net of options terminated and home sites sold) and, approximately 3,936 home sites (net of options terminated and home sites sold), respectively. At October 31, 2015, we controlled approximately 44,253 home sites, as compared to approximately 47,167 home sites at October 31, 2014, and 48,628 home sites at October 31, 2013. In addition, at October 31, 2015, we expect to purchase approximately 3,600 additional home sites from several land development joint ventures in which we have an interest, at prices not yet determined.

Of the approximately 44,253 total home sites that we owned or controlled through options at October 31, 2015, we owned approximately 35,872 and controlled approximately 8,381 through options. Of the 44,253 home sites, approximately 16,505 were substantially improved.

In addition, at October 31, 2015, our Land Development Joint Ventures owned approximately 12,000 home sites (including 378 home sites included in the 8,381 controlled through options), and our Homebuilding Joint Ventures owned approximately 500 home sites.

At October 31, 2015, we were selling from 288 communities, compared to 263 communities at October 31, 2014, and 232 communities at October 31, 2013.

Customer Mortgage Financing

We maintain relationships with a widely diversified group of mortgage financial institutions, many of which are among the largest in the industry. We believe that regional and community banks continue to recognize the long-term value in creating relationships with high-quality, affluent customers such as our home buyers, and these banks continue to provide such customers with financing.

We believe that our home buyers generally are, and should continue to be, better able to secure mortgages due to their typically lower loan-to-value ratios and attractive credit profiles, as compared to the average home buyer. Nevertheless, in recent years, tightened credit standards have shrunk the pool of potential home buyers and hindered accessibility of or eliminated certain loan products previously available to our home buyers. Our home buyers continue to face stricter mortgage underwriting guidelines, higher down payment requirements, and narrower appraisal guidelines than in the past. In addition, some of our home buyers continue to find it more difficult to sell their existing homes as prospective buyers of their homes may face difficulties obtaining a mortgage. In addition, other potential buyers may have little or negative equity in their existing homes and may not be able or willing to purchase a larger or more expensive home.

Toll Brothers Apartment Living/Toll Brothers Campus Living/Toll Brothers Realty Trust

Over the past several years, we acquired control of a number of land parcels as for-rent apartment projects, including two student housing sites. At October 31, 2015, we controlled 20 land parcels as for-rent apartment projects containing approximately 7,450 units. These projects, which are located in the metro Boston to metro Washington, D.C. corridor and Atlanta, are being developed or will be developed with partners under the brand names Toll Brothers Apartment Living, Toll Brothers Campus Living and the Trust. A number of these sites were acquired by us as part of a larger purchase or were originally acquired to be developed as for-sale homes.

At October 31, 2015, we had approximately 1,450 units in for-rent apartment projects that were occupied or ready for occupancy, 1,100 units in the lease-up stage, 1,400 units under active development, and 3,500 units in the planning stage. Of the 7,450 units at October 31, 2015, 3,950 were owned by joint ventures in which we have an interest; approximately 1,450 were owned by us; 1,700 were under contract to be purchased by us; and 350 were under a letter of intent.

CONTRACTS AND BACKLOG

The aggregate value of net sales contracts signed increased 27.2% in fiscal 2015, as compared to fiscal 2014, and 7.2% in fiscal 2014, as compared to fiscal 2013. The value of net sales contracts signed was $4.96 billion (5,910 homes) in fiscal 2015, $3.90 billion (5,271 homes) in fiscal 2014, and $3.63 billion (5,294 homes) in fiscal 2013.

The increase in the aggregate value of net contracts signed in fiscal 2015, as compared to fiscal 2014, was the result of a 13.4% increase in the average value of each contract signed, and a 12.1% increase in the number of net contracts signed. The increase in the average value of each contract signed in fiscal 2015, as compared to fiscal 2014, was due primarily to a change in mix of contracts signed to more expensive areas and/or higher priced products and price increases.The increase in the number of net contracts signed in fiscal 2015, as compared to fiscal 2014, was primarily due to the continued recovery in the U.S. housing market in fiscal 2015. The demand we saw in fiscal 2015 has continued into the first quarter of fiscal 2016.

In fiscal 2014, we signed 328 contracts at communities we acquired from Shapell. Excluding the net contracts signed at the communities acquired in the Acquisition, net contracts signed declined 6.6% in fiscal 2014 as compared to fiscal 2013. The decline in units was due to an overall softening of demand in fiscal 2014. Beginning in the fourth quarter of fiscal 2013, we experienced a leveling in demand that continued through the second quarter of fiscal 2014, declined in the third quarter of fiscal 2014 and strengthened in the fourth quarter of fiscal 2014. Fiscal 2014's fourth-quarter, net signed contracts of 1,282 units rose 10%, compared to fiscal 2013's fourth-quarter net signed contracts of 1,163 units.

Backlog consists of homes under contract but not yet delivered to our home buyers ("backlog"). The value of our backlog at October 31, 2015, 2014, and 2013 was $3.50 billion (4,064 homes), $2.72 billion (3,679 homes), and $2.63 billion (3,679 homes), respectively. Approximately 96% of the homes in backlog at October 31, 2015 are expected to be delivered by October 31, 2016. The 28.8% increase in the value of homes in backlog at October 31, 2015, as compared to October 31, 2014, was due to a 27.2% increase in the value of net contracts signed in fiscal 2015, as compared to fiscal 2014, and the higher backlog at the beginning of fiscal 2015, as compared to the beginning of fiscal 2014, offset, in part, by a 6.6% increase in the aggregate value of our deliveries in fiscal 2015, as compared to the aggregate value of deliveries in fiscal 2014.

The 3.4% increase in the value of homes in backlog at October 31, 2014, as compared to October 31, 2013, was due to the higher backlog at the beginning of fiscal 2014, as compared to the beginning of fiscal 2013, an increase in the value of net contracts signed in fiscal 2014, as compared to fiscal 2013, and backlog acquired in the Shapell acquisition, offset, in part, by the increase in the aggregate value of our deliveries in fiscal 2014, as compared to the aggregate value of deliveries in fiscal 2013.

For more information regarding revenues, net contracts signed, and backlog by geographic segment, see "Segments" in this MD&A.

CRITICAL ACCOUNTING POLICIES

We believe the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Inventory

Inventory is stated at cost unless an impairment exists, in which case it is written down to fair value in accordance with U.S. generally accepted accounting principles ("GAAP"). In addition to direct land acquisition, land development, and home construction costs, costs also include interest, real estate taxes, and direct overhead related to development and construction, which are capitalized to inventory during periods beginning with the commencement of development and ending with the completion of construction. For those communities that have been temporarily closed, no additional capitalized interest is allocated to the community's inventory until it reopens, and other carrying costs are expensed as incurred. Once a parcel of land has been approved for development and we open the community, it can typically take four or more years to fully develop, sell, and deliver all the homes in that community. Longer or shorter time periods are possible depending on the number of home sites in a community and the sales and delivery pace of the homes in a community. Our master planned communities, consisting of several smaller communities, may take up to 10 years or more to complete. Because our inventory is considered a long-lived asset under GAAP, we are required to regularly review the carrying value of each of our communities and write down the value of those communities when we believe the values are not recoverable.

Operating Communities: When the profitability of an operating community deteriorates, the sales pace declines significantly, or some other factor indicates a possible impairment in the recoverability of the asset, the asset is reviewed for impairment by comparing the estimated future undiscounted cash flow for the community to its carrying value. If the estimated future undiscounted cash flow is less than the community's carrying value, the carrying value is written down to its estimated fair value. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. The impairment is charged to cost of revenues in the period in which the impairment is determined. In estimating the future undiscounted cash flow of a community, we use various estimates such as (i) the expected sales pace in a community, based upon general economic conditions that will have a short-term or long-term impact on the market in which the community is located and on competition within the market, including the number of home sites available and pricing and incentives being offered in other communities owned by us or by other builders; (ii) the expected sales prices and sales incentives to be offered in a community; (iii) costs expended to date and expected to be incurred in the future, including, but not limited to, land and land development costs, home construction costs, interest costs, and overhead costs; (iv) alternative product offerings that may be offered in a community that will have an impact on sales pace, sales price, building cost, or the number of homes that can be built in a particular community; and (v) alternative uses for the property, such as the possibility of a sale of the entire community to another builder or the sale of individual home sites.

Future Communities: We evaluate all land held for future communities or future sections of operating communities, whether owned or optioned, to determine whether or not we expect to proceed with the development of the land as originally contemplated. This evaluation encompasses the same types of estimates used for operating communities described above, as well as an evaluation of the regulatory environment in which the land is located and the estimated probability of obtaining the necessary approvals, the estimated time and cost it will take to obtain those approvals, and the possible concessions that will be required to be given in order to obtain them. Concessions may include cash payments to fund improvements to public places such as parks and streets, dedication of a portion of the property for use by the public or as open space, or a reduction in the density or size of the homes to be built. Based upon this review, we decide (i) as to land under contract to be purchased, whether the contract will likely be terminated or renegotiated, and (ii) as to land we own, whether the land will likely be developed as contemplated or in an alternative manner, or should be sold. We then further determine whether costs that have been capitalized to the community are recoverable or should be written off. The write-off is charged to cost of revenues in the period in which the need for the write-off is determined.

The estimates used in the determination of the estimated cash flows and fair value of both current and future communities are based on factors known to us at the time such estimates are made and our expectations of future operations and economic conditions. Should the estimates or expectations used in determining estimated fair value deteriorate in the future, we may be required to recognize additional impairment charges and write-offs related to current and future communities.

We provided for inventory impairment charges and the expensing of costs that we believed not to be recoverable in each of the three fiscal years ended October 31, 2015, 2014, and 2013, as shown in the table below (amounts in thousands):

	2015	2014	2013
Land controlled for future communities	$809	$3,123	$1,183
Land owned for future communities	12,600		
Operating communities	22,300	17,555	3,340
	$35,709	$20,678	$4,523

The table below provides, for the periods indicated, the number of operating communities that we reviewed for potential impairment, the number of operating communities in which we recognized impairment charges, the amount of impairment charges recognized, and, as of the end of the period indicated, the fair value of those communities, net of impairment charges
($ amounts in thousands):

		Impaired operating communities		
Three months ended:	Number of communities tested	Number of communities	Fair value of communities, net of impairment charges	Impairment charges
Fiscal 2015:				
January 31	58	4	$24,968	$900
April 30	52	1	$16,235	11,100
July 31	40	3	$13,527	6,000
October 31	44	3	$8,726	4,300
				$22,300
Fiscal 2014:				
January 31	67	1	$7,131	$1,300
April 30	65	2	$6,211	1,600
July 31	63	1	$14,122	4,800
October 31	55	7	$38,473	9,855
				$17,555
Fiscal 2013:				
January 31	60	2	$5,377	$700
April 30	79	1	$749	340
July 31	76	1	$191	100
October 31	63	2	$6,798	2,200
				$3,340

Income Taxes — Valuation Allowance

Significant judgment is applied in assessing the realizability of deferred tax assets. In accordance with GAAP, a valuation allowance is established against a deferred tax asset if, based on the available evidence, it is more likely than not that such asset will not be realized. The realization of a deferred tax asset ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under tax law. We assess the need for valuation allowances for deferred tax assets based on GAAP's "more-likely-than-not" realization threshold criteria. In our assessment, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. Forming a conclusion that a valuation allowance is not needed is difficult when there is significant negative evidence such as cumulative losses in recent years. This assessment considers, among other matters, the nature, consistency, and magnitude of current and cumulative income and losses, forecasts of future profitability, the duration of statutory carryback or carryforward periods, our experience with operating loss and tax credit carryforwards being used before expiration, and tax planning alternatives.

Our assessment of the need for a valuation allowance on our deferred tax assets includes assessing the likely future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. Changes in existing tax laws or rates could affect our actual tax results, and our future business results may affect the amount of our deferred tax liabilities or the valuation of our deferred tax assets over time. Our accounting for deferred tax assets represents our best estimate of future events.

Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods (carryforward period assumptions), actual results could differ from the estimates used in our analysis. Our assumptions require significant judgment because the residential home building industry is cyclical and is highly sensitive to changes in economic conditions. If our results of operations are less than projected and there is insufficient objectively verifiable positive evidence to support the more-likely-than-not realization of our deferred tax assets, a valuation allowance would be required to reduce or eliminate our deferred tax assets.

Our deferred tax assets consist principally of the recognition of losses primarily driven by inventory impairments and impairments of investments in unconsolidated entities. In accordance with GAAP, we assess whether a valuation allowance should be established based on our determination of whether it was more likely than not that some portion or all of the deferred tax assets would not be realized. At October 31, 2015 and 2014, we determined that it was more-likely-than-not that our deferred assets would be realized for federal purposes. Accordingly, at October 31, 2015 and 2014, we did not record any valuation allowances against our federal deferred tax assets.

We file tax returns in the various states in which we do business. Each state has its own statutes regarding the use of tax loss carryforwards. Some of the states in which we do business do not allow for the carryforward of losses, while others allow for carryforwards for five years to 20 years.

For state tax purposes, due to past and projected losses in certain jurisdictions where we do not have carryback potential and/or cannot sufficiently forecast future taxable income, we recognized net cumulative valuation allowances against our state deferred tax assets at October 31, 2015 and 2014. During fiscal 2015, 2014, and 2013, due to improved actual and/or operating results, we reversed \$16.3 million, \$13.3 million, and \$4.6 million of state deferred tax asset valuation allowance, respectively. In addition, we establish valuation allowances for newly created deferred tax assets in certain jurisdictions where it is more-likely-than-not that the deferred tax asset would not be realized. During fiscal 2015, 2014, and 2013, we recognized new valuation allowances of \$3.7 million, \$1.3 million, and \$3.2 million, respectively. We will continue to review our deferred tax assets in accordance with ASC 740. The valuation allowance at October 31, 2015 of \$31.1 million relates to deferred tax assets in states that had not met the “more-likely-than-not” realization threshold criteria.

Revenue and Cost Recognition

Revenues and cost of revenues from home sales are recorded at the time each home is delivered and title and possession are transferred to the buyer.

For our standard attached and detached homes, land, land development, and related costs, both incurred and estimated to be incurred in the future, are amortized to the cost of homes closed based upon the total number of homes to be constructed in each community. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated costs subsequent to the commencement of delivery of homes are allocated to the remaining undelivered homes in the community. Home construction and related costs are charged to the cost of homes closed under the specific identification method. For our master planned communities, the estimated land, common area development, and related costs, including the cost of golf courses, net of their estimated residual value, are allocated to individual communities within a master planned community on a relative sales value basis. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated costs are allocated to the remaining home sites in each of the communities of the master planned community.

For high-rise/mid-rise projects, land, land development, construction, and related costs, both incurred and estimated to be incurred in the future, are generally amortized to the cost of units closed based upon an estimated relative sales value of the units closed to the total estimated sales value. Any changes resulting from a change in the estimated total costs or revenues of the project are allocated to the remaining units to be delivered.

Forfeited customer deposits: Forfeited customer deposits are recognized in other income-net in our Consolidated Statements of Operations and Comprehensive Income in the period in which we determine that the customer will not complete the purchase of the home and we have the right to retain the deposit.

Sales Incentives: In order to promote sales of our homes, we grant our home buyers sales incentives from time-to-time. These incentives will vary by type of incentive and by amount on a community-by-community and home-by-home basis. Incentives that impact the value of the home or the sales price paid, such as special or additional options, are generally reflected as a reduction in sales revenues. Incentives that we pay to an outside party, such as paying some or all of a home buyer’s closing costs, are recorded as an additional cost of revenues. Incentives are recognized at the time the home is delivered to the home buyer and we receive the sales proceeds.

Warranty and Self-Insurance

Warranty: We provide all of our home buyers with a limited warranty as to workmanship and mechanical equipment. We also provide many of our home buyers with a limited 10-year warranty as to structural integrity. We accrue for expected warranty costs at the time each home is closed and title and possession are transferred to the home buyer. Warranty costs are accrued based upon historical experience. Adjustments to our warranty liabilities related to homes delivered in prior years are recorded in the period in which a change in our estimate occurs.

Self-Insurance: We maintain, and require the majority of our subcontractors to maintain, general liability insurance (including construction defect and bodily injury coverage) and workers’ compensation insurance. These insurance policies protect us against a portion of our risk of loss from claims related to our home building activities, subject to certain self-insured retentions, deductibles and other coverage limits ("self-insured liability"). We also provide general liability insurance for our subcontractors in Arizona, California, Nevada and Washington, where eligible subcontractors are enrolled as insureds under our general liability insurance policies in each community in which they perform work. For those enrolled subcontractors, we absorb their general liability associated with the work performed on our homes within the applicable community as part of our overall general liability insurance and our self-insurance through our captive insurance subsidiary.

We record expenses and liabilities based on the estimated costs required to cover our self-insured liability and the estimated costs of potential claims and claim adjustment expenses that are above our coverage limits or that are not covered by our insurance policies. These estimated costs are based on an analysis of our historical claims and industry data, and include an estimate of claims incurred but not yet reported ("IBNR").

We engage a third-party actuary that uses our historical claim and expense data, input from our internal legal and risk management groups, as well as industry data, to estimate our liabilities related to unpaid claims, IBNR associated with the risks that we are assuming for our self-insured liability and other required costs to administer current and expected claims. These estimates are subject to uncertainty due to a variety of factors, the most significant being the long period of time between the delivery of a home to a home buyer and when a structural warranty or construction defect claim is made, and the ultimate resolution of the claim. Though state regulations vary, construction defect claims are reported and resolved over a prolonged period of time, which can extend for 10 years or longer. As a result, the majority of the estimated liability relates to IBNR. Adjustments to our liabilities related to homes delivered in prior years are recorded in the period in which a change in our estimate occurs.

The projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to our markets and the types of product we build, insurance industry practices and legal or regulatory actions and/or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severities and settlement patterns, which can occur over an extended period of time. In addition, changes in the frequency and severity of reported claims and the estimates to settle claims can impact the trends and assumptions used in the actuarial analysis, which could be material to our consolidated financial statements. Due to the degree of judgment required, the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated, and the difference could be material to our consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We also operate through a number of joint ventures. These joint ventures (i) develop land for the joint venture participants and for sale to outside builders ("Land Development Joint Ventures"); (ii) develop for-sale homes ("Home Building Joint Ventures"); (iii) develop luxury for-rent residential apartments, commercial space and a hotel ("Rental Property Joint Ventures"); and (iv) invest in a portfolio of distressed loans and real estate ("Structured Asset Joint Venture"). We earn construction and management fee income from many of these joint ventures.

Our investments in these entities are accounted for using the equity method of accounting. We are a party to several joint ventures with unrelated parties to develop and sell land that is owned by the joint venture. We recognize our proportionate share of the earnings from the sale of home sites to other builders, including our joint venture partners. We do not recognize earnings from the home sites we purchase from these ventures, but reduce our cost basis in the home sites by our share of the earnings from those home sites.

At October 31, 2015, we had investments in these entities of $412.9 million, and were committed to invest or advance up to an additional $195.6 million to these entities if they require additional funding. At October 31, 2015, we had an understanding to acquire 378 home sites from one of these Land Development Joint Ventures for an estimated aggregate purchase price of $136.3 million. In addition, we expect to purchase approximately 3,600 additional home sites from several joint ventures in which we have interests; the purchase price of these home sites will be determined at a future date.

We invested in a joint venture in which we have a 50% voting interest to develop 400 Park Avenue South, a high-rise luxury for-sale/rental project in New York City. Pursuant to the terms of the joint venture agreement, with the completion of the construction of the building's structure in the third quarter of fiscal 2015, we acquired, with no additional consideration due from us, ownership of the top 18 floors of the building to sell, for our own account, luxury condominium units. Our partner received ownership of the lower floors containing residential rental units and retail space, with no additional consideration due from them. Upon our acquisition of the top 18 floors of the building, we transferred our investment of $132.3 million in this joint venture from "Investments in unconsolidated entities" on our Consolidated Balance Sheets to “Inventory.”

The unconsolidated entities in which we have investments generally finance their activities with a combination of partner equity and debt financing. In some instances, we and our partners have guaranteed debt of certain unconsolidated entities. These guarantees may include any or all of the following: (i) project completion guarantees, including any cost overruns; (ii) repayment guarantees, generally covering a percentage of the outstanding loan; (iii) guarantees of indemnities provided to the lender by the unconsolidated entity with regard to environmental matters; (iv) a hazardous material indemnity that holds the lender harmless for any liability it may suffer from the threat or presence of any hazardous or toxic substances at or near the property covered by a loan; and (v) indemnification of the lender from "bad boy acts" of the unconsolidated entity.

In some instances, the guarantees provided in connection with loans to an unconsolidated entity are joint and several. In these situations, we generally have a reimbursement agreement with our partner that provides that neither party is responsible for more than its proportionate share or agreed-upon share of the guarantee; however, if the joint venture partner does not have adequate financial resources to meet its obligations under the reimbursement agreement, we may be liable for more than our proportionate share.

We believe that as of October 31, 2015, in the event we become legally obligated to perform under a guarantee of the obligation of an unconsolidated entity due to a triggering event, the collateral should be sufficient to repay a significant portion of the obligation. If it is not, we and our partners would need to contribute additional capital to the venture. At October 31, 2015, the unconsolidated entities that have guarantees related to debt had loan commitments aggregating $980.2 million and had borrowed an aggregate of $514.3 million. We estimate that our maximum potential exposure under these guarantees, if the full amount of the loan commitments were borrowed, would be $980.2 million, without taking into account any recoveries from the underlying collateral or any reimbursement from our partners. Based on the amounts borrowed at October 31, 2015, our maximum potential exposure under these guarantees is estimated to be $514.3 million, without taking into account any recoveries from the underlying collateral or any reimbursement from our partners.

In addition, we have guaranteed approximately $10.3 million of ground lease payments and insurance deductibles for three joint ventures.

For more information regarding these joint ventures, see Note 4, "Investments in Unconsolidated Entities" in the Notes to Consolidated Financial Statements in this Form 10-K.

The trends, uncertainties or other factors that negatively impact our business and the industry in general also impact the unconsolidated entities in which we have investments. We review each of our investments on a quarterly basis for indicators of impairment. A series of operating losses of an investee, the inability to recover our invested capital, or other factors may indicate that a loss in value of our investment in the unconsolidated entity has occurred. If a loss exists, we further review to determine if the loss is other than temporary, in which case we write down the investment to its fair value. The evaluation of our investment in unconsolidated entities entails a detailed cash flow analysis using many estimates including but not limited to, expected sales pace, expected sales prices, expected incentives, costs incurred and anticipated, sufficiency of financing and capital, competition, market conditions and anticipated cash receipts, in order to determine projected future distributions. Each of the unconsolidated entities evaluates its inventory in a similar manner. In addition, for rental properties, we review rental trends, expected future expenses, and expected future cash flows to determine estimated fair values of the properties. See "Critical Accounting Policies - Inventory" contained in this MD&A for more detailed disclosure on our evaluation of inventory. If a valuation adjustment is recorded by an unconsolidated entity related to its assets, our proportionate share is reflected in income from unconsolidated entities with a corresponding decrease to our investment in unconsolidated entities. Based upon our evaluation of the fair value of our investments in unconsolidated entities, we determined that no impairments of our investments occurred in fiscal 2015, 2014 and 2013.

RESULTS OF OPERATIONS

The following table compares certain items in our Consolidated Statements of Operations and Comprehensive Income for fiscal 2015, 2014, and 2013 ($ amounts in millions):

	2015		2014		2013	
	$	%	$	%	$	%
Revenues	4,171.2		3,911.6		2,674.3	
Cost of revenues	3,269.3	78.4	3,081.8	78.8	2,133.3	79.8
Selling, general and administrative	455.1	10.9	432.5	11.1	339.9	12.7
	3,724.4	89.3	3,514.4	89.8	2,473.2	92.5
Income from operations	446.9		397.2		201.1	
Other:						
Income from unconsolidated entities	21.1		41.1		14.4	
Other income - net	67.6		66.2		52.2	
Income before income taxes	535.6		504.6		267.7	
Income tax provision	172.4		164.6		97.1	
Net income	363.2		340.0		170.6	

Note: Amounts may not add due to rounding.

FISCAL 2015 COMPARED TO FISCAL 2014

REVENUES AND COST OF REVENUES

Revenues in fiscal 2015 were higher than those for fiscal 2014 by approximately $259.6 million, or 6.6%. This increase was attributable to a 4.2% increase in the average price of the homes delivered and a 2.4% increase in the number of homes delivered. In fiscal 2015, we delivered 5,525 homes with a value of $4.17 billion, as compared to 5,397 homes in fiscal 2014 with a value of $3.91 billion. The increase in the number of homes delivered was principally due to a greater number of homes being sold and delivered in fiscal 2015, as compared to fiscal 2014. The increase in the average price of homes delivered was primarily attributable to a shift in the number of homes delivered to more expensive areas and/or products and increased selling prices of homes delivered in fiscal 2015, as compared to fiscal 2014.

Cost of revenues as a percentage of revenues was 78.4% in fiscal 2015, as compared to 78.8% in fiscal 2014. In fiscal 2015 and 2014, we recognized inventory impairment charges of $35.7 million and $20.7 million, respectively. In addition, in fiscal 2015 and 2014 we recognized charges related to warranty and litigation, net of other reversals, of $11.0 million and $24.0 million, respectively. (See Note 7, “Accrued Expenses,” in the Notes to the Consolidated Financial Statements for more information on the warranty and litigation related charges). Cost of revenues as a percentage of revenues, excluding impairments and charges related to warranty and litigation, net of other reversals, was 77.3% of revenues in fiscal 2015, as compared to 77.6% in fiscal 2014. The decrease in cost of revenues as a percentage of revenues, excluding inventory impairment charges and charges related warranty and litigation, net of other reversals, in fiscal 2015, as compared to fiscal 2014, was due primarily to a change in product mix/areas to higher-margin areas, increased prices of homes delivered in fiscal 2015, as compared to fiscal 2014, and the lower impact of the application of purchase accounting from the homes delivered from the Acquisition in fiscal 2015, as compared to fiscal 2014. These decreases were offset, in part, by increased construction costs. In fiscal 2015, inventory write-offs of $22.3 million were attributable to operating communities, $12.6 million were attributable to land owned for future communities, and $0.8 million were attributable to land controlled for future communities. Inventory write-offs in fiscal 2014 of $17.6 million were attributable to operating communities and $3.1 million were attributable to land controlled for future communities.

Interest cost in fiscal 2015 was $142.9 million or 3.4% of revenues, as compared to $137.5 million or 3.5% of revenues in fiscal 2014.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (“SG&A”)

SG&A increased by $22.6 million in fiscal 2015, as compared to fiscal 2014. As a percentage of revenues, SG&A decreased to 10.9% in fiscal 2015, from 11.1% in fiscal 2014. Fiscal 2014 SG&A includes $6.1 million of expenses incurred in the Acquisition. The dollar increase in SG&A costs, excluding the acquisition costs, was due primarily to increased compensation costs due to our increased number of employees, and increased sales and marketing costs. The higher sales and marketing costs were the result of the increased spending on advertising and increased operating costs due to the increased number of selling communities that we had in fiscal 2015, as compared to fiscal 2014.

INCOME FROM UNCONSOLIDATED ENTITIES

We recognize our proportionate share of the earnings and losses from the various unconsolidated entities in which we have an investment. Many of our unconsolidated entities are land development projects or high-rise/mid-rise condominium construction projects, which do not generate revenues and earnings for a number of years during the development of the property. Once development is complete, these unconsolidated entities will generally, over a relatively short period of time, generate revenues and earnings until all of the assets of the entity are sold. Because there is not a steady flow of revenues and earnings from these entities, the earnings recognized from these entities will vary significantly from quarter to quarter and year to year.

In fiscal 2015, we recognized $21.1 million of income from unconsolidated entities, as compared to $41.1 million in fiscal 2014. The decrease in income from unconsolidated entities was due primarily to our recognition of a $23.5 million gain representing our share of the gain on the sale by Toll Brothers Realty Trust II ("Trust II") of substantially all of its assets to an unrelated party in December 2013 and a $12.0 million distribution from the Trust in April 2014 due to the refinancing of one of the Trust's apartment properties. This was offset, in part, by higher income realized from several of our Land Development Joint Ventures and one Home Building Joint Venture in fiscal 2015, as compared to fiscal 2014. The higher income from these joint ventures was attributable primarily to higher sales activity and/or price increases in fiscal 2015, as compared to fiscal 2014.

OTHER INCOME - NET

The table below provides the components of "Other Income – net" for the years ended October 31, 2015 and 2014 (amounts in thousands):

	2015	2014
Income from ancillary businesses	$23,530	$10,653
Gibraltar	10,168	14,364
Management fee income from unconsolidated entities	11,299	7,306
Income from land sales	13,150	25,489
Other	9,426	8,380
Total other income – net	$67,573	$66,192

In fiscal 2015, our security monitoring business recognized an $8.1 million gain from a bulk sale of security monitoring accounts, which is included in income from ancillary businesses above. The decrease in income from Gibraltar's operations in fiscal 2015, as compared to fiscal 2014, was primarily due to a reduction in gains recognized from the disposition of real estate owned ("REO") and from the acquisition of REO through foreclosure. The increase in management fee income in fiscal 2015, as compared to fiscal 2014, was primarily due to the increase in activity from the unconsolidated entities that we manage. The decrease in income from land sales was due to fewer land parcels being available for sale in fiscal 2015, as compared to fiscal 2014.

INCOME BEFORE INCOME TAXES

In fiscal 2015, we reported income before income taxes of $535.6 million, as compared to $504.6 million in fiscal 2014.

INCOME TAX PROVISION

We recognized a $172.4 million income tax provision in fiscal 2015. The tax provision in fiscal 2015 included the reversal of $16.3 million of state deferred tax asset valuation allowances and the recording of $3.7 million of new state tax deferred asset valuation allowances. See "Critical Accounting Policies - Income Taxes - Valuation Allowance" in this MD&A for information regarding the reversal of valuation allowances against our net deferred tax assets.

Excluding the changes in the deferred tax valuation allowances, we recognized a $185.0 million tax provision in fiscal 2015. Based upon the federal statutory rate of 35%, our federal tax provision would have been $187.4 million. The difference between our tax provision recognized, excluding the changes in the deferred tax valuation allowance, and the tax provision based on the federal statutory rate was due mainly to the reversal of $15.3 million of previously accrued tax provisions on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations and settlements with certain taxing jurisdictions; a $12.3 million tax benefit from the utilization of domestic production activities deductions; and $7.8 million of other permanent deductions; offset, in part, by the recognition of a $21.9 million provision for state income taxes; the recognition of a $3.2 million provision for uncertain tax positions taken; $2.6 million of accrued interest and penalties for previously accrued taxes on uncertain tax positions; and $5.3 million of other differences.

We recognized a $164.6 million income tax provision in fiscal 2014. The tax provision in fiscal 2014 included the reversal of $13.3 million of state deferred tax asset valuation allowances and the recording of $1.3 million of new state tax deferred asset valuation allowances.

Excluding the changes in the deferred tax valuation allowances, we recognized a $176.5 million tax provision in fiscal 2014. Based upon the federal statutory rate of 35%, our federal tax provision would have been $176.6 million. The difference between our tax provision recognized, excluding the changes in the deferred tax valuation allowance, and the tax provision based on the federal statutory rate was due principally to the reversal of $11.0 million of previously accrued tax provisions on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations and the settlement of state income tax audits; a $14.8 million tax benefit from our utilization of domestic production activities deductions; and a $6.2 million tax benefit related to other miscellaneous permanent deductions, offset, in part, by a $23.8 million provision for state income taxes; the recognition of a $5.7 million provision for uncertain tax positions taken; and $1.8 million of accrued interest and penalties for previously accrued taxes on uncertain tax positions.

FISCAL 2014 COMPARED TO FISCAL 2013

REVENUES AND COST OF REVENUES

Revenues in fiscal 2014 were higher than those for fiscal 2013 by approximately $1.24 billion, or 46.3%. This increase was attributable to a 29.0% increase in the number of homes delivered and a 13.4% increase in the average price of the homes delivered. In fiscal 2014, we delivered 5,397 homes with a value of $3.91 billion, as compared to 4,184 homes in fiscal 2013 with a value of $2.67 billion. The increase in the number of homes delivered in fiscal 2014, as compared to fiscal 2013, was primarily due to the 43.2% higher number of homes in backlog at the beginning of fiscal 2014, as compared to the beginning of fiscal 2013, and the backlog of homes acquired from Shapell in February 2014. The increase in the average price of homes delivered in fiscal 2014, as compared to fiscal 2013, was primarily attributable to a shift in the number of homes delivered to more expensive areas and/or products in fiscal 2014.

Cost of revenues as a percentage of revenues was 78.8% in fiscal 2014, as compared to 79.8% in fiscal 2013. We recognized inventory impairment charges and write-offs of $20.7 million and $32.0 million in charges related to warranty and litigation in fiscal 2014 (See Note 7, “Accrued Expenses”, in the Notes to the Consolidated Financial Statements for more information on the warranty and litigation related charges). In fiscal 2013, we recognized inventory impairment charges and write-offs of $4.5 million. Cost of revenues as a percentage of revenues, excluding impairments and charges related to warranty and litigation, was 77.4% of revenues in fiscal 2014, as compared to 79.6% in fiscal 2013. The decrease in cost of revenues as a percentage of revenues, excluding inventory impairment charges and charges related warranty and litigation, in fiscal 2014, as compared to fiscal 2013, was due primarily to lower cost of land, construction and interest costs in fiscal 2014, as compared to fiscal 2013; offset, in part, by the impact on costs in fiscal 2014 from the application of purchase accounting on the homes delivered from the Acquisition. The lower cost of revenues as a percentage of revenues was the result of price increases in the October 31, 2013 backlog that exceeded cost increases on the homes delivered, and a change in product mix to higher margin communities.

Interest cost in fiscal 2014 was $137.5 million or 3.5% of revenues, as compared to $112.3 million or 4.2% of revenues in fiscal 2013.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (“SG&A”)

SG&A increased by $92.6 million in fiscal 2014, as compared to fiscal 2013. As a percentage of revenues, SG&A was 11.1% in fiscal 2014, as compared to 12.7% in fiscal 2013. The amounts for fiscal 2014 and 2013 include $6.1 million and $1.4 million of expenses incurred in connection with the Acquisition, respectively. The decline in SG&A, excluding the acquisition costs, as a percentage of revenues, was due to SG&A spending increasing by 25.4% while revenues increased 46.3%. The dollar increase in SG&A costs, excluding the acquisition costs, was due primarily to increased compensation costs due to our increased number of employees and higher sales commissions, increased sales and marketing costs, and increased insurance costs. The higher sales commissions and a portion of the increased marketing costs were the result of the increase in the number of homes delivered and the increased sales revenues in fiscal 2014 over fiscal 2013.

INCOME FROM UNCONSOLIDATED ENTITIES

We are a participant in several unconsolidated entities. We recognize our proportionate share of the earnings and losses from these entities. Many of our unconsolidated entities are land development projects or high-rise/mid-rise condominium construction projects and do not generate revenues and earnings for a number of years during the development of the property. Once development is complete, these unconsolidated entities will generally, over a relatively short period of time, generate revenues and earnings until all of the assets of the entity are sold. Because there is not a steady flow of revenues and earnings from these entities, the earnings recognized from these entities will vary significantly from quarter to quarter and year to year.

In fiscal 2014, we recognized $41.1 million of income from unconsolidated entities, as compared to $14.4 million in fiscal 2013. The $26.7 million increase in income from unconsolidated entities in fiscal 2014, as compared to fiscal 2013, was due primarily to our recognition of a $23.5 million gain, representing our share of the gain on the sale by Trust II of substantially all of its assets to an unrelated party in December 2013, a $12.0 million distribution from the Trust in April 2014 due to the refinancing of one of the Trust's apartment properties, and an increase in income from one of our home building joint ventures due to increased activity in fiscal 2014 as compared to fiscal 2013. These increases were offset, in part, by lower income realized from Gibraltar's Structured Asset Joint Venture, lower income from our land development joint ventures due to decreased activity from these joint ventures in fiscal 2014 as compared to fiscal 2013, and a settlement of litigation at one of our unconsolidated entities resulting in a charge to our earnings of $2.6 million in the fourth quarter of fiscal 2014.

OTHER INCOME - NET

Other income - net includes the gains and losses from our ancillary businesses, income from Gibraltar, interest income, management fee income, retained customer deposits, income/losses on land sales, and other miscellaneous items.

In fiscal 2014 and 2013, other income - net was $66.2 million and $52.2 million, respectively. Fiscal 2013 other income-net includes $13.2 million of income from the previously disclosed settlement of derivative litigation. Excluding these settlement proceeds, the increase in other income - net in fiscal 2014, as compared to fiscal 2013, was due to a $21.1 million increase in earnings from land sales, a $4.2 million increase in income from our Gibraltar operations, and a $4.4 million increase in management fee income in fiscal 2014, as compared to fiscal 2013. These increases were offset, in part, by lower interest income and miscellaneous income in fiscal 2014, as compared to fiscal 2013. The increase in income from land sales was due to our sale of land to reduce land concentration and outstanding borrowings as a result of the Acquisition. The increase in management fee income is the result of the increase in activity in the various joint ventures in which we have investments.

INCOME BEFORE INCOME TAXES

In fiscal 2014, we reported income before income taxes of $504.6 million, as compared to $267.7 million in fiscal 2013.

INCOME TAX PROVISION

We recognized a $164.6 million income tax provision in fiscal 2014. The tax provision in fiscal 2014 included the reversal of $13.3 million of state deferred tax asset valuation allowances and the recording of $1.3 million of new state tax deferred asset valuation allowances. See "Critical Accounting Policies - Income Taxes - Valuation Allowance" in this MD&A for information regarding the reversal of valuation allowances against our net deferred tax assets.

Excluding the changes in the deferred tax valuation allowances, we recognized a $176.5 million tax provision in fiscal 2014. Based upon the federal statutory rate of 35%, our federal tax provision would have been $176.6 million. Our tax provision, excluding the changes in the deferred tax valuation allowance, included the recognition of a $23.8 million provision for state income taxes, the recognition of a $5.7 million provision for uncertain tax positions taken; and $1.8 million of accrued interest and penalties for previously accrued taxes on uncertain tax positions, offset, in part, by the reversal of $11.0 million of previously accrued tax provisions on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations and the settlement of state income tax audits; a $14.8 million tax benefit from our utilization of domestic production activities deductions; and a $6.2 million tax benefit related to other miscellaneous permanent deductions.

We recognized an income tax provision of $97.1 million in fiscal 2013. The tax provision in fiscal 2013 included the reversal of $4.6 million of state deferred tax asset valuation allowances and the recording of $3.2 million of new state tax deferred asset valuation allowances.

Excluding the changes in the deferred tax valuation allowances, we recognized a $98.4 million tax provision in fiscal 2013. Based upon the federal statutory rate of 35%, our federal tax provision would have been $93.7 million. The difference between the tax provision recognized and the tax provision based on the federal statutory rate was due primarily to an $11.4 million provision for state income taxes and $3.7 million of accrued interest and penalties, offset, in part, by the reversal of $5.6 million of previously accrued taxes and related interest. The reversal of previously accrued taxes and related interest on uncertain tax positions is due primarily to the expiration of the statute of limitations on these items.

CAPITAL RESOURCES AND LIQUIDITY

Funding for our business has been, and continues to be, provided principally by cash flow from operating activities before inventory additions, unsecured bank borrowings, and the public debt and equity markets. At October 31, 2015, we had $929.0 million of cash, cash equivalents, and marketable securities on hand and approximately $566.1 million available for borrowing under our Credit Facility.

Cash provided by operating activities during fiscal 2015 was $60.2 million. It was generated primarily from $494.8 million of net income before stock-based compensation, depreciation and amortization, inventory impairments and write-offs, and deferred taxes; a $46.5 million increase in customer deposits; and an increase of $28.7 million in accounts payable and accrued expenses; offset, in part, by the net purchase of $352.0 million of inventory; a $65.5 million decrease in income taxes payable; a $55.6 million increase in receivables, prepaid expenses, and other assets; and an increase of $21.4 million in mortgage loans originated, net of the sale of mortgage loans to outside investors.
Cash used in our investing activities during fiscal 2015 was $52.8 million. The cash used in investing activities was primarily related to $123.9 million used to fund investments in unconsolidated entities, $9.4 million for the purchase of property and equipment, offset, in part, by $77.4 million of cash received as returns on our investments in unconsolidated entities, foreclosed real estate, and distressed loans.
We generated $325.3 million of cash from financing activities in fiscal 2015, primarily from the issuance of $350.0 million of 4.875% Senior Notes due 2025; $350.0 million of borrowing under our Credit Facility; and $39.5 million from the proceeds of our stock-based benefit plans, offset, in part, by the repayment of $300.0 million of senior notes; the repurchase of $56.9 million of our common stock; and the repayment of $55.0 million of other loans payable, net of new borrowings.
At October 31, 2014, we had $598.3 million of cash, cash equivalents, and marketable securities on hand and approximately $940.2 million available for borrowing under our $1.035 billion revolving credit facility, which extends to August 2018. Cash provided by operating activities during fiscal 2014 was $313.2 million. It was generated primarily from $440.9 million of net income before stock-based compensation, depreciation and amortization, inventory impairments and write-offs, and deferred taxes; an $82.1 million increase in accounts payable and accrued expenses; and a $52.4 million increase in income taxes payable; offset, in part, by the net purchase of $272.0 million of inventory. Cash used in our investing activities during fiscal 2014 was $1.45 billion. The cash used in investing activities was primarily related to the $1.49 billion used to acquire Shapell, $113.0 million used to fund investments in unconsolidated entities, $15.1 million for the purchase of property and equipment, offset, in part, by $127.0 million of cash received as returns on our investments in unconsolidated entities, distressed loans, and foreclosed real estate, and $40.2 million of sales of marketable securities. We generated $952.2 million of cash from financing activities in fiscal 2014, primarily from the issuance of 7.2 million shares of our common stock in November 2013 that raised $220.4 million; $595.3 million from the issuance in November 2013 of $350.0 million of 4.0% Senior Notes due 2018 and $250.0 million of 5.625% Senior Notes due 2024; the borrowing of $500.0 million under a five-year term loan from a syndicate of eleven banks; and $28.4 million from the proceeds of our stock-based benefit plans, offset, in part, by the repayment of $268.0 million of our 4.95% Senior Notes in March 2014; the repurchase of $90.8 million of our common stock; and the repayment of $40.8 million of other loans payable, net of new borrowings.
At October 31, 2013, we had $825.5 million of cash, cash equivalents, and marketable securities on hand and approximately $958.4 million available under our $1.035 billion revolving credit facility. Cash used in operating activities during fiscal 2013 was $569.0 million primarily for the acquisition of inventory; the origination of mortgage loans, net of sales to outside investors; and the purchase of commercial property for development, offset, in part, by pretax income from operations, an increase in our accounts payable and accrued expenses, an increase in customer deposits, and a decrease in restricted cash. In fiscal 2013, cash provided by our investing activities was $332.7 million, including $417.8 million of sales and redemptions of marketable securities, and $97.2 million of cash received as returns on our investments in unconsolidated entities, distressed loans, and foreclosed real estate. The cash provided by investing activities was offset, in part, by $36.2 million of purchases of marketable securities, $93.4 million of investments in unconsolidated entities, $26.2 million of investments in distressed loans and foreclosed real estate, and $26.6 million in purchases of property and equipment. We generated $230.4 million of cash from financing activities in fiscal 2013, primarily from the issuance of $400 million of 4.375% Senior Notes due 2023, $24.4 million from the proceeds of our stock-based benefit plans, and a tax benefit of $15.8 million from our stock-based compensation plans. The cash provided by financing activities was offset, in part, by the repayment at maturity of $59.1 million of our 6.875% Senior Notes in November 2012; the repayment at maturity of $104.8 million of our 5.95% Senior Notes in September 2013; $31.0 million of loans payable repayments, net of new borrowings; and $15.4 million for the repurchase of our common stock.

In general, our cash flow from operating activities assumes that, as each home is delivered, we will purchase a home site to replace it. Because we own a supply of several years of home sites, we do not need to buy home sites immediately to replace those that we deliver. In addition, we generally do not begin construction of our detached homes until we have a signed contract with the home buyer. Should our business remain at its current level or decline, we believe that our inventory levels would decrease as we complete and deliver the homes under construction but do not commence construction of as many new homes, as we complete the improvements on the land we already own, and as we sell and deliver the speculative homes that we have currently in inventory, resulting in additional cash flow from operations. In addition, we might delay or curtail our acquisition of additional land, as we did during the period April 2006 through January 2010, which would further reduce our inventory levels and cash needs. At October 31, 2015, we owned or controlled through options 44,253 home sites, as compared to 47,167 at October 31, 2014; 48,628 at October 31, 2013; and 91,200 at April 30, 2006, the high point of our home sites owned and controlled. Of the 44,253 home sites owned or controlled through options at October 31, 2015, we owned 35,872. Of our owned home sites at October 31, 2015, significant improvements were completed on approximately 16,505 of them.

In February 2014, we acquired all of the equity interests in Shapell, consisting of Shapell's single-family residential real property development business, including a portfolio of approximately 4,950 home sites in California. See "Overview - Acquisition" in this MD&A for more information about the Shapell acquisition.

At October 31, 2015, the aggregate purchase price of land parcels under option and purchase agreements was approximately $1.22 billion (including $136.3 million of land to be acquired from joint ventures in which we have invested). Of the $1.22 billion of land purchase commitments, we had paid or deposited $79.1 million and, if we acquire all of these land parcels, we will be required to pay an additional $1.14 billion. The purchases of these land parcels are scheduled over the next several years. We have additional land parcels under option that have been excluded from the aforementioned aggregate purchase amounts since we do not believe that we will complete the purchase of these land parcels and no additional funds will be required from us to terminate these contracts.

During the past several years, we have made a number of investments in unconsolidated entities related to the acquisition and development of land for future home sites, the construction of luxury for-sale condominiums, and for-rent apartments. Our investment activities related to investments in and distributions of investments from unconsolidated entities are contained in the Consolidated Statements of Cash Flows under "Cash flow (used in) provided by investing activities." At October 31, 2015, we had investments in these entities of $412.9 million, and were committed to invest or advance up to an additional $195.6 million to these entities if they require additional funding.

In August 2013, we entered into a $1.035 billion revolving credit facility with a syndicate of banks, which extends to August 2018. At October 31, 2015, we had $350.0 million of borrowings under the credit facility and had outstanding letters of credit of approximately $118.9 million. At October 31, 2015, interest was payable on borrowings under our credit facility at a rate per annum of 1.70% (subject to adjustment based upon our debt rating and leverage ratios) above the Eurodollar rate or at other specified variable rates as selected by us from time to time. We are obligated to pay an undrawn commitment fee of 0.25% (subject to adjustment based upon our debt rating and leverage ratios) based on the average daily unused amount of the credit facility. Under the terms of the credit facility, we are not permitted to allow our maximum leverage ratio (as defined in the credit agreement) to exceed 1.75 to 1.00, and we are required to maintain a minimum tangible net worth (as defined in the credit agreement) of approximately $2.64 billion at October 31, 2015. At October 31, 2015, our leverage ratio was approximately 0.68 to 1.00, and our tangible net worth was approximately $4.19 billion. At October 31, 2015, based upon the minimum tangible net worth requirement, our ability to pay dividends was limited to an aggregate amount of approximately $1.56 billion or the repurchase of our common stock of approximately $1.97 billion.

We believe that we will have adequate resources and sufficient access to the capital markets and external financing sources to continue to fund our current operations and meet our contractual obligations. Due to the uncertainties in the economy and for home builders in general, we cannot be certain that we will be able to replace existing financing or find sources of additional financing in the future.

INFLATION

The long-term impact of inflation on us is manifested in increased costs for land, land development, construction, and overhead. We generally enter into contracts to acquire land a significant period of time before development and sales efforts begin. Accordingly, to the extent land acquisition costs are fixed, subsequent increases or decreases in the sales prices of homes will affect our profits. Because the sales price of each of our homes is fixed at the time a buyer enters into a contract to purchase a home and because we generally contract to sell our homes before we begin construction, any inflation of costs in excess of those anticipated may result in lower gross margins. We generally attempt to minimize that effect by entering into fixed-price contracts with our subcontractors and material suppliers for specified periods of time, which generally do not exceed one year.

In general, housing demand is adversely affected by increases in interest rates and housing costs. Interest rates, the length of time that land remains in inventory, and the proportion of inventory that is financed affect our interest costs. If we are unable to raise sales prices enough to compensate for higher costs, or if mortgage interest rates increase significantly, affecting prospective buyers’ ability to adequately finance home purchases, our revenues, gross margins, and net income could be adversely affected. Increases in sales prices, whether the result of inflation or demand, may affect the ability of prospective buyers to afford new homes.

CONTRACTUAL OBLIGATIONS

The following table summarizes our estimated contractual payment obligations at October 31, 2015 (amounts in millions):

	2016	2017 – 2018	2019 – 2020	Thereafter	Total
Senior notes (a)	$141.2	$646.9	$781.8	$1,938.6	$3,508.5
Loans payable (a)	84.9	415.4	518.9	47.6	1,066.8
Mortgage company loan facility (a)	102.2				102.2
Operating lease obligations	11.1	16.2	6.5	0.3	34.1
Purchase obligations (b)	969.3	425.5	108.9	58.3	1,562.0
Retirement plans (c)	10.4	14.1	10.7	51.4	86.6
Other	0.3				0.3
	$1,319.4	$1,518.1	$1,426.8	$2,096.2	$6,360.5

(a) Amounts include estimated annual interest payments until maturity of the debt. Of the amounts indicated, $2.7 billion of the senior notes, $1.00 billion of loans payable, and $100.0 million of the mortgage company loan facility were recorded on the October 31, 2015 Consolidated Balance Sheet. In addition, the thereafter amount includes $287.5 million principal amount of 0.5% Exchangeable Senior Notes due 2032 (the "0.5% Exchangeable Senior Notes"). The 0.5% Exchangeable Senior Notes are exchangeable into shares of our common stock at an exchange rate of 20.3749 shares per $1,000 principal amount of notes, corresponding to an initial exchange price of approximately $49.08 per share of common stock. Holders of the 0.5% Exchangeable Senior Notes will have the right to require Toll Brothers Finance Corp. to repurchase their notes for cash equal to 100% of their principal amount, plus accrued but unpaid interest, on each of December 15, 2017, September 15, 2022, and September 15, 2027. We will have the right to redeem the 0.5% Exchangeable Senior Notes on or after September 15, 2017, for cash equal to 100% of their principal amount, plus accrued but unpaid interest.

(b) Amounts represent our expected acquisition of land under purchase agreements and the estimated remaining amount of the contractual obligation for land development agreements secured by letters of credit and surety bonds.

(c) Amounts represent our obligations under our deferred compensation plan, supplemental executive retirement plans and our 401(k) salary deferral savings plans. Of the total amount indicated, $61.6 million was recorded on the October 31, 2015 Consolidated Balance Sheet.

SEGMENTS

We operate in two segments: Traditional Home Building and City Living, our urban development division. Within Traditional Home Building, we operate in five geographic segments around the United States: (1) the North, consisting of Connecticut, Illinois, Massachusetts, Michigan, Minnesota, New Jersey, and New York; (2) the Mid-Atlantic, consisting of Delaware, Maryland, Pennsylvania, and Virginia; (3) the South, consisting of Florida, North Carolina, and Texas; (4) the West, consisting of Arizona, Colorado, Nevada, and Washington, and (5) California. Due to the increase in our assets and operations in California, it is now presented as a separate geographic segment; it was previously included in West geographic segment. Prior year amounts presented below have been reclassified to conform to the fiscal 2015 presentation.

The following tables summarize information related to revenues, net contracts signed, and income (loss) before income taxes by segment for fiscal years 2015, 2014, and 2013. Information related to backlog and assets by segment at October 31, 2015 and 2014, has also been provided.

Units Delivered and Revenues ($ amounts in millions):

	2015 Units	2014 Units	2013 Units	2015 $	2014 $	2013 $
Traditional Home Building:						
North	1,126	1,110	874	702.2	662.7	485.0
Mid-Atlantic	1,342	1,292	1,146	845.3	817.3	652.9
South	1,175	1,204	1,018	892.3	836.5	641.3
West	994	814	653	665.3	517.9	369.7
California	669	713	356	750.0	795.8	354.7
Traditional Home Building	5,306	5,133	4,047	3,855.1	3,630.2	2,503.6
City Living	219	264	137	316.1	281.4	170.7
Total	5,525	5,397	4,184	4,171.2	3,911.6	2,674.3

Net Contracts Signed ($ amounts in millions):

	2015 Units	2014 Units	2013 Units	2015 $	2014 $	2013 $
Traditional Home Building:						
North	1,138	1,040	1,197	756.8	664.8	697.5
Mid-Atlantic	1,323	1,220	1,414	844.7	763.9	851.3
South	1,036	1,211	1,225	838.3	886.2	831.4
West	1,221	951	765	846.2	618.2	461.0
California	1,003	639	412	1,343.2	694.2	505.6
Traditional Home Building	5,721	5,061	5,013	4,629.2	3,627.3	3,346.8
City Living	189	210	281	326.4	269.2	287.1
Total	5,910	5,271	5,294	4,955.6	3,896.5	3,633.9

Backlog at October 31 ($ amounts in millions):

	2015 Units	2014 Units	2013 Units	2015 $	2014 $	2013 $
Traditional Home Building:						
North	890	878	948	619.2	564.6	562.5
Mid-Atlantic	811	830	902	518.9	519.5	573.0
South	824	963	956	669.2	723.2	673.5
West	816	589	452	573.5	392.6	292.4
California	609	275	223	897.8	304.6	300.8
Traditional Home Building	3,950	3,535	3,481	3,278.6	2,504.5	2,402.2
City Living	114	144	198	225.4	215.2	227.3
Total	4,064	3,679	3,679	3,504.0	2,719.7	2,629.5

Income (Loss) Before Income Taxes ($ amounts in millions):

	2015	2014	2013
Traditional Home Building:			
North	$59.2	$57.0	$32.7
Mid-Atlantic	69.1	79.0	79.8
South	153.0	113.6	67.9
West	106.4	78.8	42.7
California	139.1	157.5	68.6
Traditional Home Building	526.8	485.9	291.7
City Living	124.3	104.6	53.3
Corporate and other	(115.5)	(85.9)	(77.3)
Total	$535.6	$504.6	$267.7

"Corporate and other" is comprised principally of general corporate expenses such as the offices of our executive officers; the corporate finance, accounting, audit, tax, human resources, risk management, information technology, marketing, and legal groups; interest income; income from our ancillary businesses, including Gibraltar; and income from a number of our unconsolidated entities.

Total Assets ($ amounts in millions):

	At October 31, 2015	2014
Traditional Home Building:		
North	$1,061.8	$1,053.8
Mid-Atlantic	1,226.0	1,267.6
South	1,196.6	1,165.6
West	949.6	755.9
California	2,243.3	1,920.3
Traditional Home Building	6,677.3	6,163.2
City Living	873.0	834.9
Corporate and other	1,656.2	1,400.4
Total	$9,206.5	$8,398.5

"Corporate and other" is comprised principally of cash and cash equivalents, marketable securities, restricted cash, deferred tax assets, and the assets of our Gibraltar investments, manufacturing facilities, and mortgage subsidiary.

FISCAL 2015 COMPARED TO FISCAL 2014

Traditional Homebuilding

North

Revenues in fiscal 2015 were higher than those in fiscal 2014 by $39.5 million, or 6.0%. The increase in revenues was attributable to a 4.4% increase in the average price of the homes delivered and a 1.4% increase in the number of homes delivered. The increase in the average price of homes delivered was primarily attributable to a shift in the number of homes delivered to more expensive areas and/or products and increases in selling prices of homes delivered in fiscal 2015, as compared to fiscal 2014.

The value of net contracts signed during fiscal 2015 increased by $92.0 million, or 13.8%. The increase was due to a 9.4% increase in the number of net contracts signed and a 4.0% increase in the average value of each net contract. The increase in the number of net contracts signed was mainly due to improved market conditions in Michigan and New Jersey. The increase in the average sales price of net contracts signed was principally attributable to a shift in the number of contracts signed to more expensive areas and/or products and increases in base selling prices in fiscal 2015, as compared to fiscal 2014.

In fiscal 2015, we reported income before income taxes of $59.2 million, as compared to $57.0 million in fiscal 2014. This increase in income was primarily attributable to higher earnings from the increased revenues and lower cost of revenues as a percent of revenues, excluding impairment, in fiscal 2015, as compared to fiscal 2014, offset, in part, by higher inventory impairment charges, higher SG&A costs, and lower earnings from land sales in fiscal 2015, as compared to fiscal 2014. We recognized inventory impairment charges of $15.0 million and $9.1 million in fiscal 2015 and 2014, respectively. The decrease in cost of revenues as a percent of revenues, excluding impairments, was mainly due to a change in product mix/areas to higher margin areas in fiscal 2015, as compared to fiscal 2014.

Mid-Atlantic

Revenues in fiscal 2015 were higher than those in fiscal 2014 by $28.0 million, or 3.4%. The increase in revenues was primarily attributable to a 3.9% increase in the number of homes delivered. The increase in the number of homes delivered was mainly due to a greater number of homes being sold and delivered in fiscal 2015, as compared to fiscal 2014.

The value of net contracts signed during fiscal 2015 increased by $80.8 million, or 10.6%, from fiscal 2014. The increase was due to an 8.4% increase in the number of net contracts signed and a 2.0% increase in the average value of each net contract. The increase in the number of net contracts signed was primarily due to an increase in demand in Pennsylvania and Virginia, offset, in part, by a decrease in the number of net contracts signed in Maryland. The increase in the average sales price of net contracts signed was mainly due to a shift in the number of contracts signed to more expensive areas and/or products and increases in base selling prices in fiscal 2015, as compared to fiscal 2014.

We reported income before income taxes in fiscal 2015 and 2014 of $69.1 million and $79.0 million, respectively. The decrease in income before income taxes was primarily due to higher impairment charges, higher SG&A costs, and a $2.8 million decrease in earnings from land sales in fiscal 2015, as compared to fiscal 2014. These decreases were partially offset by higher earnings from increased revenues and lower charges for stucco-related repairs in communities located in Pennsylvania and Delaware in fiscal 2015, as compared to fiscal 2014. Inventory impairment charges, in fiscal 2015 and 2014, were $19.5 million and $9.1 million, respectively. The earnings from land sales in fiscal 2014 mainly represented previously deferred gains on our initial sales of properties to Trust II. In fiscal 2015 and 2014, we recognized $14.7 million and $25.0 million, respectively, in charges for stucco-related repairs. See Note 7, "Accrued Expenses," in the Notes to the Consolidated Financial Statements for more information on the stucco-related charges.

South

Revenues in fiscal 2015 were higher than those in fiscal 2014 by $55.8 million, or 6.7%. This increase was attributable to a 9.3% increase in the average price of the homes delivered, offset, in part, by a 2.4% decrease in the number of homes delivered. The increase in the average price of the homes delivered was mainly due to a shift in the number of homes delivered to more expensive areas and/or products in fiscal 2015, as compared to fiscal 2014. The decrease in the number of homes delivered was principally due to a lower number of homes being sold and delivered in fiscal 2015, as compared to fiscal 2014.

In fiscal 2015, the value of net contracts signed decreased by $47.9 million, or 5.4%, as compared to fiscal 2014. The decrease was attributable to a 14.5% decrease in the number of net contracts signed, offset, in part, by a 10.6% increase in the average value of each contract signed. The decrease in the number of net contracts signed was principally due to decreased demand. The increase in the average sales price of net contracts signed was mainly due to a shift in the number of contracts signed to more expensive areas and/or products and increases in base selling prices, primarily in Florida and Texas, in fiscal 2015 as compared to fiscal 2014.

We reported income before income taxes of $153.0 million in fiscal 2015, as compared to $113.6 million in fiscal 2014. The increase in income before income taxes was primarily due to higher earnings from the increased revenues, lower cost of revenues as a percent of revenues, and an $8.5 million increase in earnings from our investments in unconsolidated entities, in fiscal 2015, as compared to fiscal 2014. These increases were partially offset by higher SG&A costs in fiscal 2015, as compared to fiscal 2014. The decrease in cost of revenues as a percentage of revenue was due mainly to a change in product mix/areas to higher margin areas in fiscal 2015, as compared to fiscal 2014.

West

Revenues in fiscal 2015 were higher than those in fiscal 2014 by $147.4 million, or 28.5%. The increase in revenues was attributable to increases of 22.1% and 5.2% in the number and average price of homes delivered, respectively. The increase in the number of homes delivered was primarily due to a higher backlog at October 31, 2014, as compared to October 31, 2013, and to a greater number of homes being sold and delivered in fiscal 2015, as compared to fiscal 2014. The increase in the average price of the homes delivered was mainly due to a shift in the number of homes delivered to more expensive products and/or locations and increases in selling prices of homes delivered in fiscal 2015, as compared to fiscal 2014.

The value of net contracts signed during fiscal 2015 increased $228.0 million, or 36.9%, as compared to fiscal 2014. This increase was due to a 28.4% increase in the number of net contracts signed and a 6.6% increase in the average value of each contract signed. The increase in the number of net contracts signed was mainly due to an increase in selling communities in Arizona, Nevada, and Washington in fiscal 2015, as compared to fiscal 2014. The increase in the average sales price of net contracts signed was primarily due to a shift in the number of contracts signed to more expensive areas and/or products and increases in base selling prices in fiscal 2015, as compared to fiscal 2014.

In fiscal 2015, we reported income before income taxes of $106.4 million, as compared to $78.8 million in fiscal 2014. The increase in income before income taxes was principally due to higher earnings from increased revenues in fiscal 2015, as compared to fiscal 2014, offset, in part, by higher SG&A costs in fiscal 2015, as compared to fiscal 2014.

California

Revenues in fiscal 2015 were lower than those in fiscal 2014 by $45.8 million, or 5.8%. The decrease in revenues was principally attributable to a 6.2% decrease in the number of homes delivered. The decrease in the number of homes delivered was mainly due to a decrease in the number of communities in California where we were delivering homes.

The value of net contracts signed during fiscal 2015 increased $649.0 million, or 93.5%, as compared to fiscal 2014. This increase was due to increases of 57.0% and 23.3% in the number of net contracts signed and in the average value of each contract signed, respectively. The increase in the number of net contracts signed was mainly due to increased demand, an increase in the number of selling communities, and fiscal 2015 having 12 months of sales activity at communities we acquired through the Acquisition, as compared to nine months in fiscal 2014. The increase in the average sales price of net contracts signed was principally due to a shift in the number of contracts signed to more expensive areas and/or products and increases in selling prices.

In fiscal 2015, we reported income before income taxes of $139.1 million, as compared to $157.5 million in fiscal 2014. The decrease in income before income taxes was mainly due to lower earnings from decreased revenues and a $10.3 million decrease in earnings from land sales in fiscal 2015, as compared to fiscal 2014, offset, in part, by a $4.8 million increase in earnings from our investments in unconsolidated entities and the lower impact of the application of purchase accounting from the homes delivered from the Acquisition in fiscal 2015, as compared to fiscal 2014.

City Living

Revenues in fiscal 2015 were higher than those in fiscal 2014 by $34.7 million, or 12.3%. The increase in revenues was attributable to a 35.5% increase in the average price of the homes delivered, offset, in part, by a 17.0% decrease in the number of homes delivered. The increase in the average price of homes delivered was principally due to closings in fiscal 2015 at high-rise buildings located in New York City, where average prices were higher than in other City Living locations. The decrease in the number of homes delivered was mainly due to a lower backlog at October 31, 2014, as compared to October 31, 2013.

The value of net contracts signed during fiscal 2015 increased by $57.2 million, or 21.2%, as compared to fiscal 2014. This increase was attributable to a 34.7% increase in the average value of net contracts signed, partially offset by a decrease of a 10.0% in the number of net contracts signed. The increase in the average value of net contracts signed was principally due to a shift in the number of net contracts signed from the Philadelphia, Pennsylvania market to the metro New York City market, where the average value of each contract signed is higher. The decrease in the number of net contracts signed was mainly due to slower demand in the first three months of fiscal 2015 and to a decline in the number of net contracts signed in Philadelphia, Pennsylvania, due to lower product availability.

In fiscal 2015, we reported income before income taxes of $124.3 million, as compared to $104.6 million in fiscal 2014. This increase in income was primarily attributable to higher earnings from increased revenues in fiscal 2015, as compared to fiscal 2014, $3.6 million of earnings from the sale of commercial space at one of our high-rise buildings in New York City in fiscal 2015, and a charge of $2.6 million to our earnings due to a settled litigation at one of our unconsolidated entities in fiscal 2014, partially offset by higher SG&A costs in fiscal 2015, as compared to 2014.

Other

In fiscal 2015 and 2014, corporate and other loss before income taxes was $115.5 million and $85.9 million, respectively. The increase in the loss before income taxes was principally due to a decrease in income from unconsolidated entities from $42.0 million in fiscal 2014 to $5.7 million in fiscal 2015, decreased income from our

Gibraltar operations, and higher SG&A costs in fiscal 2015, as compared to fiscal 2014, offset, in part, by an increase of $12.9 million in income from ancillary businesses in fiscal 2015, as compared to fiscal 2014. The decrease in income from unconsolidated entities was due primarily to our recognition of a $23.5 million gain representing our share of the gain on the sale by Trust II of substantially all of its assets to an unrelated party in December 2013 and a $12.0 million distribution from the Trust in April 2014 due to the refinancing of one of the Trust's apartment properties. The increase in income from ancillary businesses was mainly due to the recognition of an $8.1 million gain from a bulk sale of security monitoring accounts by our home security monitoring business in fiscal 2015.

FISCAL 2014 COMPARED TO FISCAL 2013

Traditional Home Building

North

Revenues in fiscal 2014 were higher than those in fiscal 2013 by $177.7 million, or 36.6%. The increase in revenues was primarily attributable to a 27.0% increase in the number of homes delivered and an increase of 7.6% in the average selling price of the homes delivered. The increase in the number of homes delivered in fiscal 2014, as compared to fiscal 2013, was primarily due to a higher backlog at October 31, 2013, as compared to October 31, 2012. The increase in the average price of homes delivered in fiscal 2014, as compared to fiscal 2013, was primarily attributable to a shift in the number of homes delivered to more expensive areas and/or products in fiscal 2014.

The value of net contracts signed in fiscal 2014 was $664.8 million, a 4.7% decrease from the $697.5 million of net contracts signed during fiscal 2013. This 4.7% decrease was primarily due to a 13.1% decrease in the number of net contracts signed, offset, in part, by a 9.7% increase in the average value of each net contract. The decrease in the number of net contracts signed was primarily due to weakening in demand driven by uncertainty in the economy and world events, fragile consumer confidence and reduced affordability, and an extended period of limited real personal income growth. The increase in the average sales price of net contracts signed in fiscal 2014, as compared to fiscal 2013, was primarily attributable to a shift in the number of contracts signed to more expensive areas and/or products in fiscal 2014.

In fiscal 2014, we reported income before income taxes of $57.0 million, as compared to $32.7 million in fiscal 2013. This increase in income was primarily attributable to higher earnings from the increased revenues and $3.1 million of earnings from land sales in fiscal 2014, offset, in part, by higher inventory impairment charges and higher SG&A in fiscal 2014, as compared to fiscal 2013. We recognized inventory impairment charges of $9.1 million and $1.8 million in fiscal 2014 and 2013, respectively. The increase in SG&A was due primarily to increased compensation, sales, and marketing costs, primarily due to the increase in the number of homes delivered.

Mid-Atlantic

Revenues in fiscal 2014 were higher than those in fiscal 2013 by $164.4 million, or 25.2%. The increase in revenues was primarily attributable to a 12.7% increase in the number of homes delivered and an 11.0% increase in the average selling price of the homes delivered. The increase in the number of homes delivered in fiscal 2014, as compared to fiscal 2013, was primarily due to a higher backlog at October 31, 2013, as compared to October 31, 2012, primarily in Maryland, Pennsylvania, and Virginia. The increase in the average price of homes delivered in fiscal 2014, as compared to fiscal 2013, was primarily attributable to a shift in the number of homes delivered to more expensive areas and/or products in fiscal 2014.

The value of net contracts signed during fiscal 2014 decreased by $87.4 million, or 10.3%, from fiscal 2013. The decrease was due to a 13.7% decrease in the number of net contracts signed, partially offset by a 4.0% increase in the average value of each net contract. The decrease in the number of net contracts signed was primarily due to a decrease in the number of selling communities in Pennsylvania and a weakening in demand driven by uncertainty in the economy and world events, fragile consumer confidence and reduced affordability, and an extended period of limited real personal income growth. The increase in the average sales price of net contracts signed was primarily due to a shift in the number of contracts signed to more expensive areas and/or products in fiscal 2014.

We reported income before income taxes in fiscal 2014 and 2013 of $79.0 million and $79.8 million, respectively. The decrease in income before income taxes was primarily due to $25.0 million in charges for stucco-related repairs in communities located in Pennsylvania and Delaware, higher impairment charges, and higher SG&A costs in fiscal 2014, as compared to fiscal 2013, offset, in part, by higher earnings from the increased revenues and $2.9 million of earnings from land sales in fiscal 2014. The earnings from land sales in fiscal 2014 represent previously deferred gains on our initial sales of properties to Trust II. Inventory impairment charges, in fiscal 2014 and 2013, were $9.1 million and $0.5 million, respectively.

South

Revenues in fiscal 2014 were higher than those in fiscal 2013 by $195.2 million, or 30.4%. This increase was attributable to an 18.3% increase in the number of homes delivered and a 10.3% increase in the average price of the homes delivered. The increase in the number of homes delivered in fiscal 2014, as compared to fiscal 2013, was primarily due to a higher backlog at October 31, 2013, as compared to October 31, 2012. The increase in the average price of the homes delivered in fiscal 2014, as compared to fiscal 2013, was primarily attributable to a shift in the number of homes delivered to more expensive areas and/or products in fiscal 2014.

In fiscal 2014, the value of net contracts signed increased by $54.8 million, or 6.6%, as compared to fiscal 2013. The increase was attributable to a 7.8% increase in the average value of net contracts signed, offset, in part, by a 1.1% decrease in the number of net contracts signed. The increase in the average sales price of net contracts signed was primarily due to a shift in the number of contracts signed to more expensive areas and/or products in fiscal 2014. The decrease in the number of net contracts signed in fiscal 2014, as compared to fiscal 2013, was primarily due to decreased demand in North Carolina, partially offset by increases in the number of net contracts signed in Texas.

We reported income before income taxes of $113.6 million in fiscal 2014, as compared to $67.9 million in fiscal 2013. The increase in income before income taxes was primarily due to higher earnings from the increased revenues, lower cost of revenues as a percent of revenues, and higher earnings from land sales, partially offset by higher SG&A costs, in fiscal 2014 as compared to fiscal 2013. The decrease in cost of revenues as a percentage of revenue in fiscal 2014, as compared to fiscal 2013, was due primarily to a change in product mix/areas to higher margin areas, lower interest, and increased prices in fiscal 2014, as compared to fiscal 2013. Earnings from land sales increased from $1.4 million in fiscal 2013 to $5.2 million in fiscal 2014.

West

Revenues in fiscal 2014 were higher than those in fiscal 2013 by $148.2 million, or 40.0%. The increase in revenues was attributable to a 24.7% increase in the number of homes delivered and a 12.4% increase in the average price of the homes delivered. The increase in the number of homes delivered was primarily due to a higher backlog at October 31, 2013, as compared to October 31, 2012. The increase in the average price of the homes delivered was primarily due to a shift in the number of homes delivered to more expensive products and/or locations in fiscal 2014.

The value of net contracts signed during fiscal 2014 increased $157.2 million, or 34.1%, as compared to fiscal 2013. This increase was due to a 24.3% increase in the number of net contracts signed and a 7.9% increase in the average value of each net contract signed. The increase in the number of net contracts signed was primarily due to an increase in selling communities in Colorado and Nevada in fiscal 2014, as compared to fiscal 2013. The increase in the average sales price of net contracts signed was primarily due to a shift in the number of contracts signed to more expensive areas and/or products.

In fiscal 2014, we reported income before income taxes of $78.8 million, as compared to $42.7 million in fiscal 2013. The increase in income before income taxes was primarily due to higher earnings from increased revenues and lower cost of revenues as a percentage of revenues, offset, in part, by higher SG&A costs in fiscal 2014, as compared to fiscal 2013. The decrease in cost of revenues as a percentage of revenues in fiscal 2014 was primarily due to a shift in the number of homes delivered to better margin products and/or locations and lower interest.

California

Revenues in fiscal 2014 were higher than those in fiscal 2013 by $441.1 million, or 124.4%. The increase in revenues was attributable to a 100.0% increase in the number of homes delivered and a 12.0% increase in the average price of the homes delivered. The increase in the number of homes delivered was primarily due to the delivery of 334 homes in communities acquired from Shapell in the period from February 4, 2014 to October 31, 2014 and a higher backlog at October 31, 2013, as compared to October 31, 2012. The increase in the average price of the homes delivered was primarily due to a shift in the number of homes delivered to more expensive products and/or locations in fiscal 2014.

The value of net contracts signed during fiscal 2014 increased $188.6 million, or 37.3%, as compared to fiscal 2013. This increase was due to a 55.1% increase in the number of net contracts signed, offset, in part, by an 11.5% decrease in the average value of each net contract signed. In fiscal 2014, we signed 328 contracts with a value of $311.8 million at communities we acquired from Shapell. Excluding these Shapell communities, the value of net contracts signed during fiscal 2014 decreased $123.2 million, or 24.4%, as compared to fiscal 2013. The decrease in the value of net contracts signed, excluding Shapell, was due to a decrease of 24.5% in the number of net contracts signed. The decrease in the number of net contracts signed, excluding Shapell, was primarily due to a reduction of available inventory in fiscal 2014, as compared to fiscal 2013.

In fiscal 2014, we reported income before income taxes of $157.5 million, as compared to $68.6 million in fiscal 2013. The increase in income before income taxes was primarily due to higher earnings from increased revenues and $11.7 million of earnings from land sales in fiscal 2014, as compared to $0.4 million in fiscal 2013, offset, in part, by higher cost of revenues as a percentage of revenues and higher SG&A costs in fiscal 2014, which includes $6.1

million of expenses incurred in the Shapell acquisition. The increase in cost of revenues as a percentage of revenues in fiscal 2014 was primarily due to a shift in the number of homes delivered to lower margin products and/or locations and the impact of purchase accounting on the homes delivered in fiscal 2014 from the Acquisition.

City Living

Revenues in fiscal 2014 were higher than those in fiscal 2013 by $110.7 million, or 64.9%. The increase in revenues was primarily attributable to a 92.7% increase in the number of homes delivered, offset, in part, by a decrease of 14.5% in the average selling price of the homes delivered. The increase in the number of homes delivered in fiscal 2014, as compared to fiscal 2013, was primarily due to an increase in homes delivered in the New Jersey and New York urban markets, which was primarily attributable to higher backlog at October 31, 2013, as compared to October 31, 2012. The decrease in the average price of homes delivered in fiscal 2014, as compared to fiscal 2013, was primarily attributable to a shift in the number of homes delivered to less expensive products and/or locations.

The value of net contracts signed in fiscal 2014 was $269.2 million, a 6.2% decrease from the $287.1 million of net contracts signed during fiscal 2013. This decrease was primarily due to a 25.3% decrease in the number of net contracts signed, offset, in part, by a 25.5% increase in the average value of each net contract. The decrease in the number of net contracts signed was primarily due to the commencement of sales at two of our high-rise buildings located in the New York and New Jersey urban markets in the second quarter of fiscal 2013 where sales were high during the initial opening period. The increase in the average sales price of net contracts signed was primarily due to the opening of two high-rise buildings located in Manhattan and the sale of the final unit at The Touraine, a high-rise building located in Manhattan, which had higher selling prices than other City Living locations.

In fiscal 2014, we reported income before income taxes of $104.6 million, as compared to $53.3 million in fiscal 2013. This increase in income was primarily attributable to higher earnings from increased revenues and lower cost of revenues as a percentage of revenues in fiscal 2014, as compared to fiscal 2013, partially offset by a decrease in earnings from unconsolidated entities and higher SG&A in fiscal 2014, as compared to 2013. Cost of revenues as a percentage of revenues was 58.5% and 65.7% in fiscal 2014 and 2013, respectively. Earnings from unconsolidated entities decreased from income of $1.2 million in fiscal 2013 to a loss of $3.6 million in fiscal 2014. The decrease in cost of revenues as a percentage of revenue in fiscal 2014, as compared to fiscal 2013, was primarily due to the increase in the number of homes delivered at two of our high-rise buildings located in the New York and New Jersey urban markets, which had better margins than other City Living locations. The decrease in income from unconsolidated entities was due principally to a settled litigation at one of our unconsolidated entities resulting in a charge to our earnings of $2.6 million in the fourth quarter of fiscal 2014.

Other

In fiscal 2014 and 2013, corporate and other loss before income taxes was $85.9 million and $77.3 million, respectively. The increase in the loss in fiscal 2014, as compared to fiscal 2013, was primarily due to $13.2 million of income in fiscal 2013 from the settlement of litigation and higher SG&A in fiscal 2014, as compared to fiscal 2013, offset, in part, by an increase in earnings from unconsolidated entities from $9.6 million in fiscal 2013 to $42.0 million in fiscal 2014, and increased income from our Gibraltar operations in fiscal 2014, as compared to fiscal 2013. The increase in SG&A costs was due primarily to increased compensation costs due to our increased number of employees and higher insurance costs. The increase in income from unconsolidated entities was due primarily to our recognition of a $23.5 million gain representing our share of the gain on the sale by Trust II of substantially all of its assets to an unrelated party in December 2013 and a $12.0 million distribution from the Trust in April 2014 due to the refinancing of one of the Trust’s apartment properties. The increase attributable to the Trust and Trust II gains was partially offset by lower income realized from Gibraltar’s Structured Asset Joint Venture.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk primarily due to fluctuations in interest rates. We utilize both fixed-rate and variable-rate debt. For fixed-rate debt, changes in interest rates generally affect the fair market value of the debt instrument, but not our earnings or cash flow. Conversely, for variable-rate debt, changes in interest rates generally do not affect the fair market value of the debt instrument, but do affect our earnings and cash flow. We do not have the obligation to prepay fixed-rate debt prior to maturity, and, as a result, interest rate risk and changes in fair market value should not have a significant impact on our fixed-rate debt until we are required or elect to refinance it.

The following table shows our debt obligations, principal cash flows by scheduled maturity, weighted-average interest rates, and estimated fair value as of October 31, 2015 ($ amounts in thousands):

	Fixed-rate debt		Variable-rate debt (a)	
Fiscal year of maturity	Amount	Weighted-average interest rate (%)	Amount	Weighted-average interest rate (%)
2016	$66,347	4.07%	$100,150	2.19%
2017	419,330	8.67%	150	0.15%
2018	14,391	3.43%	350,150	1.70%
2019	360,385	3.98%	500,150	1.60%
2020	253,140	6.73%	150	0.15%
Thereafter (b)	1,731,375	4.40%	13,360	0.15%
Discount and issuance costs	(18,838)			
Total	$2,826,130	5.17%	$964,110	1.68%
Fair value at October 31, 2015	$3,014,295		$964,110	

(a) Based upon the amount of variable-rate debt outstanding at October 31, 2015, and holding the variable-rate debt balance constant, each 1% increase in interest rates would increase the interest incurred by us by approximately $9.6 million per year.

(b) The fixed-rate debt amount includes $287.5 million principal amount of 0.5% Exchangeable Senior Notes. The 0.5% Exchangeable Senior Notes are exchangeable into shares of our common stock at an exchange rate of 20.3749 shares per $1,000 principal amount of notes, corresponding to an initial exchange price of approximately $49.08 per share of common stock. Holders of the 0.5% Exchangeable Senior Notes will have the right to require Toll Brothers Finance Corp. to repurchase their notes for cash equal to 100% of their principal amount, plus accrued but unpaid interest, on each of December 15, 2017, September 15, 2022, and September 15, 2027. We will have the right to redeem the 0.5% Exchangeable Senior Notes on or after September 15, 2017, for cash equal to 100% of their principal amount, plus accrued but unpaid interest.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, listed in Item 15(a)(1) beginning on page F-1 of this report are incorporated herein by reference.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Any controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected; however, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives.

Our Chief Executive Officer and Chief Financial Officer, with the assistance of management, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (“Exchange Act”), as of the end of the period covered by this report (“Evaluation Date”). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting and Attestation Report of the Independent Registered Public Accounting Firm

Management's Annual Report on Internal Control Over Financial Reporting and the attestation report of our independent registered public accounting firm on internal control over financial reporting on pages F-1 and F-2, respectively, are incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There has not been any change in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our quarter ended October 31, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table includes information with respect to all persons serving as executive officers as of the date of this Form 10-K. All executive officers serve at the pleasure of our Board of Directors.

Name	Age	Positions
Robert I. Toll	74	Executive Chairman of the Board and Director
Douglas C. Yearley, Jr.	55	Chief Executive Officer and Director
Richard T. Hartman	58	President and Chief Operating Officer
Martin P. Connor	51	Senior Vice President and Chief Financial Officer

Robert I. Toll, with his brother Bruce E. Toll, the Vice Chairman of the Board and a Director, cofounded our predecessors' operations in 1967. Robert I. Toll served as Chairman of the Board and Chief Executive Officer from our inception until June 2010, when he assumed the new position of Executive Chairman of the Board.

Douglas C. Yearley, Jr. joined us in 1990 as assistant to the Chief Executive Officer with responsibility for land acquisitions. He has been an officer since 1994, holding the position of Senior Vice President from January 2002 until November 2005, the position of Regional President from November 2005 until November 2009, and the position of Executive Vice President from November 2009 until June 2010, when he was promoted to his current position of Chief Executive Officer. Mr. Yearley was elected a Director in June 2010.

Richard T. Hartman, joined us in 1980 and served in various positions with us, including Regional President from 2005 through 2011. He was appointed to the positions of Executive Vice President and Chief Operating Officer effective January 1, 2012. In December 2012, Mr. Hartman was appointed to the position of President effective January 1, 2013.

Martin P. Connor joined us as Vice President and Assistant Chief Financial Officer in December 2008 and was elected a Senior Vice President in December 2009. Mr. Connor was appointed to his current position of Senior Vice President and Chief Financial Officer in September 2010. From June 2008 to December 2008, Mr. Connor was President of Marcon Advisors LLC, a finance and accounting consulting firm that he founded. From October 2006 to June 2008, Mr. Connor was Chief Financial Officer and Director of Operations for O'Neill Properties, a diversified commercial real estate developer in the Mid-Atlantic area. Prior to October 2006, he spent over 20 years at Ernst & Young LLP as an Audit and Advisory Business Services Partner, responsible for the real estate practice for Ernst & Young LLP in the Philadelphia marketplace. During the period from 1998 to 2005, he served on the Toll Brothers, Inc. engagement.

The other information required by this item will be included in the "Election of Directors" and "Corporate Governance" sections of our Proxy Statement for the 2016 Annual Meeting of Stockholders (the "2016 Proxy Statement").

Code of Ethics

We have adopted a Code of Ethics for the Principal Executive Officer and Senior Financial Officers ("Code of Ethics") that applies to our principal executive officer, principal financial officer, principal accounting officer, controller, and persons performing similar functions designated by our Board of Directors. The Code of Ethics is available on our Internet website at www.TollBrothers.com under "Investor Relations – Corporate Governance." If we were to amend or waive any provision of

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our Code of Ethics, we intend to satisfy our disclosure obligations with respect to any such waiver or amendment by posting such information on our Internet website set forth above rather than by filing a Form 8-K.

Indemnification of Directors and Officers

Our Certificate of Incorporation and Bylaws provide for indemnification of our directors and officers. We have also entered into individual indemnification agreements with each of our directors.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included in the “Executive Compensation” section of our 2016 Proxy Statement and is incorporated herein by reference.

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

The information required in this item will be included in the “Voting Securities and Beneficial Ownership” and “Equity Compensation Plan Information” sections of our 2016 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS; DIRECTOR INDEPENDENCE

The information required in this item will be included in the “Corporate Governance” and “Certain Transactions” sections of our 2016 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required in this item will be included in the “Ratification of the Re-Appointment of Independent Registered Public Accounting Firm” section of the 2016 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statement Schedules

2. Financial Statement Schedules

None

Financial statement schedules have been omitted because either they are not applicable or the required information is included in the financial statements or notes hereto.

(b) Exhibits

The following exhibits are included with this report or incorporated herein by reference:

Exhibit Number	Description
2.1	Purchase and Sale Agreement, dated as of November 6, 2013, among the Registrant and Shapell Investment Properties, Inc. is hereby incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on November 7, 2013.
3.1	Second Restated Certificate of Incorporation of the Registrant, dated September 8, 2005, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Form 10-Q for the quarter ended July 31, 2005.
3.2	Certificate of Amendment of the Second Restated Certificate of Incorporation of the Registrant, filed with the Secretary of State of the State of Delaware, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 22, 2010.
3.3	Certificate of Amendment of the Second Restated Certificate of Incorporation of the Registrant, dated as of March 16, 2011, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2011.
3.4	Bylaws of the Registrant, as Amended and Restated June 11, 2008, are hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 13, 2008.

3.5	Amendment to the By-laws of the Registrant, dated as of September 24, 2009, is hereby incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 24, 2009.
3.6	Amendment to the By-laws of the Registrant, dated as of June 15, 2011, is hereby incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 16, 2011.
4.1	Specimen Stock Certificate is hereby incorporated by reference to Exhibit 4.1 of the Registrant’s Form 10-K for the fiscal year ended October 31, 1991.

Exhibit Number	Description
4.2	Indenture, dated as of April 20, 2009, among Toll Brothers Finance Corp., the Registrant and the other guarantors named therein and The Bank of New York Mellon, as trustee, is hereby incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2009.
4.3	Authorizing Resolutions, dated as of April 20, 2009, relating to the $400,000,000 principal amount of 8.910% Senior Notes due 2017 of Toll Brothers Finance Corp. guaranteed on a Senior Basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2009.
4.4	Form of Global Note for Toll Brothers Finance Corp.’s 8.910% Senior Notes due 2017 is hereby incorporated by reference to Exhibit 4.3 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2009.
4.5	Authorizing Resolutions, dated as of September 22, 2009, relating to the $250,000,000 principal amount of 6.750% Senior Notes due 2019 of Toll Brothers Finance Corp. guaranteed on a Senior Basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 22, 2009.
4.6	Form of Global Note for Toll Brothers Finance Corp.’s 6.750% Senior Notes due 2019 is hereby incorporated by reference to Exhibit 4.2 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 22, 2009.
4.7	First Supplemental Indenture dated as of October 27, 2011, to the Indenture dated as of April 20, 2009 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant’s Form 10-Q for the quarter ended January 31, 2012.
4.8	Second Supplemental Indenture dated as of November 1, 2011, to the Indenture dated as of April 20, 2009 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.4 of the Registrant’s Form 10-Q for the quarter ended January 31, 2012.
4.9	Third Supplemental Indenture dated as of April 27, 2012, to the Indenture dated as of April 20, 2009 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant’s Form 10-Q for the quarter ended April 30, 2012.
4.10	Fourth Supplemental Indenture dated as of April 30, 2013, to Indenture dated as of April 20, 2009 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant’s Form 10-Q for the quarter ended April 30, 2013.
4.11	Fifth Supplemental Indenture dated as of April 30, 2014, to Indenture dated as of April 20, 2009 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor

	Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended April 30, 2014.
4.12	Sixth Supplemental Indenture dated as of July 31, 2014, to Indenture dated as of April 20, 2009 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended July 31, 2014.
4.13	Seventh Supplemental Indenture dated as of October 31, 2014, to Indenture dated as of April 20, 2009 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.40 of the Registrant's Form 10-K for the year ended October 31, 2014.
4.14	Eighth Supplemental Indenture dated as of January 30, 2015, to Indenture dated as of April 20, 2009 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended January 31, 2015.

Exhibit Number	Description
4.15	Ninth Supplemental Indenture dated as of April 30, 2015, to Indenture dated as of April 20, 2009 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended April 30, 2015.
4.16	Tenth Supplemental Indenture dated as of October 30, 2015, to Indenture dated as of April 20, 2009 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee. **
4.17	Indenture, dated as of February 7, 2012, among Toll Brothers Finance Corp., the Registrant and the other guarantors named therein and The Bank of New York Mellon, as trustee, is hereby incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2012.
4.18	Authorizing Resolutions, dated as of January 31, 2012, relating to the $300,000,000 principal amount of 5.875% Senior Notes due 2022 of Toll Brothers Finance Corp. guaranteed on a Senior Basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2012.
4.19	Form of Global Note for Toll Brothers Finance Corp.'s 5.875% Senior Notes due 2022 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2012.
4.20	Authorizing Resolutions, dated as of April 3, 2013, relating to the $300,000,000 principal amount of 4.375% Senior Notes due 2023 of Toll Brothers Finance Corp. guaranteed on a Senior Basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 10, 2013.
4.21	Authorizing Resolutions, dated as of May 8, 2013, relating to the $100,000,000 principal amount of 4.375% Senior Notes due 2023 of Toll Brothers Finance Corp. guaranteed on a Senior Basis by Toll Brothers, Inc. and certain of its subsidiaries is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 13, 2013.
4.22	Form of Global Note for Toll Brothers Finance Corp.'s 4.375% Senior Notes due 2023 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 10, 2013.
4.23	Authorizing Resolutions, dated as of November 21, 2013, relating to the $350,000,000 principal amount of 4.000% Senior Notes due 2018 of Toll Brothers Finance Corp. guaranteed on a Senior Basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 21, 2013.
4.24	

	Form of Global Note for Toll Brothers Finance Corp.'s 4.000% Senior Notes due 2018 is hereby incorporated by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 21, 2013.
4.25	Authorizing Resolutions, dated as of November 21, 2013, relating to the $250,000,000 principal amount of 5.625% Senior Notes due 2024 of Toll Brothers Finance Corp. guaranteed on a Senior Basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 21, 2013.
4.26	Form of Global Note for Toll Brothers Finance Corp.'s 5.625% Senior Notes due 2024 is hereby incorporated by reference to Exhibit 4.5 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 21, 2013.
4.27	First Supplemental Indenture dated as of April 27, 2012, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended April 30, 2012.
4.28	Second Supplemental Indenture dated as of April 30, 2013, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.4 of the Registrant's Form 10-Q for the quarter ended April 30, 2013.

Exhibit Number	Description
4.29	Third Supplemental Indenture dated as of April 30, 2014, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Form 10-Q for the quarter ended April 30, 2014.
4.30	Fourth Supplemental Indenture dated as of July 31, 2014, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Form 10-Q for the quarter ended July 31, 2014.
4.31	Fifth Supplemental Indenture dated as of October 31, 2014, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.55 of the Registrant's Form 10-K for the year ended October 31, 2014.
4.32	Sixth Supplemental Indenture dated as of January 30, 2015, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended January 31, 2015.
4.33	Seventh Supplemental Indenture dated as of April 30, 2015, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended April 30, 2015.
4.34	Eighth Supplemental Indenture dated as of October 30, 2015, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee. **
4.35	Indenture, dated as of September 11, 2012, among Toll Brothers Finance Corp., the Registrant and the other guarantors named therein and The Bank of New York Mellon, as trustee, is hereby incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 13, 2012.
4.36	First Supplemental Indenture dated as of April 30, 2013, to the Indenture dated as of September 11, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.5 of the Registrant's Form 10-Q for the quarter ended April 30, 2013.
4.37	Second Supplemental Indenture dated as of April 30, 2014, to the Indenture dated as of September 11, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended April 30, 2014.
4.38	Third Supplemental Indenture dated as of July 31, 2014, to the Indenture dated as of September 11, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for

	the quarter ended July 31, 2014.
4.39	Fourth Supplemental Indenture dated as of October 31, 2014, to the Indenture dated as of September 11, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.60 of the Registrant's Form 10-K for the year ended October 31, 2014.
4.40	Fifth Supplemental Indenture dated as of January 30, 2015, to the Indenture dated as of September 11, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.4 of the Registrant's Form 10-Q for the quarter ended January 31, 2015.
4.41	Sixth Supplemental Indenture dated as of April 30, 2015, to the Indenture dated as of September 11, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.4 of the Registrant's Form 10-Q for the quarter ended April 30, 2015.

Exhibit Number	Description
4.42	Seventh Supplemental Indenture dated as of October 30, 2015, to the Indenture dated as of September 11, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee. **
4.43	Rights Agreement dated as of June 13, 2007, by and between the Registrant and American Stock Transfer & Trust Company, as Rights Agent, is hereby incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 18, 2007.
10.1	Credit Agreement by and among First Huntingdon Finance Corp., the Registrant and the lenders which are parties thereto dated August 1, 2013, is hereby incorporated by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2013.
10.2	Credit Agreement by and among First Huntingdon Finance Corp., Toll Brothers, Inc., the lenders party thereto and SunTrust Bank, as Administrative Agent dated February 3, 2014, is hereby incorporated by reference to Exhibit 10.2 of the Registrant’s Form 8-K filed with the Securities and Exchange Commission on February 5, 2014
10.3*	Toll Brothers, Inc. Employee Stock Purchase Plan (amended and restated effective January 1, 2008) is hereby incorporated by reference to Exhibit 4.31 of the Registrant’s Form 10-K for the year ended October 31, 2007.
10.4*	Toll Brothers, Inc. Stock Incentive Plan (1998) is hereby incorporated by reference to Exhibit 4 of the Registrant’s Registration Statement on Form S-8 filed with the Securities and Exchange Commission on June 25, 1998, File No. 333-57645.
10.5*	Amendment to the Toll Brothers, Inc. Stock Incentive Plan (1998) effective March 22, 2001 is hereby incorporated by reference to Exhibit 10.4 of the Registrant’s Form 10-Q for the quarter ended July 31, 2001.
10.6*	Amendment to the Toll Brothers, Inc. Stock Incentive Plan (1998) effective December 12, 2007 is hereby incorporated by reference to Exhibit 10.4 of the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2008.
10.7*	Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Employees (2007) (amended and restated as of September 17, 2008, is hereby incorporated by reference to Exhibit 4.1 of the Registrant’s Amendment No. 1 to Toll Brothers, Inc.’s Registration Statement on Form S-8 (No. 333-143367) filed with the Securities and Exchange Commission on October 29, 2008.
10.8*	Form of Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2007) is hereby incorporated by reference to Exhibit 10.1 of the Registrant’s Form 8-K filed with the Securities and Exchange Commission on December 19, 2007.
10.9*	Form of Addendum to Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2007) is hereby incorporated by reference to Exhibit 10.3 of the Registrant’s Form 10-Q for the quarter ended July 31, 2007.

10.10*	Form of Stock Award Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2007) is hereby incorporated by reference to Exhibit 10.4 of the Registrant’s Form 10-Q for the quarter ended July 31, 2007.
10.11*	Form of Restricted Stock Unit Award pursuant to the Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Employees (2007) is hereby incorporated by reference to Exhibit 10.19 of the Registrant’s Form 10-K for the period ended October 31, 2008.
10.12*	Restricted Stock Unit Award to Robert I. Toll, dated December 19, 2008, pursuant to the Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Employees (2007) is incorporated by reference to Exhibit 10.20 of the Registrant’s Form 10-K for the period ended October 31, 2008.
10.13*	Restricted Stock Unit Award to Robert I. Toll, dated December 21, 2009, pursuant to the Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Employees (2007) is incorporated by reference to Exhibit 10.17 of the Registrant’s Form 10-K for the period ended October 31, 2009.
10.14*	Form of Performance Based Restricted Stock Unit Award pursuant to the Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Employees (2007) is incorporated by reference to Exhibit 10.33 of the Registrant’s Form 10-K for the period ended October 31, 2011.

Exhibit Number	Description
10.15*	Toll Brothers, Inc. Stock Incentive Plan for Employees (2014) is hereby incorporated by reference to Annex A to Toll Brothers, Inc.'s definitive proxy statement on Schedule 14A for the Toll Brothers, Inc. 2014 Annual Meeting of Stockholders held on March 12, 2014 filed with the SEC on February 3, 2014.
10.16*	Form of Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2014) is incorporated by reference to Exhibit 10.16 of the Registrant's Form 10-K for the period ended October 31, 2014.
10.17*	Form of Restricted Stock Unit Agreement (Performance Based) pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2014) is incorporated by reference to Exhibit 10.17 of the Registrant's Form 10-K for the period ended October 31, 2014.
10.18*	Form of Restricted Stock Unit Agreement (Total Shareholder Return Performance Based) pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2014). **
10.19*	Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Non-Employee Directors (2007) (amended and restated as of September 17, 2008) is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Amendment No. 1 to Toll Brothers, Inc.'s Registration Statement on Form S-8 (No. 333-144230) filed with the Securities and Exchange Commission on October 29, 2008.
10.20*	Form of Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Non-Employee Directors (2007) is hereby incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 19, 2007.
10.21*	Form of Addendum to Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Non-Employee Directors (2007) is hereby incorporated by reference to Exhibit 10.6 of the Registrant's Form 10-Q for the quarter ended July 31, 2007.
10.22*	Form of Restricted Stock Unit Award Agreement pursuant to the Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Non-Employee Directors (2007) is incorporated by reference to Exhibit 10.21 of the Registrant's Form 10-K for the period ended October 31, 2014.
10.23*	Toll Brothers, Inc. Senior Officer Bonus Plan is hereby incorporated by reference to Annex A to Toll Brothers, Inc.'s definitive proxy statement on Schedule 14A for the Toll Brothers, Inc. 2015 Annual Meeting of Stockholders held on March 10, 2015 filed with the Securities and Exchange Commission on January 30, 2015.
10.24*	Toll Brothers, Inc. Supplemental Executive Retirement Plan, as amended and restated effective as of March 12, 2014, is hereby incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended April 30, 2014
10.25*	Agreement dated March 5, 1998 between the Registrant and Bruce E. Toll regarding Mr. Toll's resignation and related matters is hereby incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended April 30, 1998.

10.26*	Advisory and Non-Competition Agreement between the Registrant and Bruce E. Toll, dated as of November 1, 2010, is incorporated by reference to Exhibit 10.34 of the Registrant's Form 10-K for the period ended October 31, 2010.
10.27*	Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008, is incorporated by reference to Exhibit 10.45 of the Registrant's Form 10-K for the period ended October 31, 2008.
10.28*	Amendment Number 1 dated November 1, 2010 to the Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008, is incorporated by reference to Exhibit 10.40 of the Registrant's Form 10-K for the period ended October 31, 2010.
10.29*	Amendment Number 2 dated December 30, 2010 to the Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008is incorporated by reference to Exhibit 10.40 of the Registrant's Form 10-K for the period ended October 31, 2010.
10.30*	Amendment Number 3 dated December 22, 2011 to the Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008, is incorporated by reference to Exhibit 10.28 of the Registrant's Form 10-K for the period ended October 31, 2014.

Exhibit Number	Description
10.31*	Toll Bros., Inc. Nonqualified Deferred Compensation Plan, amended and restated effective as of December 31, 2014, is incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q for the quarter ended January 31, 2015.
10.32*	Form of Indemnification Agreement between the Registrant and the members of its Board of Directors, is hereby incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 17, 2009.
12**	Statement re: Computation of Ratios of Earnings to Fixed Charges.
21**	Subsidiaries of the Registrant.
23**	Consent of Ernst & Young LLP, Independent Registered Public Accountant.
31.1**	Certification of Douglas C. Yearley, Jr. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Martin P. Connor pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Douglas C. Yearley, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Martin P. Connor pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Schema Document.
101.CAL**	XBRL Calculation Linkbase Document.
101.LAB**	XBRL Labels Linkbase Document.
101.PRE**	XBRL Presentation Linkbase Document.
101.DEF**	XBRL Definition Linkbase Document.

* This exhibit is a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

** Filed electronically herewith.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, they should not be relied on for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Horsham, Commonwealth of Pennsylvania, on December 21, 2015.

TOLL BROTHERS, INC.

By: /s/ Douglas C. Yearley, Jr.
Douglas C. Yearley, Jr.
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert I. Toll Robert I. Toll	Executive Chairman of the Board of Directors	December 21, 2015
/s/ Bruce E. Toll Bruce E. Toll	Vice Chairman of the Board and Director	December 21, 2015
/s/ Douglas C. Yearley, Jr. Douglas C. Yearley, Jr.	Chief Executive Officer and Director (Principal Executive Officer)	December 21, 2015
/s/ Richard T. Hartman Richard T. Hartman	Chief Operating Officer and President	December 21, 2015
/s/ Martin P. Connor Martin P. Connor	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	December 21, 2015
/s/ Joseph R. Sicree Joseph R. Sicree	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	December 21, 2015
/s/ Robert S. Blank Robert S. Blank	Director	December 21, 2015
/s/ Edward G. Boehne Edward G. Boehne	Director	December 21, 2015
/s/ Richard J. Braemer Richard J. Braemer	Director	December 21, 2015
/s/ Christine N. Garvey Christine N. Garvey	Director	December 21, 2015
/s/ Carl B. Marbach Carl B. Marbach	Director	December 21, 2015
/s/ Stephen A. Novick Stephen A. Novick	Director	December 21, 2015

/s/ Paul E. Shapiro	Director	December 21, 2015
Paul E. Shapiro		

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Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this evaluation under the framework in Internal Control — Integrated Framework, our management concluded that our internal control over financial reporting was effective as of October 31, 2015.

Our independent registered public accounting firm, Ernst & Young LLP, has issued its report, which is included herein, on the effectiveness of our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Toll Brothers, Inc.

We have audited Toll Brothers, Inc.’s internal control over financial reporting as of October 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Toll Brothers, Inc.’s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

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

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

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

In our opinion, Toll Brothers, Inc. maintained, in all material respects, effective internal control over financial reporting as of October 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Toll Brothers, Inc. as of October 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows for each of the three years in the period ended October 31, 2015 and our report dated December 21, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Philadelphia, Pennsylvania
December 21, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Toll Brothers, Inc.

We have audited the accompanying consolidated balance sheets of Toll Brothers, Inc. as of October 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows for each of the three years in the period ended October 31, 2015. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toll Brothers, Inc. at October 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Toll Brothers Inc.’s internal control over financial reporting as of October 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 21, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Philadelphia, Pennsylvania
December 21, 2015

CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	October 31, 2015	2014
ASSETS		
Cash and cash equivalents	$918,993	$586,315
Marketable securities	10,001	12,026
Restricted cash	16,795	18,342
Inventory	6,997,516	6,490,321
Property, construction, and office equipment, net	136,755	143,010
Receivables, prepaid expenses, and other assets	284,130	233,127
Mortgage loans held for sale	123,175	101,944
Customer deposits held in escrow	56,105	42,073
Investments in unconsolidated entities	412,860	447,078
Investments in foreclosed real estate and distressed loans	51,730	73,800
Deferred tax assets, net of valuation allowances	198,455	250,421
	$9,206,515	$8,398,457
LIABILITIES AND EQUITY		
Liabilities		
Loans payable	$1,000,439	$652,619
Senior notes	2,689,801	2,638,241
Mortgage company loan facility	100,000	90,281
Customer deposits	284,309	223,799
Accounts payable	236,953	225,347
Accrued expenses	608,066	581,477
Income taxes payable	58,868	125,996
Total liabilities	4,978,436	4,537,760
Equity		
Stockholders' equity		
Preferred stock, none issued	—	—
Common stock, 177,931 and 177,930 shares issued at October 31, 2015 and 2014, respectively	1,779	1,779
Additional paid-in capital	728,125	712,162
Retained earnings	3,595,202	3,232,035
Treasury stock, at cost — 3,084 and 2,884 shares at October 31, 2015 and 2014, respectively	(100,040)	(88,762)
Accumulated other comprehensive loss	(2,509)	(2,838)
Total stockholders' equity	4,222,557	3,854,376
Noncontrolling interest	5,522	6,321
Total equity	4,228,079	3,860,697
	$9,206,515	$8,398,457

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Amounts in thousands, except per share data)

	Year ended October 31,		
	2015	2014	2013
Revenues	$4,171,248	$3,911,602	$2,674,299
Cost of revenues	3,269,270	3,081,837	2,133,300
Selling, general and administrative	455,108	432,516	339,932
	3,724,378	3,514,353	2,473,232
Income from operations	446,870	397,249	201,067
Other:			
Income from unconsolidated entities	21,119	41,141	14,392
Other income – net	67,573	66,192	52,238
Income before income taxes	535,562	504,582	267,697
Income tax provision	172,395	164,550	97,091
Net income	$363,167	$340,032	$170,606
Other comprehensive income (loss), net of tax:			
Change in pension liability	311	(677)	2,334
Change in fair value of available-for-sale securities	2	3	(186)
Change in unrealized income on derivative held by equity investee	16	223	284
Other comprehensive income (loss)	329	(451)	2,432
Total comprehensive income	$363,496	$339,581	$173,038
Income per share:			
Basic	$2.06	$1.91	$1.01
Diluted	$1.97	$1.84	$0.97
Weighted-average number of shares:			
Basic	176,425	177,578	169,288
Diluted	184,703	185,875	177,963

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total Equity
	Shares	$	$	$	$	$	$	$
Balance, November 1, 2012	168,690	1,687	404,418	2,721,397	(983)	(4,819)	6,171	3,127,871
Net income				170,606				170,606
Purchase of treasury stock					(15,377)			(15,377)
Exercise of stock options and stock based compensation issuances	654	7	17,996		15,998			34,001
Employee stock purchase plan issuances	9		222		362			584
Stock-based compensation			19,041					19,041
Other comprehensive income						2,432		2,432
Loss attributable to non-controlling interest							(27)	(27)
Capital contribution							33	33
Balance, October 31, 2013	169,353	1,694	441,677	2,892,003	—	(2,387)	6,177	3,339,164
Net income				340,032				340,032
Issuance of common stock	7,188	72	220,366					220,438
Purchase of treasury stock					(90,754)			(90,754)
Exercise of stock options and stock based compensation issuances	1,389	13	28,197		1,543			29,753
Employee stock purchase plan issuances			266		449			715
Stock-based compensation			21,656					21,656
Other comprehensive loss						(451)		(451)
Loss attributable to non-controlling							(28)	(28)

interest								
Capital contribution							172	172
Balance, October 31, 2014	177,930	1,779	712,162	3,232,035	(88,762)	(2,838)	6,321	3,860,697
Net income				363,167				363,167
Purchase of treasury stock					(56,888)			(56,888)
Exercise of stock options and stock based compensation issuances	1		(6,956)		44,782			37,826
Employee stock purchase plan issuances			16		828			844
Stock-based compensation			22,903					22,903
Other comprehensive income						329		329
Loss attributable to non-controlling interest							(14)	(14)
Distribution							(785)	(785)
Balance, October 31, 2015	177,931	1,779	728,125	3,595,202	(100,040)	(2,509)	5,522	4,228,079

See accompanying notes.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Year ended October 31, 2015	2014	2013
Cash flow provided by (used in) operating activities:			
Net income	$363,167	$340,032	$170,606
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	23,557	22,999	25,210
Stock-based compensation	22,903	21,656	19,041
Excess tax benefits from stock-based compensation	(1,628)	(7,593)	(24,417)
Income from unconsolidated entities	(21,119)	(41,141)	(14,392)
Distributions of earnings from unconsolidated entities	19,459	43,973	23,468
Income from foreclosed real estate and distressed loans	(13,269)	(15,833)	(16,312)
Deferred tax provision	62,084	47,431	75,219
Change in deferred tax valuation allowances	(12,642)	(11,929)	(1,337)
Inventory impairments and write-offs	35,709	20,678	4,523
Other	(316)	(22)	117
Changes in operating assets and liabilities			
Increase in inventory	(351,983)	(271,982)	(941,314)
Origination of mortgage loans	(1,029,112)	(818,515)	(743,497)
Sale of mortgage loans	1,007,671	829,948	716,586
Decrease in restricted cash	1,547	13,694	15,240
Increase in receivables, prepaid expenses, and other assets	(55,553)	(5,214)	(51,794)
Increase in customer deposits	46,478	10,516	52,383
Increase in accounts payable and accrued expenses	28,729	82,101	100,463
(Decrease) increase in income taxes payable	(65,500)	52,401	21,244
Net cash provided by (used in) operating activities	60,182	313,200	(568,963)
Cash flow (used in) provided by investing activities:			
Purchase of property and equipment — net	(9,447)	(15,074)	(26,567)
Purchase of marketable securities			(36,202)
Sale and redemption of marketable securities	2,000	40,242	417,846
Investments in unconsolidated entities	(123,940)	(113,029)	(93,398)
Return of investments in unconsolidated entities	39,766	73,845	69,809
Investment in foreclosed real estate and distressed loans	(2,624)	(2,089)	(26,155)
Return of investments in foreclosed real estate and distressed loans	37,625	53,130	27,370
Net increase in cash from purchase of joint venture interest	3,848		
Acquisition of a business, net of cash acquired		(1,489,116)	
Net cash (used in) provided by investing activities	(52,772)	(1,452,091)	332,703
Cash flow provided by financing activities:			
Proceeds from issuance of senior notes	350,000	600,000	400,383
Debt issuance costs for senior notes	(3,175)	(4,739)	
Proceeds from loans payable	1,954,432	2,229,371	1,164,531
Debt issuance costs for loans payable		(3,063)	
Principal payments of loans payable	(1,659,458)	(1,767,115)	(1,195,524)
Redemption of senior notes	(300,000)	(267,960)	(163,853)
Net proceeds from issuance of common stock		220,365	
Proceeds from stock-based benefit plans	39,514	28,364	15,798
Excess tax benefits from stock-based compensation	1,628	7,593	24,417

Purchase of treasury stock	(56,888)	(90,754)	(15,377)
(Payments) receipts related to noncontrolling interest, net	(785)	172	33
Net cash provided by financing activities	325,268	952,234	230,408
Net increase (decrease) in cash and cash equivalents	332,678	(186,657)	(5,852)
Cash and cash equivalents, beginning of period	586,315	772,972	778,824
Cash and cash equivalents, end of period	$918,993	$586,315	$772,972

See accompanying notes.

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Toll Brothers, Inc. (the “Company,” “we,” “us,” or “our”), a Delaware corporation, and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in 50% or less owned partnerships and affiliates are accounted for using the equity method unless it is determined that we have effective control of the entity, in which case we would consolidate the entity.

References herein to fiscal year refer to our fiscal years ended or ending October 31.

Use of Estimates

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

Cash and Cash Equivalents

Liquid investments or investments with original maturities of three months or less are classified as cash equivalents.

Marketable Securities

Marketable securities are classified as available-for-sale and, accordingly, are stated at fair value, which is based on quoted market prices. Changes in unrealized gains and losses are excluded from earnings and are reported as other comprehensive income, net of income tax effects, if any. The cost of marketable securities sold is based on the specific identification method.

Restricted Cash

Restricted cash primarily represents cash deposits collateralizing certain deductibles under insurance policies, outstanding letters of credit outside of our bank revolving credit facility, and cash deposited into a voluntary employee benefit association to fund certain future employee benefits.

Inventory

Inventory is stated at cost unless an impairment exists, in which case it is written down to fair value in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 360, “Property, Plant, and Equipment” (“ASC 360”). In addition to direct land acquisition costs, land development costs, and home construction costs, costs also include interest, real estate taxes, and direct overhead related to development and construction, which are capitalized to inventory during the period beginning with the commencement of development and ending with the completion of construction. For those communities that have been temporarily closed, no additional capitalized interest is allocated to a community’s inventory until it reopens. While the community remains closed, carrying costs such as real estate taxes are expensed as incurred.

We capitalize certain interest costs to qualified inventory during the development and construction period of our communities in accordance with ASC 835-20, “Capitalization of Interest” (“ASC 835-20”). Capitalized interest is charged to cost of revenues when the related inventory is delivered. Interest incurred on home building indebtedness in excess of qualified inventory, as defined in ASC 835-20, is charged to the Consolidated Statements of Operations and Comprehensive Income in the period incurred.

Once a parcel of land has been approved for development and we open one of our typical communities, it may take four or more years to fully develop, sell, and deliver all the homes in such community. Longer or shorter time periods are possible depending on the number of home sites in a community and the sales and delivery pace of the homes in a community. Our master planned communities, consisting of several smaller communities, may take up to 10 years or more to complete. Because our inventory is considered a long-lived asset under GAAP, we are required, under ASC 360, to regularly review the carrying value of each community and write down the value of those communities for which we believe the values are not recoverable.

Operating Communities: When the profitability of an operating community deteriorates, the sales pace declines significantly, or some other factor indicates a possible impairment in the recoverability of the asset, the asset is reviewed for impairment by comparing the estimated future undiscounted cash flow for the community to its carrying value. If the estimated future undiscounted cash flow is less than the community's carrying value, the carrying value is written down to its estimated fair value. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. The impairment is charged to cost of revenues in the period in which the impairment is determined. In estimating the future undiscounted cash flow of a community, we use various estimates such as (i) the expected sales pace in a community, based upon general economic conditions that will have a short-term or long-term impact on the market in which the community is located and on competition within the market, including the number of home sites available and pricing and incentives being offered in other communities owned by us or by other builders; (ii) the expected sales prices and sales incentives to be offered in a community; (iii) costs expended to date and expected to be incurred in the future, including, but not limited to, land and land development, home construction, interest, and overhead costs; (iv) alternative product offerings that may be offered in a community that will have an impact on sales pace, sales price, building cost, or the number of homes that can be built on a particular site; and (v) alternative uses for the property such as the possibility of a sale of the entire community to another builder or the sale of individual home sites.

Future Communities: We evaluate all land held for future communities or future sections of operating communities, whether owned or under contract, to determine whether or not we expect to proceed with the development of the land as originally contemplated. This evaluation encompasses the same types of estimates used for operating communities described above, as well as an evaluation of the regulatory environment applicable to the land and the estimated probability of obtaining the necessary approvals, the estimated time and cost it will take to obtain the approvals, and the possible concessions that will be required to be given in order to obtain them. Concessions may include cash payments to fund improvements to public places such as parks and streets, dedication of a portion of the property for use by the public or as open space, or a reduction in the density or size of the homes to be built. Based upon this review, we decide (i) as to land under contract to be purchased, whether the contract will likely be terminated or renegotiated, and (ii) as to land owned, whether the land will likely be developed as contemplated or in an alternative manner, or should be sold. We then further determine whether costs that have been capitalized to the community are recoverable or should be written off. The write-off is charged to cost of revenues in the period in which the need for the write-off is determined.

The estimates used in the determination of the estimated cash flows and fair value of both current and future communities are based on factors known to us at the time such estimates are made and our expectations of future operations and economic conditions. Should the estimates or expectations used in determining estimated fair value deteriorate in the future, we may be required to recognize additional impairment charges and write-offs related to current and future communities.

Variable Interest Entities

We are required to consolidate variable interest entities ("VIEs") in which we have a controlling financial interest in accordance with ASC 810, "Consolidation" ("ASC 810"). A controlling financial interest will have both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Our variable interest in VIEs may be in the form of equity ownership, contracts to purchase assets, management services, and development agreements between us and a VIE, loans provided by us to a VIE or other member, and/or guarantees provided by members to banks and other parties.

We have a significant number of land purchase contracts and several investments in unconsolidated entities which we evaluate in accordance with ASC 810. We analyze our land purchase contracts and the unconsolidated entities in which we have an investment to determine whether the land sellers and unconsolidated entities are VIEs and, if so, whether we are the primary beneficiary. We examine specific criteria and use our judgment when determining if we are the primary beneficiary of a VIE. Factors considered in determining whether we are the primary beneficiary include risk and reward sharing, experience and financial condition of other member(s), voting rights, involvement in day-to-day capital and operating decisions, representation on a VIE’s executive committee, existence of unilateral kick-out rights or voting rights, level of economic disproportionality between us and the other member(s), and contracts to purchase assets from VIEs. The determination whether an entity is a VIE and, if so, whether we are the primary beneficiary may require significant judgment.

Property, Construction, and Office Equipment

Property, construction, and office equipment are recorded at cost and are stated net of accumulated depreciation of $138.7 million and $171.1 million at October 31, 2015 and 2014, respectively. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. In fiscal 2015, 2014, and 2013, we recognized $15.7 million, $13.4 million, and $10.8 million of depreciation expense, respectively.

Mortgage Loans Held for Sale

Residential mortgage loans held for sale are measured at fair value in accordance with the provisions of ASC 825, "Financial Instruments" ("ASC 825"). We believe the use of ASC 825 improves consistency of mortgage loan valuations between the date the borrower locks in the interest rate on the pending mortgage loan and the date of the mortgage loan sale. At the end of the reporting period, we determine the fair value of our mortgage loans held for sale and the forward loan commitments we have entered into as a hedge against the interest rate risk of our mortgage loans using the market approach to determine fair value. The evaluation is based on the current market pricing of mortgage loans with similar terms and values as of the reporting date, and such pricing is applied to the mortgage loan portfolio. We recognize the difference between the fair value and the unpaid principal balance of mortgage loans held for sale as a gain or loss. In addition, we recognize the fair value of our forward loan commitments as a gain or loss. Interest income on mortgage loans held for sale is calculated based upon the stated interest rate of each loan. In addition, the recognition of net origination costs and fees associated with residential mortgage loans originated are expensed as incurred. These gains and losses, interest income, and origination costs and fees are recognized in "Other income - net" in the accompanying Consolidated Statements of Operations and Comprehensive Income.

Investments in Unconsolidated Entities

In accordance with ASC 323, "Investments—Equity Method and Joint Ventures," we review each of our investments on a quarterly basis for indicators of impairment. A series of operating losses of an investee, the inability to recover our invested capital, or other factors may indicate that a loss in value of our investment in the unconsolidated entity has occurred. If a loss exists, we further review the investment to determine if the loss is other than temporary, in which case we write down the investment to its fair value. The evaluation of our investment in unconsolidated entities entails a detailed cash flow analysis using many estimates, including, but not limited to, expected sales pace, expected sales prices, expected incentives, costs incurred and anticipated, sufficiency of financing and capital, competition, market conditions, and anticipated cash receipts, in order to determine projected future distributions. In addition, for rental properties, we review rental trends, expected future expenses, and expected cash flows to determine estimated fair values of the properties.

Each of the unconsolidated entities evaluates its inventory in a similar manner as we do. See "Inventory" above for more detailed disclosure on our evaluation of inventory. If a valuation adjustment is recorded by an unconsolidated entity related to its assets, our proportionate share is reflected in income from unconsolidated entities with a corresponding decrease to our investment in unconsolidated entities.

We are a party to several joint ventures with unrelated parties to develop and sell land that is owned by the joint ventures. We recognize our proportionate share of the earnings from the sale of home sites to other builders, including our joint venture partners. We do not recognize earnings from the home sites we purchase from these ventures, at the time of purchase; instead, our cost basis in those home sites is reduced by our share of the earnings realized by the joint venture from sales of those home sites to us.

We are also a party to several other joint ventures. We recognize our proportionate share of the earnings and losses of our unconsolidated entities.

Investments in Foreclosed Real Estate and Distressed Loans

Foreclosed Real Estate Owned ("REO"): REO assets, either directly owned or owned through a participation arrangement, acquired through subsequent foreclosure or deed in lieu actions on non-performing loans, are initially recorded at fair value based upon third-party appraisals, broker opinions of value, or internal valuation methodologies (which may include discounted cash flows, capitalization rate analysis, or comparable transactional analysis). Unobservable inputs used in estimating the fair value of REO assets are based upon the best information available under the circumstances and take into consideration the financial condition and operating results of the asset, local market conditions, the availability of capital, interest and inflation rates, and other factors deemed appropriate by management. REO assets acquired are reviewed to determine if they should be classified as “held and used” or “held for sale.” REO classified as “held and used” is stated at carrying cost unless an impairment exists, in which case it is written down to fair value in accordance with ASC 360. REO classified as “held for sale” is carried at the lower of carrying amount or fair value less cost to sell. An impairment charge is recognized for any decreases in estimated fair value subsequent to the acquisition date. For both classifications, carrying costs incurred after the acquisition, including property taxes and insurance, are expensed. For the years ended October 31, 2015, 2014, and 2013, we recorded impairments on REO of $0.8 million, $1.4 million, and $0.5 million, respectively.

Investments in Distressed Loans: Our investments in distressed loans represent nonperforming loans classified as nonaccrual in accordance with ASC 310-10, "Receivable" ("ASC 310-10"). Interest income is not recognized on nonaccrual loans. When a loan is classified as nonaccrual, any subsequent cash receipt is accounted for using the cost recovery method. As part of our disposition strategy for the loan portfolios, we may sell certain loans to third-party purchasers. We recognize gains or losses on the sale of mortgage loans when the loans have been legally isolated from us and we no longer maintain effective control over the transferred assets.

Fair Value Disclosures

We use ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), to measure the fair value of certain assets and liabilities. ASC 820 provides a framework for measuring fair value in accordance with GAAP, establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and requires certain disclosures about fair value measurements.

The fair value hierarchy is summarized below:

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

Treasury Stock

Treasury stock is recorded at cost. Issuance of treasury stock is accounted for on a first-in, first-out basis. Differences between the cost of treasury stock and the re-issuance proceeds are charged to additional paid-in capital.

Revenue and Cost Recognition

Revenues and cost of revenues from home sales are recorded at the time each home is delivered and title and possession are transferred to the buyer.

For our standard attached and detached homes, land, land development, and related costs, both incurred and estimated to be incurred in the future, are amortized to the cost of homes closed based upon the total number of homes to be constructed in each community. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated costs subsequent to the commencement of delivery of homes are allocated to the remaining undelivered homes in the community. Home construction and related costs are charged to the cost of homes closed under the specific identification method. The estimated land, common area development, and related costs of master planned communities, including the cost of golf courses, net of their estimated residual value, are allocated to individual communities within a master planned community on a relative sales value basis. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated costs are allocated to the remaining home sites in each of the communities of the master planned community.

For high-rise/mid-rise projects, land, land development, construction, and related costs, both incurred and estimated to be incurred in the future, are generally amortized to the cost of units closed based upon an estimated relative sales value of the units closed to the total estimated sales value. Any changes resulting from a change in the estimated total costs or revenues of the project are allocated to the remaining units to be delivered.

Forfeited Customer Deposits: Forfeited customer deposits are recognized in "Other income – net" in our Consolidated Statements of Operations and Comprehensive Income in the period in which we determine that the customer will not complete the purchase of the home and we have the right to retain the deposit.

Sales Incentives: In order to promote sales of our homes, we grant our home buyers sales incentives from time to time. These incentives will vary by type of incentive and by amount on a community-by-community and home-by-home basis. Incentives that impact the value of the home or the sales price paid, such as special or additional options, are generally reflected as a reduction in sales revenues. Incentives that we pay to an outside party, such as paying some or all of a home buyer's closing costs, are recorded as an additional cost of revenues. Incentives are recognized at the time the home is delivered to the home buyer and we receive the sales proceeds.

Advertising Costs

We expense advertising costs as incurred. Advertising costs were $18.2 million, $15.6 million, and $11.6 million for the years ended October 31, 2015, 2014, and 2013, respectively.

Warranty and Self-Insurance

Warranty: We provide all of our home buyers with a limited warranty as to workmanship and mechanical equipment. We also provide many of our home buyers with a limited 10-year warranty as to structural integrity. We accrue for expected warranty costs at the time each home is closed and title and possession are transferred to the home buyer. Warranty costs are accrued based upon historical experience. Adjustments to our warranty liabilities related to homes delivered in prior years are recorded in the period in which a change in our estimate occurs.

Self-Insurance: We maintain, and require the majority of our subcontractors to maintain, general liability insurance (including construction defect and bodily injury coverage) and workers' compensation insurance. These insurance policies protect us against a portion of our risk of loss from claims related to our home building activities, subject to certain self-insured retentions, deductibles and other coverage limits ("self-insured liability"). We also provide general liability insurance for our subcontractors in Arizona, California, Nevada, and Washington, where eligible subcontractors are enrolled as insureds under our general liability insurance policies in each community in which they perform work. For those enrolled subcontractors, we absorb their general liability associated with the work performed on our homes within the applicable community as part of our overall general liability insurance and our self-insurance through our captive insurance subsidiary.

We record expenses and liabilities based on the estimated costs required to cover our self-insured liability and the estimated costs of potential claims and claim adjustment expenses that are above our coverage limits or that are not covered by our insurance policies. These estimated costs are based on an analysis of our historical claims and industry data, and include an estimate of claims incurred but not yet reported ("IBNR").

We engage a third-party actuary that uses our historical claim and expense data, input from our internal legal and risk management groups, as well as industry data, to estimate our liabilities related to unpaid claims, IBNR associated with the risks that we are assuming for our self-insured liability, and other required costs to administer current and expected claims. These estimates are subject to uncertainty due to a variety of factors, the most significant being the long period of time between the delivery of a home to a home buyer and when a structural warranty or construction defect claim is made, and the ultimate resolution of the claim. Though state regulations vary, construction defect claims are reported and resolved over a prolonged period of time, which can extend for 10 years or longer. As a result, the majority of the estimated liability relates to IBNR. Adjustments to our liabilities related to homes delivered in prior years are recorded in the period in which a change in our estimate occurs.

The projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to our markets and the types of product we build, insurance industry practices, and legal or regulatory actions and/or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severities, and settlement patterns, which can occur over an extended period of time. In addition, changes in the frequency and severity of reported claims and the estimates to settle claims can impact the trends and assumptions used in the actuarial analysis, which could be material to our consolidated financial statements. Due to the degree of judgment required, and the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated, and the difference could be material to our consolidated financial statements.

Stock-Based Compensation

We account for our stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation" ("ASC 718"). We use a lattice model for the valuation for our stock option grants. The option pricing models used are designed to estimate the value of options that, unlike employee stock options and restricted stock units, can be traded at any time and are transferable. In addition to restrictions on trading, employee stock options and restricted stock units may include other restrictions such as vesting periods. Further, such models require the input of highly subjective assumptions, including the expected volatility of the stock price. Stock-based compensation expense is generally included in "Selling, general and administrative" expense in our Consolidated Statements of Operations and Comprehensive Income.

Income Taxes

We account for income taxes in accordance with ASC 740, “Income Taxes” (“ASC 740”). Deferred tax assets and liabilities are recorded based on temporary differences between the amounts reported for financial reporting purposes and the amounts reported for income tax purposes. In accordance with the provisions of ASC 740, we assess the realizability of our deferred tax assets. A valuation allowance must be established when, based upon available evidence, it is more likely than not that all or a portion of the deferred tax assets will not be realized. See "Income Taxes – Valuation Allowance" below. Federal and state income taxes are calculated on reported pre-tax earnings based on current tax law and also include, in the applicable period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized for financial reporting purposes in different periods than for income tax purposes. Significant judgment is required in determining income tax provisions and evaluating tax positions. We establish reserves for income taxes when, despite the belief that our tax positions are fully supportable, we believe that our positions may be challenged and disallowed by various tax authorities. The consolidated tax provisions and related accruals include the impact of such reasonably estimable disallowances as deemed appropriate. To the extent that the probable tax outcome of these matters changes, such changes in estimates will impact the income tax provision in the period in which such determination is made.

ASC 740 clarifies the accounting for uncertainty in income taxes recognized and prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. ASC 740 requires a company to recognize the financial statement effect of a tax position when it is "more-likely-than-not" (defined as a substantiated likelihood of more than 50%), based on the technical merits of the position, that the position will be sustained upon examination. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to be recognized in the financial statements based upon the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Our inability to determine that a tax position meets the more-likely-than-not recognition threshold does not mean that the Internal Revenue Service ("IRS") or any other taxing authority will disagree with the position that we have taken. If a tax position does not meet the more-likely-than-not recognition threshold, despite our belief that our filing position is supportable, the benefit of that tax position is not recognized in the Consolidated Statements of Operations and Comprehensive Income and we are required to accrue potential interest and penalties until the uncertainty is resolved. Potential interest and penalties are recognized as a component of the provision for income taxes. Differences between amounts taken in a tax return and amounts recognized in the financial statements are considered unrecognized tax benefits. We believe that we have a reasonable basis for each of our filing positions and intend to defend those positions if challenged by the IRS or other taxing jurisdiction. If the IRS or other taxing authorities do not disagree with our position, and after the statute of limitations expires, we will recognize the unrecognized tax benefit in the period that the uncertainty of the tax position is eliminated.

Income Taxes — Valuation Allowance

Significant judgment is applied in assessing the realizability of deferred tax assets. In accordance with GAAP, a valuation allowance is established against a deferred tax asset if, based on the available evidence, it is more-likely-than-not that such asset will not be realized. The realization of a deferred tax asset ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under tax law. We assess the need for valuation allowances for deferred tax assets based on GAAP's more-likely-than-not realization threshold criteria. In our assessment, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. Forming a conclusion that a valuation allowance is not needed is difficult when there is significant negative evidence such as cumulative losses in recent years. This assessment considers, among other matters, the nature, consistency, and magnitude of current and cumulative income and losses; forecasts of future profitability; the duration of statutory carryback or carryforward periods; our experience with operating loss and tax credit carryforwards being used before expiration; and tax planning alternatives.

Our assessment of the need for a valuation allowance on our deferred tax assets includes assessing the likely future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. Changes in existing tax laws or rates could affect our actual tax results, and our future business results may affect the amount of our deferred tax liabilities or the valuation of our deferred tax assets over time. Our accounting for deferred tax assets represents our best estimate of future events.

Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods (carryforward period assumptions), actual results could differ from the estimates used in our analysis. Our assumptions require significant judgment because the residential home building industry is cyclical and is highly sensitive to changes in economic conditions. If our results of operations are less than projected and there is insufficient objectively verifiable positive evidence to support the more-likely-than-not realization of our deferred tax assets, a valuation allowance would be required to reduce or eliminate our deferred tax assets.

Segment Reporting

We operate in two segments: traditional home building and urban infill. We build and sell homes for detached and attached homes in luxury residential communities located in affluent suburban markets and cater to move-up, empty-nester, active-adult, age-qualified, and second-home buyers in the United States (“Traditional Home Building”). We also build and sell homes in urban infill markets through Toll Brothers City Living® (“City Living”).

We have determined that our Traditional Home Building operations operate in five geographic segments: North, Mid-Atlantic, South, West, and California.

The states comprising each geographic segment are as follows:

North:	Connecticut, Illinois, Massachusetts, Michigan, Minnesota, New Jersey, and New York
Mid-Atlantic:	Delaware, Maryland, Pennsylvania, and Virginia
South:	Florida, North Carolina, and Texas
West:	Arizona, Colorado, Nevada, and Washington
California:	California

Prior to October 31, 2015, California was included in the West geographic segment. Due to the increase in our assets and operations in California, it is now presented as a separate geographic segment. Amounts reported in prior years have been reclassified to conform to the fiscal 2015 presentation.

Related Party Transactions

See Note 4, “Investments in Unconsolidated Entities - Rental Property Joint Ventures” for information regarding Toll Brothers Realty Trust (“Trust”).

Reclassification

Certain prior period amounts have been reclassified to conform to the fiscal 2015 presentation.

Recent Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update (“ASU”) No. 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. We adopted ASU 2015-03 on October 31, 2015 and we applied the new guidance retrospectively to all prior periods presented in the financial statements. As a result of the adoption of ASU 2015-03, $18.4 million of deferred debt issuance costs at October 31, 2014 were reclassified from “Receivables, prepaid expenses, and other assets” to “Loans payable” or “Senior notes,” as appropriate, in our Consolidated Balance Sheets. See Note 6, “Loans Payable, Senior Notes, and Mortgage Company Loan Facility” for additional information.

In July 2013, the FASB issued ASU No. 2013-11, “Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists” (“ASU 2013-11”). ASU 2013-11 is intended to end inconsistent practices regarding the presentation of unrecognized tax benefits when a net operating loss, a similar tax loss, or a tax credit carryforward is available to reduce the taxable income or tax payable that would result from the disallowance of a tax position. We adopted ASU 2013-11 on November 1, 2014, and the adoption did not have a material effect on our consolidated financial statements or disclosures.

In April 2013, the FASB issued ASU No. 2013-04, “Liabilities” (“ASU 2013-04”), which provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. We adopted ASU 2013-04 on November 1, 2014, and the adoption did not have a material effect on our consolidated financial statements or disclosures.

In February 2015, the FASB issued ASU No. 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis” (“ASU 2015-02”), which eliminates the deferral granted to investment companies from applying the variable interest entities (“VIEs”) guidance and makes targeted amendments to the current consolidation guidance. The new guidance applies to all entities involved with limited partnerships or similar entities and will require re-evaluation of these entities under the revised guidance which may change previous consolidation conclusions. ASU 2015-02 is effective for us beginning February 1, 2016, and, at that time, we may adopt the new standard retrospectively or use a modified retrospective approach. Early adoption is

permitted. We are currently evaluating the impact the adoption of ASU 2015-02 will have on our consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which provides guidance for revenue recognition. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry-specific guidance. ASU 2014-09 also supersedes some cost guidance included in Subtopic 605-35, "Revenue Recognition-Construction-Type and Production-Type Contracts." The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under the current guidance. These judgments and estimates include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. In August 2015, the FASB issued ASU 2015-14 "Revenue from Contracts with Customers" ("ASU 2015-14"), which delays the effective date of ASU 2014-09 by one year. ASU 2014-09, as amended by ASU 2015-14, is effective for us beginning November 1, 2018, and, at that time, we may adopt the new standard under the full retrospective approach or the modified retrospective approach. We are currently evaluating the method of adoption and the impact the adoption of ASU 2014-09 will have on our consolidated financial statements and disclosures.

In January 2014, the FASB issued ASU No. 2014-04, "Receivables - Troubled Debt Restructurings by Creditors" ("ASU 2014-04"), which clarifies when in substance repossession or foreclosure of residential real estate property collateralizing a consumer mortgage loan has occurred. By doing so, this guidance helps determine when the creditor should derecognize the loan receivable and recognize the real estate property. ASU 2014-04 is effective prospectively for us beginning November 1, 2015. The adoption of ASU 2014-04 is not expected to have a material effect on our consolidated financial statements or disclosures.

2. Acquisition

Shapell Industries, Inc.

On February 4, 2014, we completed our acquisition of Shapell Industries, Inc. ("Shapell") pursuant to the Purchase and Sale Agreement (the "Purchase Agreement") dated November 6, 2013, with Shapell Investment Properties, Inc. ("SIPI"). We acquired all of the equity interests in Shapell from SIPI for $1.49 billion, net of cash acquired (the "Acquisition"). We acquired the single-family residential real property development business of Shapell, including a portfolio of approximately 4,950 home sites in California, some of which we have sold to other builders. The Acquisition provides us with a premier California land portfolio, including 11 active selling communities as of the acquisition date, in affluent, high-growth markets: the San Francisco Bay area, metro Los Angeles, Orange County, and the Carlsbad market. As part of the Acquisition, we assumed contracts to deliver 126 homes with an aggregate value of approximately $105.3 million.

We did not acquire the apartment and commercial rental properties owned and operated by Shapell (the "Shapell Commercial Properties") or Shapell's mortgage lending activities relating to its home building operations. Accordingly, the Purchase Agreement provides that SIPI will indemnify us for any loss arising out of or resulting from, among other things, (i) any liability (other than environmental losses, subject to certain exceptions) related to the Shapell Commercial Properties, and (ii) any liability (other than environmental losses, subject to certain exceptions) to the extent related to Shapell Mortgage, Inc.

We financed the Acquisition with a combination of $370.0 million of borrowings under our $1.035 billion unsecured revolving credit facility, $485.0 million from a term loan facility, and $815.7 million in net proceeds from debt and equity financings completed in November 2013. See Note 6, "Loans Payable, Senior Notes, and Mortgage Company Loan Facility" and Note 9, "Stockholders' Equity" of our consolidated financial statements for further details. As a result of the Acquisition, Shapell became our wholly owned subsidiary. Accordingly, the Shapell results are included in our consolidated financial statements from the date of the Acquisition. For the period from February 4, 2014 to October 31, 2014, revenues and operating income from the Shapell operations, excluding $5.3 million of acquisition-related costs, were $300.8 million and $37.2 million, respectively.

The Acquisition was accounted for in accordance with ASC 805, “Business Combinations” (“ASC 805”), and, therefore, the acquired assets and assumed liabilities were recorded by us at their estimated fair values. The following table summarizes the amounts for acquired assets and liabilities recorded at their fair values as of the acquisition date (amounts in thousands):

Assets acquired and liabilities assumed	
Cash and cash equivalents	$106,233
Inventory	1,513,801
Property, construction, and office equipment, net	404
Receivables, prepaid expenses, and other assets	10,759
Total assets acquired	1,631,197
Customer deposits	(5,429)
Accounts payable and accrued liabilities	(30,419)
Total liabilities assumed	(35,848)
Total net assets acquired	$1,595,349

Cash and cash equivalents, customer deposits, and accounts payable were generally stated at historical carrying values given the short-term nature of these assets and liabilities. Receivables, prepaid expenses, and other assets and accrued expenses were adjusted to reflect fair values.

We determined the fair value of inventory on a community-by-community basis primarily using a combination of discounted cash flow models and market comparable land transactions, where available. These estimated cash flows are significantly impacted by estimates related to (i) expected selling prices, (ii) expected settlement paces, (iii) expected land development and construction timelines, and anticipated land development costs and construction costs, and (iv) overhead costs expected to be incurred in the future. Such estimates must be made for each individual community and may vary significantly between communities. See Note 1, “Significant Accounting Policies - Inventory” for additional discussion of the factors impacting the fair value of inventory.

We recorded $6.1 million and $1.4 million in acquisition-related costs during the years ended October 31, 2014 and 2013, respectively, which are included in the Consolidated Statements of Operations and Comprehensive Income within “Selling, general and administrative.” Such costs were expensed as incurred in accordance with ASC 805. There were no acquisition-related costs incurred in the year ended October 31, 2015.

Supplemental Pro Forma Information – Shapell

The following presents unaudited pro forma data for the years ended October 31, 2014 and 2013, as if the Acquisition had been completed as of November 1, 2012 (amounts in thousands, except per share data):

	2014	2013
Revenues	$4,045,101	$3,102,076
Net income	$381,855	$202,746
Income per share – basic	$2.15	$1.15
Income per share – diluted	$2.06	$1.09

The unaudited pro forma operating results have been determined after adjusting the operating results of Shapell to reflect the purchase accounting and other acquisition adjustments, including interest expense associated with the debt used to fund a portion of the acquisition. The unaudited pro forma results do not reflect any cost savings, operating synergies, or revenue enhancements that we may achieve as a result of the Acquisition, the costs to integrate Shapell’s operations, or the costs necessary to achieve these cost savings, operating synergies, and revenue enhancements. Accordingly, the unaudited pro forma amounts are for comparative purposes only and may not necessarily reflect the results of operations that would have resulted had the Acquisition been completed at the beginning of the applicable period or be indicative of the results that will be attained in the future.

Certain other adjustments, including those related to conforming accounting policies and interest capitalization, have not been reflected in the supplemental pro forma operating results due to the impracticability of estimating such impacts.

3. Inventory

Inventory at October 31, 2015 and 2014 consisted of the following (amounts in thousands):

	2015	2014
Land controlled for future communities	$75,214	$122,533
Land owned for future communities	2,033,447	2,355,874
Operating communities	4,888,855	4,011,914
	$6,997,516	$6,490,321

Operating communities include communities offering homes for sale, communities that have sold all available home sites but have not completed delivery of the homes, communities that were previously offering homes for sale but are temporarily closed due to business conditions or non-availability of improved home sites and that are expected to reopen within 12 months of the end of the fiscal year being reported on, and communities preparing to open for sale. The carrying value attributable to operating communities includes the cost of homes under construction, land and land development costs, the carrying cost of home sites in current and future phases of these communities, and the carrying cost of model homes.

Communities that were previously offering homes for sale but are temporarily closed due to business conditions and that do not have any remaining backlog and are not expected to reopen within 12 months of the end of the fiscal period being reported on have been classified as land owned for future communities. Backlog consists of homes under contract but not yet delivered to our home buyers ("backlog").

Information regarding the classification, number, and carrying value of these temporarily closed communities at October 31, 2015, 2014, and 2013, is provided in the table below ($ amounts in thousands):

	2015	2014	2013
Land owned for future communities:			
Number of communities	15	16	25
Carrying value (in thousands)	$119,138	$122,015	$153,498
Operating communities:			
Number of communities	11	9	15
Carrying value (in thousands)	$63,668	$42,092	$88,534

We provided for inventory impairment charges and the expensing of costs that we believed not to be recoverable in each of the three fiscal years ended October 31, 2015, 2014, and 2013, as shown in the table below (amounts in thousands):

Charge:	2015	2014	2013
Land controlled for future communities	$809	$3,123	$1,183
Land owned for future communities	12,600		
Operating communities	22,300	17,555	3,340
	$35,709	$20,678	$4,523

See Note 12, "Fair Value Disclosures," for information regarding the number of operating communities that we tested for potential impairment, the number of operating communities in which we recognized impairment charges, the amount of impairment charges recognized, and the fair value of those communities, net of impairment charges.

See Note 15, "Commitments and Contingencies," for information regarding land purchase commitments.

At October 31, 2015, we evaluated our land purchase contracts to determine if any of the selling entities were VIEs, and, if they were, whether we were the primary beneficiary of any of them. Under these land purchase contracts, we do not possess legal title to the land; our risk is generally limited to deposits paid to the sellers; and the creditors of the sellers generally have no recourse against us. At October 31, 2015, we determined that 61 land purchase contracts, with an aggregate purchase price of $663.6 million, on which we had made aggregate deposits totaling $45.0 million, were VIEs and that we were not the primary beneficiary of any VIE related to our land purchase contracts. At October 31, 2014, we determined that 63 land purchase contracts, with an aggregate purchase price of $578.2 million, on which we had made aggregate deposits totaling $30.7 million, were VIEs, and that we were not the primary beneficiary of any VIE related to our land purchase contracts.

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Interest incurred, capitalized, and expensed in each of the three fiscal years ended October 31, 2015, 2014, and 2013, was as follows (amounts in thousands):

	2015	2014	2013
Interest capitalized, beginning of year	$356,180	$343,077	$330,581
Interest incurred	155,170	163,815	134,198
Interest expensed to cost of revenues	(142,947)	(137,457)	(112,321)
Write-off against other income	(3,843)	(5,394)	(2,917)
Interest capitalized on investments in unconsolidated entities	(7,467)	(9,672)	(6,464)
Previously capitalized interest on investments in unconsolidated entities transferred to inventory	16,035	1,811	
Interest capitalized, end of year	$373,128	$356,180	$343,077

Inventory impairment charges are recognized against all inventory costs of a community, such as land, land improvements, cost of home construction, and capitalized interest. The amounts included in the table directly above reflect the gross amount of capitalized interest without allocation of any impairment charges recognized. We estimate that, had inventory impairment charges been allocated on a pro rata basis to the individual components of inventory, capitalized interest at October 31, 2015, 2014, and 2013, would have been reduced by approximately $32.7 million, $33.1 million, and $38.2 million, respectively.

During fiscal 2015, we transfered $132.3 million from investment in unconsolidated entities to inventory. See Note 4, "Investments in and Advances to Unconsolidated Entities - Homebuilding Joint Ventures" for additional information.

During fiscal 2014, we contributed $4.2 million of inventory and other assets to several unconsolidated entities.

During fiscal 2014, we reclassified $9.5 million of inventory related to commercial retail space located in our high-rise projects to property, construction, and office equipment. The amounts were reclassified due to the substantial completion of these projects.

4. Investments in Unconsolidated Entities

We have investments in various unconsolidated entities. These joint ventures (i) develop land for the joint venture participants and for sale to outside builders ("Land Development Joint Ventures"); (ii) develop for-sale homes ("Home Building Joint Ventures"); (iii) develop luxury for-rent residential apartments, commercial space and a hotel ("Rental Property Joint Ventures"); and (iv) invest in a portfolio of distressed loans and real estate ("Structured Asset Joint Venture"). In fiscal 2015, 2014 and 2013, we recognized income from the unconsolidated entities in which we had an investment of $21.1 million, $41.1 million, and $14.4 million, respectively.

The table below provides information as of October 31, 2015, regarding active joint ventures that we are invested in, by joint venture category ($ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Number of unconsolidated entities	7	3	10	1	21
Investment in unconsolidated entities	$214,060	$76,120	$110,454	$12,226	$412,860
Number of unconsolidated entities with funding commitments by the Company	5	2	4	—	11
Company's remaining funding commitment to unconsolidated entities (a)	$162,022	$23,012	$10,559	$—	$195,593

(a) The remaining funding commitment for our Land Development Joint Ventures excludes $90.0 million, which one of the joint ventures expects to fund through outside financing.

Certain joint ventures in which we have investments obtained debt financing to finance a portion of their activities. The table below provides information at October 31, 2015, regarding the debt financing obtained by category ($ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Total
Number of joint ventures with debt financing	4	2	9	15
Aggregate loan commitments	$505,000	$222,000	$780,835	$1,507,835
Amounts borrowed under commitments	$415,924	$111,136	$514,895	$1,041,955

More specific and/or recent information regarding our investments in, advances to, and future commitments to these entities is provided below.

Land Development Joint Ventures

See Note 15, "Commitments and Contingencies," for information regarding land purchase agreements that we have with our Land Development Joint Ventures

In the fourth quarter of fiscal 2015, we entered into a joint venture with an unrelated party to purchase and develop a parcel of land in Irvine, California. The joint venture expects to develop approximately 840 home sites on the land in multiple phases. We have a 50% interest in this joint venture. The current plan is to develop the property and sell approximately 50% of the value of the home sites to each of the members of the joint venture. At October 31, 2015, we had an investment of $76.8 million in this joint venture and were committed to make additional contributions to this joint venture of up to $130.7 million. To finance a portion of the land acquisition, the joint venture entered into a $320.0 million purchase money mortgage with the seller.

In the first quarter of fiscal 2015, we obtained approximately 48 home sites from a Land Development Joint Venture in consideration of our previous investment in the joint venture. In the third quarter of fiscal 2014, we received approximately 515 home sites from this venture. We have a commitment to this joint venture to fund approximately $17.0 million, which represents our expected share of the major infrastructure improvements related to this community. Contributions to this joint venture related to the improvements will be included in "Inventory" in our Consolidated Balance Sheets when they are actually made.

In the first quarter of fiscal 2014, we entered into a joint venture with an unrelated party to develop a parcel of land in Texas. The joint venture expects to develop a master planned community consisting of up to 6,800 home sites and sell groups of lots to us and to other home builders. At October 31, 2015, the joint venture owned approximately 6,300 home sites. We have a 50% interest in this joint venture. Prior to the formation of the joint venture, we had entered into a land purchase agreement to acquire the land for approximately $79.3 million. We contributed our rights under the purchase agreement to the joint venture and were reimbursed by our joint venture partner for 50% of the costs we incurred prior to the formation of the joint venture. At October 31, 2015, we had an investment of $43.5 million in this joint venture. In May 2014, the joint venture obtained outside financing of $40.0 million to help fund the future development of the property. At October 31, 2015, the joint venture had $10.0 million of borrowing under the loan facility.

In the fourth quarter of fiscal 2013, we entered into a joint venture with an unrelated party to develop a parcel of land in Maryland. The property consists of 945 acres that the joint venture expects to develop into approximately 1,300 home sites. We have a 50% interest in this joint venture. The current plan is to develop the property and sell approximately 50% of the home sites to each of the members of the joint venture. At October 31, 2015, we had an investment of $12.2 million in this joint venture.

In the second quarter of fiscal 2013, we entered into a joint venture with an unrelated party to develop a parcel of land in Texas as a master planned community consisting of approximately 2,900 lots. We have a 50% interest in this joint venture. The joint venture expects to develop the property in multiple phases and sell groups of lots to the members of the joint venture and to other home builders. At October 31, 2015, the joint venture owned approximately 2,600 home sites. We made an initial investment of $15.5 million of cash to the joint venture. The joint venture entered into a $25.0 million line of credit with a bank, secured by a deed of trust on the property, which can be expanded up to $40.0

million under certain conditions. At October 31, 2015, the joint venture had $26.1 million of borrowings under this line of credit. At October 31, 2015, we had an investment of $30.1 million in this joint venture and were committed to make additional contributions to this joint venture of up to $2.2 million.

Home Building Joint Ventures

In the first quarter of fiscal 2015, we entered into a joint venture with an unrelated party to complete the development of a high-rise luxury condominium project in New York City on property that we owned. We contributed $15.9 million as our initial contribution for a 25% interest in this joint venture. We sold the property to the joint venture for $78.5 million, and we were reimbursed for development and construction costs incurred by us prior to the sale. The gain of $9.3 million that we realized on the sale was deferred and will be recognized in our results of operations as units are sold and delivered to the ultimate home buyer. At October 31, 2015, we had an investment of $16.9 million in this joint venture. The joint venture entered into a construction loan agreement of $124.0 million to fund the land purchase and a portion of the cost of the development of the property. At October 31, 2015, the joint venture had $70.1 million borrowed under the construction loan.

We had invested in a joint venture in which we have a 50% voting interest to develop a high-rise luxury for-sale/rental project in New York City. Pursuant to the terms of the joint venture agreement, with the completion of the construction of the building’s structure in the third quarter of fiscal 2015, we acquired, with no additional consideration due from us, ownership of the top 18 floors of the building to sell, for our own account, luxury condominium units. Our partner received ownership of the lower floors containing residential rental units and retail space, with no additional consideration due from them. Upon our acquisition of the top 18 floors of the building, we transferred our investment of $132.3 million in this joint venture from “Investments in unconsolidated entities” on our Consolidated Balance Sheets to “Inventory.”

We have an investment in a joint venture in which we have a 50% interest to develop a high-rise luxury condominium project in conjunction with a luxury hotel in New York City being developed by a related joint venture, discussed below in Rental Property Joint Ventures. At October 31, 2015, we had invested $35.7 million in this joint venture and expect to make additional investments of approximately $14.7 million for the development of this project. In November 2014, this joint venture, along with the related hotel joint venture, entered into a $160.0 million construction loan agreement to complete the construction of the condominiums and hotel. At October 31, 2015, this joint venture has $41.1 million of outstanding borrowing under the loan agreement.

Rental Property Joint Ventures

In the second quarter of fiscal 2015, we entered into two joint ventures with an unrelated party to develop luxury for-rent residential apartment buildings. Prior to the formation of these joint ventures, we acquired the properties, through two 100%-owned entities, and incurred $18.8 million of land and land development costs. Our partner acquired a 75% interest in each of these entities for $14.5 million. At October 31, 2015, we had a combined investment of $7.8 million and funding commitments of $2.2 million in these ventures. In addition, in fiscal 2015, these joint ventures entered into construction loan agreements, with a total commitment of $87.0 million, with several banks to finance the development of their respective apartment buildings. At October 31, 2015, these joint ventures had no borrowings under their respective construction loan agreements.

In the fourth quarter of fiscal 2014, we entered into a joint venture with an unrelated party to develop a 418-unit student housing project and retail space in College Park, Maryland, on land that we were under contract to purchase. We have a 25% interest in this joint venture. We made an initial investment of $11.9 million to the joint venture, which included $3.5 million of land deposits previously funded by us, and our partner made an initial capital contribution of $35.7 million. In addition, we received a reimbursement of $3.1 million for certain costs incurred by us prior to the closing of the joint venture. The joint venture obtained construction loan financing of $104.5 million to fund a portion of the cost of the development of the property. At October 31, 2015, the joint venture had $44.2 million of outstanding borrowings under the loan agreement. At October 31, 2015, we had an investment of $12.7 million in this joint venture.

In the first quarter of fiscal 2014, a Rental Property Joint Venture entered into a $70.0 million construction loan agreement to finance construction of multifamily residential apartments in northern New Jersey. At October 31, 2015, this joint venture had $31.6 million of outstanding borrowings under the facility. At October 31, 2015, we had an investment of $6.7 million in this joint venture.

In the fourth quarter of fiscal 2013, we entered into a joint venture with an unrelated party to develop a 287-unit luxury for-rent residential apartment building in the Capitol Riverfront of Washington, D.C., on land that we owned and conveyed to the joint venture. We have a 50% interest in this joint venture. As part of our initial capital contribution, we contributed land and improvements with a fair value of $27.1 million to the joint venture and subsequently received a cash distribution of $12.5 million to align the capital accounts of each of the members of the joint venture. In the fourth quarter of fiscal 2013, the joint venture entered into a $54.0 million construction loan agreement with a bank to finance the development of this project. At October 31, 2015, the joint venture had $46.3 million of outstanding borrowings under the construction loan agreement. At October 31, 2015, we had an investment of $14.4 million in this joint venture.

In the second quarter of fiscal 2013, we entered into a joint venture with an unrelated party to develop a 38-story luxury for-rent residential apartment building and retail space in Jersey City, New Jersey, on land that we owned and conveyed to the joint venture. We have a 50% interest in this joint venture. As part of our initial capital contribution, we contributed land and improvements with a fair value of $28.8 million to the joint venture and subsequently received distributions of $10.2 million and a $1.2 million payment by the joint venture on our behalf to align the capital accounts of each of the members of the joint venture. In the second quarter of fiscal 2014, the joint venture entered into a $120.0 million construction loan agreement with a bank to finance the development of this project. At October 31, 2015, the joint venture had $96.1 million of borrowings under the facility. At October 31, 2015, we had an investment of $31.7 million in this joint venture.

In the fourth quarter of fiscal 2012, we invested in a joint venture in which we have a 50% interest to develop a multifamily residential apartment project containing approximately 398 units in suburban Philadelphia. In the first quarter of fiscal 2014, this joint venture entered into $56.0 million construction loan agreement to finance construction. At October 31, 2015, this venture had $50.0 million of borrowings under the facility. At October 31, 2015, we had an investment of $13.1 million in this joint venture.

We have an investment in a joint venture in which we have a 50% interest to develop a luxury hotel in conjunction with a high-rise luxury condominium project in New York City being developed by a related joint venture discussed above in Home Building Joint Ventures. At October 31, 2015, we had invested $23.1 million in this joint venture and expect to make additional investments of approximately $8.0 million for the development of the hotel. In November 2014, this joint venture, along with the related condominium joint venture, entered into a $160.0 million construction loan agreement to complete the construction of the condominiums and hotel. At October 31, 2015, this venture has $20.8 million of outstanding borrowings under the loan agreement.

In fiscal 2005, we, together with an unrelated party, formed Toll Brothers Realty Trust II (“Trust II”) to invest in commercial real estate opportunities. Trust II is owned 50% by us and 50% by our partner. In December 2013, Trust II sold substantially all of its assets to an unrelated party. As a result of this sale, we realized income of approximately $23.5 million in the first quarter of fiscal 2014, representing our share of the gain on the sale. In the three-month period ended April 30, 2014, we recognized an additional gain of $0.6 million from the sale of a property by Trust II. The gain on sale of assets is included in “Income from unconsolidated entities” on our Consolidated Statements of Operations and Comprehensive Income. In December 2013, we received a $20.0 million cash distribution from Trust II. In addition, in the first quarter of fiscal 2014, we recognized $2.9 million in previously deferred gains on our initial sales of the properties to Trust II. This gain is included in “Other income – net” in our Consolidated Statements of Operations and Comprehensive Income. At October 31, 2015, we had an investment of $0.9 million in Trust II.

In 1998, prior to the formation of Trust II, we formed the Trust to invest in commercial real estate opportunities. The Trust is effectively owned one-third by us; one-third by Robert I. Toll, Bruce E. Toll (and members of his family), Douglas C. Yearley, Jr., and former members of our senior management; and one-third by an unrelated party. As of October 31, 2015, our investment in the Trust was zero as cumulative distributions received from the Trust have been in excess of the carrying amount of our net investment. We provide development, finance, and management services to the Trust and recognized fees under the terms of various agreements in the amounts of $2.2 million, $2.3 million, and $4.2 million in fiscal 2015, 2014 and 2013, respectively. In fiscal 2015, we received distributions of $6.1 million from the Trust, of which $3.5 million was recognized as income and is included in “Income from unconsolidated entities” in our Consolidated Statements of Operations and Comprehensive Income. In fiscal 2014, the Trust refinanced the mortgage on one of its properties and distributed $36.0 million of the net proceeds from the refinancing to its partners. We received $12.0 million as our share of the proceeds and recognized this distribution as income which is included in “Income from unconsolidated entities” in our fiscal 2014 Consolidated Statement of Operations and Comprehensive Income.

Structured Asset Joint Venture

Through a wholly owned subsidiary, Gibraltar Capital and Asset Management, LLC (“Gibraltar”), we are a 20% participant with two unrelated parties that acquired a 40% interest in an entity that owns and controls a portfolio of loans and real estate (“Structured Asset Joint Venture”). At October 31, 2015, we had an investment of $12.2 million in this Structured Asset Joint Venture.

Guarantees

The unconsolidated entities in which we have investments generally finance their activities with a combination of partner equity and debt financing. In some instances, we and our partners have guaranteed debt of certain unconsolidated entities. These guarantees may include any or all of the following: (i) project completion guarantees, including any cost overruns; (ii) repayment guarantees, generally covering a percentage of the outstanding loan; (iii) guarantees of indemnities provided to the lender by the unconsolidated entity with regard to environmental matters; (iv) a hazardous material indemnity that holds the lender harmless for any liability it may suffer from the threat or presence of any hazardous or toxic substances at or near the property covered by a loan; and (v) indemnification of the lender from “bad boy acts” of the unconsolidated entity.

In some instances, the guarantees provided in connection with loans to an unconsolidated entity are joint and several. In these situations, we generally have a reimbursement agreement with our partner that provides that neither party is responsible for more than its proportionate share or agreed upon share of the guarantee; however, if the joint venture partner does not have adequate financial resources to meet its obligations under the reimbursement agreement, we may be liable for more than our proportionate share.

We believe that, as of October 31, 2015, in the event we become legally obligated to perform under a guarantee of the obligation of an unconsolidated entity due to a triggering event, the collateral in such entity should be sufficient to repay a significant portion of the obligation. If it is not, we and our partners would need to contribute additional capital to the venture. At October 31, 2015, the unconsolidated entities that have guarantees related to debt had loan commitments aggregating $980.2 million and had borrowed an aggregate of $514.3 million. The term of these guarantees generally ranges from five months to 54 months. We estimate that the maximum potential exposure under these guarantees, if the full amount of the loan commitments were borrowed, would be $980.2 million, without taking into account any recoveries from the underlying collateral or any reimbursement from our partners. Based on the amounts borrowed at October 31, 2015, our maximum potential exposure under these guarantees is estimated to be approximately $514.3 million, without taking into account any recoveries from the underlying collateral or any reimbursement from our partners.

In addition, we have guaranteed approximately $10.3 million of ground lease payments and insurance deductibles for three joint ventures.

As of October 31, 2015, the estimated aggregate fair value of the guarantees provided by us related to debt and other obligations of certain unconsolidated entities was approximately $4.8 million. We have not made payments under any of the guarantees, nor have we been called upon to do so.

Variable Interest Entities

At October 31, 2015, we determined that one of our joint ventures was a VIE under the guidance within ASC 810. At October 31, 2014, we had determined that three of our joint ventures were VIEs. We have, however, concluded that we were not the primary beneficiary of the VIEs because the power to direct the activities of these VIEs that most significantly impact their performance was shared by us and the VIEs' other members. Business plans, budgets, and other major decisions are required to be unanimously approved by all members. Management and other fees earned by us are nominal and believed to be at market rates, and there is no significant economic disproportionality between us and other members. The information presented below regarding the investments, commitments, and guarantees in unconsolidated entities deemed to be VIEs is also included in the information provided above.

At October 31, 2015 and 2014, our investments in our unconsolidated joint ventures deemed to be VIEs, which are included in investments in unconsolidated entities in our Consolidated Balance Sheets, totaled $6.7 million and $46.4 million, respectively. At October 31, 2015, the maximum exposure of loss to our investments in unconsolidated joint ventures that are VIEs is limited to our investment in the unconsolidated VIEs, except with regard to $0.4 million of additional commitments to the VIEs and $12.5 million of loan guarantees. At October 31, 2014, the maximum exposure to loss of our investments in unconsolidated joint ventures that are VIEs was limited to our investment in the unconsolidated VIEs, except with regard to a $43.4 million additional commitment to fund the joint ventures, $21.6 million of loan guarantees, and a $9.1 million guarantee of ground lease payments.

Joint Venture Condensed Financial Information

The Condensed Balance Sheets, as of the dates indicated, and the Condensed Statements of Operations and Comprehensive Income, for the periods indicated, for the unconsolidated entities in which we have an investment, aggregated by type of business, are included below (in thousands).

Condensed Balance Sheets:

	October 31, 2015				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Cash and cash equivalents	$29,281	$11,203	$44,310	$10,469	$95,263
Inventory	701,527	322,630			1,024,157
Non-performing loan portfolio				27,572	27,572
Rental properties			278,897		278,897
Rental properties under development			390,399		390,399
Real estate owned (“REO”)				117,758	117,758
Other assets (1)	70,799	61,144	12,199	80,475	224,617
Total assets	$801,607	$394,977	$725,805	$236,274	$2,158,663
Debt (1)	$417,025	$117,251	$514,895	$77,950	$1,127,121
Other liabilities	29,772	70,078	30,329	136	130,315
Members’ equity	354,810	207,648	180,581	63,288	806,327
Noncontrolling interest				94,900	94,900
Total liabilities and equity	$801,607	$394,977	$725,805	$236,274	$2,158,663
Company’s net investment in unconsolidated entities (2)	$214,060	$76,120	$110,454	$12,226	$412,860

	October 31, 2014				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Cash and cash equivalents	$31,968	$21,821	$33,040	$23,462	$110,291
Inventory	258,092	465,144			723,236
Non-performing loan portfolio				57,641	57,641
Rental properties			140,238		140,238
Rental properties under development			327,315		327,315
Real estate owned (“REO”)				184,753	184,753
Other assets (1)	30,166	75,164	14,333	77,986	197,649
Total assets	$320,226	$562,129	$514,926	$343,842	$1,741,123
Debt (1)	$102,042	$8,713	$333,128	$77,950	$521,833
Other liabilities	23,854	56,665	43,088	177	123,784
Members’ equity	194,330	496,751	138,710	106,298	936,089
Noncontrolling interest				159,417	159,417
Total liabilities and equity	$320,226	$562,129	$514,926	$343,842	$1,741,123
Company’s net investment in unconsolidated entities (2)	$140,221	$189,509	$97,353	$19,995	$447,078

(1) Included in other assets of the Structure Asset Joint Venture at October 31, 2015 and 2014 is $78.0 million of restricted cash held in a defeasance account that will be used to repay debt of the Structured Asset Joint Venture on July 25, 2017.

(2) Differences between our net investment in unconsolidated entities and our underlying equity in the net assets of the entities are primarily a result of the acquisition price of an investment in a land development joint venture in fiscal 2012 that was in excess of our pro rata share of the underlying equity, impairments related to our investment in

unconsolidated entities, a loan made to one of the entities by us, interest capitalized on our investment, the estimated fair value of the guarantees provided to the joint ventures, and distributions from entities in excess of the carrying amount of our net investment.

Condensed Statements of Operations and Comprehensive Income:

	For the year ended October 31, 2015				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Revenues	$128,889	$78,072	$35,732	$6,102	$248,795
Cost of revenues	58,435	69,142	15,539	16,739	159,855
Other expenses	1,999	6,135	24,174	1,312	33,620
Total expenses	60,434	75,277	39,713	18,051	193,475
Gain on disposition of loans and REO				42,939	42,939
Income (loss) from operations	68,455	2,795	(3,981)	30,990	98,259
Other income	615	1,072	4,376	2,224	8,287
Net income	69,070	3,867	395	33,214	106,546
Less: income attributable to noncontrolling interest				(19,928)	(19,928)
Net income attributable to controlling interest	69,070	3,867	395	13,286	86,618
Other comprehensive income			52		52
Total comprehensive income	$69,070	$3,867	$447	$13,286	$86,670
Company’s equity in earnings of unconsolidated entities (3)	$12,005	$3,448	$3,027	$2,639	$21,119

	For the year ended October 31, 2014				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Revenues	$136,949	$54,923	$32,875	$8,023	$232,770
Cost of revenues	73,628	53,221	14,250	14,152	155,251
Other expenses	730	5,165	35,003	1,585	42,483
Total expenses	74,358	58,386	49,253	15,737	197,734
Gain on disposition of loans and REO				30,420	30,420
Income (loss) from operations	62,591	(3,463)	(16,378)	22,706	65,456
Other income	66	105	45,933	3,121	49,225
Net income (loss)	62,657	(3,358)	29,555	25,827	114,681
Less: income attributable to noncontrolling interest				(15,496)	(15,496)
Net income (loss) attributable to controlling interest	62,657	(3,358)	29,555	10,331	99,185
Other comprehensive income			728		728
Total comprehensive income (loss)	$62,657	$(3,358)	$30,283	$10,331	$99,913
Company’s equity in earnings (losses) of unconsolidated entities (3)	$1,190	$(2,034)	$40,081	$1,904	$41,141

	For the year ended October 31, 2013				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Revenues	$43,937	$40,386	$38,727	$37,492	$160,542
Cost of revenues	20,142	36,208	16,704	30,496	103,550
Other expenses	1,146	2,554	20,875	3,399	27,974
Total expenses	21,288	38,762	37,579	33,895	131,524
Gain on disposition of loans and REO				68,323	68,323
Income from operations	22,649	1,624	1,148	71,920	97,341
Other income	11	571	86	329	997
Net income	22,660	2,195	1,234	72,249	98,338
Less: income attributable to noncontrolling interest				(43,349)	(43,349)
Net income attributable to controlling interest	22,660	2,195	1,234	28,900	54,989
Other comprehensive income			922		922
Total comprehensive income	$22,660	$2,195	$2,156	$28,900	$55,911
Company's equity in earnings of unconsolidated entities (3)	$3,288	$1,471	$3,965	$5,668	$14,392

(3) Differences between our equity in earnings (losses) of unconsolidated entities and the underlying net income (loss) of the entities is primarily a result a basis difference of an acquired joint venture interest, distributions from entities in excess of the carrying amount of our net investment, and our share of the entities' profits related to home sites purchased by us which reduces the our cost basis of the home sites acquired.

5. Investments in Foreclosed Real Estate and Distressed Loans

Investments in REO and distressed loans consisted of the following at October 31, 2015 and 2014 (amounts in thousands):

	2015	2014
Investment in REO	$50,233	$69,799
Investment in distressed loans	1,497	4,001
	$51,730	$73,800

In prior periods, we presented our investments in REO and distressed loans in two separate line items on our Consolidated Balance Sheets. Our Consolidated Balance Sheet at October 31, 2014, has been reclassified to conform to the fiscal 2015 presentation.

Investments in REO

The following table presents the activity in REO at October 31, 2015, 2014, and 2013 (amounts in thousands):

	2015	2014	2013
Balance, beginning of period	$69,799	$72,972	$58,353
Additions	2,833	22,220	23,470
Sales	(21,293)	(23,696)	(7,842)
Impairments	(767)	(1,358)	(505)
Depreciation	(339)	(339)	(504)
Balance, end of period	$50,233	$69,799	$72,972

As of October 31, 2015, approximately $1.7 million and $48.5 million of REO were classified as held-for-sale and held-and-used, respectively. As of October 31, 2014, approximately $11.7 million and $58.1 million of REO were classified as held-for-sale and held-and-used, respectively. For the years ended October 31, 2015, 2014, and 2013, we recorded gains of $0.2 million, $4.5 million, and $3.6 million from acquisitions of REO through foreclosure, respectively.

Investments in Distressed Loans

Prior to October 31, 2014, we had investments in distressed loans where it is probable that we would collect less than the contractual amounts due under the terms of the loan based, at least in part, on the assessment of the credit quality of the borrowers. These loans were accounted for under ASC 310-30, "Receivable," ("ASC 310-30"). Under ASC 310-30, provided we did not have the intention to utilize real estate secured by the loans for use in our operations or to significantly improve the collateral for resale, the amount by which the future cash flows expected to be collected at the acquisition date exceeded the estimated fair value of the loan, or accretable yield, was recognized in "Other income – net" over the estimated remaining life of the loan using a level yield methodology. The difference between the contractually required payments of the loan as of the acquisition date and the total cash flows expected to be collected, or nonaccretable difference, was not recognized.

The accretable yield activity for investments in distressed loans accounted for under ASC 310-30 for the years ended October 31, 2014 and 2013, was as follows (amounts in thousands):

	2014	2013
Balance, beginning of period	$6,606	$17,196
Additions	554	1,654
Deletions	(6,204)	(7,728)
Accretion	(956)	(4,516)
Balance, end of period	$—	$6,606

Additions primarily represented the reclassification to accretable yield from nonaccretable yield and the impact of impairments. Deletions primarily represented loan dispositions, which include foreclosure of the underlying collateral and resulting removal of the loans from the accretable yield portfolios, and reclassifications from accretable yield to nonaccretable yield. The reclassifications between accretable and nonaccretable yield and the accretion of interest income are based on various estimates regarding loan performance and the value of the underlying real estate securing the loans. As of October 31, 2014, we have no distressed loans where interest is accreting.

General

Our earnings from Gibraltar's operations, excluding our investment in the Structured Asset Joint Venture, are included in "Other income – net" in the Consolidated Statements of Operations and Comprehensive Income. In the years ended October 31, 2015, 2014, and 2013, we recognized $10.2 million, $14.4 million, and $10.2 million, of earnings (excluding earnings from our investment in the Structured Asset Joint Venture), respectively, from Gibraltar's operations.

6. Loans Payable, Senior Notes, and Mortgage Company Loan Facility

Loans Payable

At October 31, 2015 and 2014, loans payable consisted of the following (amounts in thousands):

	2015	2014
Senior unsecured term loan	$500,000	$500,000
Credit facility borrowings	350,000	
Loans payable – other	151,702	154,261
Deferred issuance costs	(1,263)	(1,642)
	$1,000,439	$652,619

Senior Unsecured Term Loan

On February 3, 2014, we entered into a five-year, $485.0 million, unsecured term loan facility (the "Term Loan Facility") with a syndicate of banks. We borrowed the full amount of the Term Loan Facility on February 3, 2014. In October 2014, we increased the Term Loan Facility by $15.0 million and borrowed the full amount of the increase. We may select interest rates for the Term Loan Facility equal to (i) London Interbank Offered Rate ("LIBOR") plus an applicable margin, (ii) the base rate (which is defined as the greatest of (a) SunTrust Bank's prime rate, (b) the federal funds effective rate plus 0.5%, and (c) one-month LIBOR plus 1%) plus an applicable margin, or (iii) the federal funds/Euro rate (which is defined as the greater of (a) the sum of the federal funds effective rate plus an applicable margin plus 0.25%, and (b) one-month LIBOR), with the applicable margin, in each case, based on our leverage ratio. At October 31, 2015, the interest rate on the Term Loan Facility was 1.60% per annum.

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We and substantially all of our 100%-owned home building subsidiaries are guarantors under the Term Loan Facility. The Term Loan Facility contains substantially the same financial covenants as the Credit Facility, as described below. The Term Loan Facility will mature, and amounts owing thereunder will become due and payable, on February 3, 2019.

Credit Facility

On August 1, 2013, we entered into a $1.035 billion unsecured, five-year revolving credit facility (“Credit Facility”) with a syndicate of banks (“Aggregate Credit Commitment”). The commitments under the Credit Facility are schedule to expire on August 1, 2018. Up to 75% of the Aggregate Credit Commitment is available for letters of credit. The Credit Facility has an accordion feature under which we may, subject to certain conditions set forth in the agreement, increase the Credit Facility up to a maximum aggregate amount of $2.0 billion. We may select interest rates for the Credit Facility equal to (i) LIBOR plus an applicable margin or (ii) the lenders’ base rate plus an applicable margin, which in each case is based on our credit rating and leverage ratio. At October 31, 2015, the interest rate on outstanding borrowings under the Credit Facility was 1.70% per annum. We are obligated to pay an undrawn commitment fee that is based on the average daily unused amount of the Aggregate Credit Commitment and our credit ratings and leverage ratio. Any proceeds from borrowings under the Credit Facility may be used for general corporate purposes. We and substantially all of our 100%-owned home building subsidiaries are guarantors under the Credit Facility.

Under the terms of the Credit Facility, our maximum leverage ratio (as defined in the Credit Agreement) may not exceed 1.75 to 1.00 and we are required to maintain a minimum tangible net worth (as defined in the Credit Facility) of no less than approximately $2.64 billion. Under the terms of the Credit Facility, at October 31, 2015, our leverage ratio was approximately 0.68 to 1.00 and our tangible net worth was approximately $4.19 billion. Based upon the minimum tangible net worth requirement, our ability to repurchase our common stock was limited to approximately $1.97 billion as of October 31, 2015.

At October 31, 2015, we had $350.0 million of outstanding borrowings under the Credit Facility and had outstanding letters of credit of approximately $118.9 million. Subsequent to October 31, 2015, we repaid all $350.0 million borrowed under the Credit Facility.

Loans Payable – Other

Our “Loans payable – other” represent purchase money mortgages on properties we had acquired that the seller had financed and various revenue bonds that were issued by government entities on behalf of us to finance community infrastructure and our manufacturing facilities. Information regarding our loans payable at October 31, 2015 and 2014, is included in the table below ($ amounts in thousands):

	2015	2014
Aggregate loans payable at October 31	$151,702	$154,261
Weighted-average interest rate	3.78 %	4.34 %
Interest rate range	0.15% - 7.87%	0.15% - 7.87%
Loans secured by assets		
Carrying value of loans secured by assets	$151,702	$154,111
Carrying value of assets securing loans	$378,864	$428,122

The contractual maturities of loans payable – other as of October 31, 2015, ranged from less than one month to 31 years.

Senior Notes

At October 31, 2015 and 2014, senior notes consisted of the following (amounts in thousands):

	2015	2014
5.15% Senior Notes due May 15, 2015		$300,000
8.91% Senior Notes due October 15, 2017	$400,000	400,000
4.00% Senior Notes due December 31, 2018	350,000	350,000
6.75% Senior Notes due November 1, 2019	250,000	250,000
5.875% Senior Notes due February 15, 2022	419,876	419,876
4.375% Senior Notes due April 15, 2023	400,000	400,000
5.625% Senior Notes due January 15, 2024	250,000	250,000
4.875% Senior Notes due November 15, 2025	350,000	
0.5% Exchangeable Senior Notes due September 15, 2032	287,500	287,500
Bond discount and deferred issuance costs	(17,575)	(19,135)
	$2,689,801	$2,638,241

As discussed in Note 1, “Significant Accounting Policies - Recent Accounting Pronouncements,” we adopted ASU 2015-03 on October 31, 2015. We applied the new guidance retrospectively to all prior periods presented in the financial statements to conform to the fiscal 2015 presentation. As a result, $16.8 million of Senior Note deferred debt issuance costs at October 31, 2014, were reclassified from “Receivables, prepaid expenses, and other assets” to “Senior Notes” in our Consolidated Balance Sheets.

The senior notes are the unsecured obligations of Toll Brothers Finance Corp., our 100%-owned subsidiary. The payment of principal and interest is fully and unconditionally guaranteed, jointly and severally, by us and substantially all of our 100%-owned home building subsidiaries (together with Toll Brothers Finance Corp., the “Senior Note Parties”). The senior notes rank equally in right of payment with all the Senior Note Parties’ existing and future unsecured senior indebtedness, including the Credit Facility and the Term Loan Facility. The senior notes are structurally subordinated to the prior claims of creditors, including trade creditors, of our subsidiaries that are not guarantors of the senior notes. The senior notes, other than the 0.5% Exchangeable Senior Notes due 2032 (“0.5% Exchangeable Senior Notes”), are redeemable in whole or in part at any time at our option, at prices that vary based upon the then-current rates of interest and the remaining original term of the notes.

The 0.5% Exchangeable Senior Notes are not redeemable by us prior to September 15, 2017. The 0.5% Exchangeable Senior Notes are exchangeable into shares of our common stock at an exchange rate of 20.3749 shares per $1,000 principal amount of notes, corresponding to an initial exchange price of approximately $49.08 per share of common stock. If all of the 0.5% Exchangeable Senior Notes are exchanged, we would issue approximately 5.9 million shares of our common stock. Shares issuable upon conversion of the 0.5% Exchangeable Senior Notes are included in the calculation of diluted earnings per share. Holders of the 0.5% Exchangeable Senior Notes will have the right to require Toll Brothers Finance Corp. to repurchase their notes for cash equal to 100% of their principal amount, plus accrued but unpaid interest, on each of December 15, 2017; September 15, 2022; and September 15, 2027. Toll Brothers Finance Corp. will have the right to redeem the 0.5% Senior Notes on or after September 15, 2017, for cash equal to 100% of their principal amount, plus accrued but unpaid interest.

In October 2015, we issued $350.0 million aggregate principal amount of 4.875% Senior Notes due 2025 (the “4.875% Senior Notes”) at par. We received $347.7 million of net proceeds from this issuance of 4.875% Senior Notes.

In May 2015, we repaid, at maturity, the $300.0 million of then-outstanding principal amount of 5.15% Senior Notes due May 15, 2015.

In March 2014, we repaid, at maturity, the $268.0 million of the then-outstanding principal amount of 4.95% Senior Notes due March 15, 2014.

In November 2013, we issued $350.0 million aggregate principal amount of 4.0% Senior Notes due 2018 (the “4.0% Senior Notes”) and $250.0 million aggregate principal amount of 5.625% Senior Notes due 2024 (the “5.625% Senior Notes”). We received $596.2 million of net proceeds from the issuance of the 4.0% Senior Notes and the 5.625% Senior Notes.

In September 2013, we repaid, at maturity, the then-outstanding principal amount of $104.8 million of our 5.95% Senior Notes due September 15, 2013.

In April 2013, we issued $300.0 million aggregate principal amount of 4.375% Senior Notes due 2023 (the "4.375% Senior Notes") at par. We received $298.1 million of net proceeds from this issuance of 4.375% Senior Notes.

In May 2013, we issued an additional $100.0 million aggregate principal amount of 4.375% Senior Notes at a price equal to 103% of par value. We received $102.3 million of net proceeds from this additional issuance of 4.375% Senior Notes.

In November 2012, we repaid, at maturity, the $59.1 million of the then-outstanding principal amount of 6.875% Senior Notes due November 15, 2012.

Mortgage Company Loan Facility

In July 2015, TBI Mortgage® Company ("TBI Mortgage"), our wholly owned mortgage subsidiary, amended its Master Repurchase Agreement (the "Repurchase Agreement") with Comerica Bank. The purpose of the Repurchase Agreement is to finance the origination of mortgage loans by TBI Mortgage, and the Repurchase Agreement is accounted for as a secured borrowing under ASC 860, "Transfers and Servicing." The Repurchase Agreement, as amended, provides for loan purchases up to $50 million, subject to certain sublimits. In addition, the Repurchase Agreement provides for an accordion feature under which TBI Mortgage may request that the aggregate commitments under the Repurchase Agreement be increased to an amount up to $100 million for a short period of time. The Repurchase Agreement, as amended, expires on July 18, 2016, and borrowings thereunder bear interest at LIBOR plus 2.00% per annum, with a minimum rate of 2.00%. At October 31, 2015, the interest rate on the Repurchase Agreement was 2.19% per annum. In addition, we are subject to an under usage fee based on outstanding balances, as defined in the Repurchase Agreement. Borrowings under this facility are included in the fiscal 2016 maturities.

At October 31, 2015 and 2014, there were $100.0 million and $90.3 million, respectively, outstanding under the Repurchase Agreement, which are included in liabilities in our Consolidated Balance Sheets. At October 31, 2015 and 2014, amounts outstanding under the Repurchase Agreement were collateralized by $115.9 million and $93.9 million, respectively, of mortgage loans held for sale, which are included in assets in our Consolidated Balance Sheets. As of October 31, 2015, there were no aggregate outstanding purchase price limitations reducing the amount available to TBI Mortgage. There are several restrictions on purchased loans under the Repurchase Agreement, including that they cannot be sold to others, they cannot be pledged to anyone other than the agent, and they cannot support any other borrowing or repurchase agreements.

General

As of October 31, 2015, the annual aggregate maturities of our loans and notes during each of the next five fiscal years are as follows (amounts in thousands):

	Amount
2016	$166,497
2017	$419,480
2018	$364,541
2019	$860,535
2020	$253,290

7. Accrued Expenses

Accrued expenses at October 31, 2015 and 2014, consisted of the following (amounts in thousands):

	2015	2014
Land, land development and construction	$118,634	$124,816
Compensation and employee benefits	125,045	118,607
Self-insurance	113,727	100,407
Warranty	93,083	86,282
Interest	26,926	33,993
Commitments to unconsolidated entities	5,534	3,293
Other	125,117	114,079
	$608,066	$581,477

In response to an increasing rate of stucco-related claims received in the second half of fiscal 2014 involving homes in certain completed communities located in Pennsylvania and Delaware (which are in our Mid-Atlantic region), at that time we

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undertook a review of homes in certain completed communities built during fiscal 2003 through fiscal 2009 in Pennsylvania and Delaware to determine whether additional stucco-related repairs would likely be needed in these communities. The review included an analysis of the number of claims received, our inspection of homes, an estimate of the number of homes we expected to repair, the extent and cost estimate of such repairs, the potential insurance recovery, and the amount of warranty and self-insurance reserves already recorded. At the end of fiscal 2014, we estimated our potential liability for known and unknown claims to be approximately $54.0 million, of which we expected to recover approximately 40% from our outside insurance carriers. In addition to previously recognized warranty and self-insurance accruals, we recognized a $25.0 million charge in the fourth quarter of fiscal 2014 for estimated repair costs in the Mid-Atlantic region.

During our fiscal fourth-quarter 2015 review of the potential liability for this matter, we determined that the average cost of stucco-related repairs had increased based on the actual cost of remediation of homes completed in the second half of fiscal 2015. In addition, we determined that additional stucco-related repairs will likely be needed in certain communities built during fiscal 2010 through fiscal 2013 in Pennsylvania. Based on the revision of our estimated costs of repairs and the inclusion of certain additional communities in our remediation estimates, the potential liability for known and unknown claims increased to approximately $80.3 million, of which we continue to expect to recover approximately 40% from outside insurance. We recognized a $14.7 million additional charge in the fourth quarter of fiscal 2015 for estimated repair costs in the Mid-Atlantic region.

As of October 31, 2014, we had received construction claims from three related multifamily community associations in California alleging issues with design and construction and damage to exterior common area elements. We believe we have coverage under multiple owner controlled insurance policies with deductibles or self-insured retention requirements that vary from policy year to policy year. We completed a settlement of one of the claims during fiscal 2015, and subsequently, we reached a settlement agreement on a second in December 2015 (fiscal 2016). Our review of the remaining claim is ongoing. Due to issues related to insurance coverage on all three claims, the degree of judgment required, and the potential for variability in our underlying assumptions, our actual future costs could differ from our estimates. Based on the above settlements and our current evaluation of the remaining claim, we recorded a charge of $6.9 million in fiscal 2015 (including $0.8 million in the fourth quarter), which is included in “Cost of revenues” in our Consolidated Statements of Operations and Comprehensive Income.

We do not believe that any resolution of the above matters, in excess of the amounts currently accrued would be material to our financial condition.

We accrue for expected warranty costs at the time each home is closed and title and possession are transferred to the home buyer. Warranty costs are accrued based upon historical experience. The table below provides a reconciliation of the changes in our warranty accrual during fiscal 2015, 2014, and 2013 as follows (amounts in thousands):

	2015	2014	2013
Balance, beginning of year	$86,282	$43,819	$41,706
Additions - homes closed during the year	20,934	18,588	14,652
Addition - liabilities acquired		11,044	
Increase (decrease) in accruals for homes closed in prior years	2,661	2,913	(184)
Reclassification from self-insurance accruals*		7,554	
Charge related to stucco-related claims*	14,685	24,950	
Charges incurred	(31,479)	(22,586)	(12,355)
Balance, end of year	$93,083	$86,282	$43,819

* Estimated stucco-related claim costs as described above, have been included in warranty accruals.

8. Income Taxes

The following table provides a reconciliation of our effective tax rate from the federal statutory tax rate for the fiscal years ended October 31, 2015, 2014, and 2013 ($ amounts in thousands):

	2015		2014		2013	
	$	%*	$	%*	$	%*
Federal tax provision at statutory rate	187,447	35.0	176,604	35.0	93,694	35.0
State tax provision, net of federal benefit	21,947	4.1	23,778	4.7	11,363	4.2
Domestic production activities deduction	(12,284)	(2.3)	(14,796)	(2.9)		—
Other permanent differences	(7,821)	(1.5)	(6,214)	(1.2)	(4,914)	(1.8)
Reversal of accrual for uncertain tax positions	(15,331)	(2.9)	(11,022)	(2.2)	(5,580)	(2.1)
Accrued interest on anticipated tax assessments	2,588	0.5	1,847	0.4	3,704	1.4
Increase in unrecognized tax benefits	3,214	0.6	5,694	1.1		—
Valuation allowance — recognized	3,681	0.7	1,328	0.3	3,232	1.2
Valuation allowance — reversed	(16,323)	(3.0)	(13,256)	(2.6)	(4,569)	(1.7)
Other	5,277	1.0	587	0.1	161	0.1
Income tax provision*	172,395	32.2	164,550	32.6	97,091	36.3

* Due to rounding, amounts may not add.

We currently operate in 19 states and are subject to various state tax jurisdictions. We estimate our state tax liability based upon the individual taxing authorities' regulations, estimates of income by taxing jurisdiction, and our ability to utilize certain tax-saving strategies. Based on our estimate of the allocation of income or loss among the various taxing jurisdictions and changes in tax regulations and their impact on our tax strategies, we estimated our rate for state income taxes at 6.3%, 7.2%, and 6.5% in fiscal 2015, 2014, and 2013, respectively.

The following table provides information regarding the provision (benefit) for income taxes for each of the fiscal years ended October 31, 2015, 2014, and 2013 (amounts in thousands):

	2015	2014	2013
Federal	$181,819	$163,089	$93,451
State	(9,424)	1,461	3,640
	$172,395	$164,550	$97,091
Current	$122,953	$129,047	$23,209
Deferred	49,442	35,503	73,882
	$172,395	$164,550	$97,091

The following table provides a reconciliation of the change in the unrecognized tax benefits for the years ended October 31, 2015, 2014, and 2013 (amounts in thousands):

	2015	2014	2013
Balance, beginning of year	$58,318	$78,105	$80,991
Increase in benefit as a result of tax positions taken in prior years	16,802	10,314	5,699
Increase in benefit as a result of tax positions taken in current year	9,005	442	
Decrease in benefit as a result of settlements	(31,013)		
Decrease in benefit as a result of completion of audits		(1,222)	
Decrease in benefit as a result of lapse of statute of limitations	(1,223)	(29,321)	(8,585)
Balance, end of year	$51,889	$58,318	$78,105

The statute of limitations has expired on our federal tax returns for fiscal years through 2010.

Our unrecognized tax benefits are included in "Income taxes payable" on our Consolidated Balance Sheets. If these unrecognized tax benefits reverse in the future, they would have a beneficial impact on our effective tax rate at that time. During the next 12 months, it is reasonably possible that the amount of unrecognized tax benefits will change, but we are not able to provide a range of such change. The anticipated changes will be principally due to the expiration of tax statutes, settlements with taxing jurisdictions, increases due to new tax positions taken, and the accrual of estimated interest and penalties.

We recognize potential interest and penalties in our tax provision related to our unrecognized tax benefits. The amounts accrued for interest and penalties are included in "Income taxes payable" on our Consolidated Balance Sheets. The following table provides information as to the amounts recognized in our tax provision, before reduction for applicable taxes and reversal of previously accrued interest and penalties, of potential interest and penalties in the 12-month periods ended October 31, 2015, 2014, and 2013, and the amounts accrued for potential interest and penalties at October 31, 2015 and 2014 (amounts in thousands):

Expense recognized in the Consolidated Statements of Operations and Comprehensive Income	
Fiscal year	
2015	$4,454
2014	$9,694
2013	$5,699
Accrued at:	
October 31, 2015	$17,012
October 31, 2014	$33,867

The components of net deferred tax assets and liabilities at October 31, 2015 and 2014 are set forth below (amounts in thousands):

	2015	2014
Deferred tax assets:		
Accrued expenses	$72,426	$61,023
Impairment charges	130,709	231,098
Inventory valuation differences	67,610	26,789
Stock-based compensation expense	54,768	50,255
Amounts related to unrecognized tax benefits	25,267	19,297
State tax, net operating loss carryforward	53,103	47,330
Other	7,410	12,030
Total assets	411,293	447,822
Deferred tax liabilities:		
Capitalized interest	107,970	102,951
Deferred income	17,661	2,511
Expenses taken for tax purposes not for book	37,868	21,076
Depreciation	3,819	4,012
Deferred marketing	14,384	23,073
Total liabilities	181,702	153,623
Net deferred tax assets before valuation allowances	229,591	294,199
Cumulative valuation allowance - state	(31,136)	(43,778)
Net deferred tax assets	$198,455	$250,421

Since the beginning of fiscal 2007, we recorded significant deferred tax assets as a result of the recognition of inventory impairments and impairments of investments in unconsolidated entities. In accordance with GAAP, we assess whether a valuation allowance should be established based on our determination of whether it is more-likely-than-not that some portion or all of the deferred tax assets would not be realized. At October 31, 2015 and 2014, we determined that it was more-likely-than-

not that our deferred assets would be realized for federal purposes. Accordingly, at October 31, 2015 and 2014, we did not record any valuation allowances against our federal deferred tax assets.

We file tax returns in the various states in which we do business. Each state has its own statutes regarding the use of tax loss carryforwards. Some of the states in which we do business do not allow for the carryforward of losses, while others allow for carryforwards for 5 years to 20 years.

For state tax purposes, due to past and projected losses in certain jurisdictions where we do not have carryback potential and/or cannot sufficiently forecast future taxable income, we recognized net cumulative valuation allowances against our state deferred tax assets at October 31, 2015 and 2014, as shown above. During fiscal 2015, 2014, and 2013, due to improved actual and/or operating results, we reversed $16.3 million, $13.3 million, and $4.6 million of state deferred tax asset valuation allowance previously recognized, respectively. In addition, we establish valuation allowances for newly created deferred tax assets in certain jurisdictions where it is more-likely-than-not that the deferred tax asset would not be realized. During fiscal 2015, 2014, and 2013, we recognized new valuation allowances of $3.7 million, $1.3 million, and $3.2 million, respectively. We will continue to review our deferred tax assets in accordance with ASC 740.

9. Stockholders’ Equity

Our authorized capital stock consists of 400 million shares of common stock, $0.01 par value per share (“common stock”), and 15 million shares of preferred stock, $0.01 par value per share. At October 31, 2015, we had 174.8 million shares of common stock issued and outstanding, 9.7 million shares of common stock reserved for outstanding stock options and restricted stock units, 7.5 million shares of common stock reserved for future stock option and award issuances, 5.9 million shares of common stock reserved for conversion of our 0.5% Senior Notes, and 0.5 million shares of common stock reserved for issuance under our employee stock purchase plan. As of October 31, 2015, no shares of preferred stock have been issued.

Stock Issuance

In November 2013, in anticipation of the Shapell Acquisition, we issued 7.2 million shares of our common stock, par value $0.01 per share, at a price to the public of $32.00 per share. We received $220.4 million of net proceeds from the issuance.

Stock Repurchase Program

In March 2003, our Board of Directors authorized the repurchase of up to 20 million shares of our common stock, $0.01 par value per share, in open market transactions or otherwise, for the purpose of providing shares for our various benefit plans.

On December 16, 2014, our Board of Directors authorized the repurchase of 20 million shares of our common stock in open market transactions or otherwise for the purpose of providing shares for the Company’s equity award and other employee benefit plans and for any other and additional purpose or purposes as may be determined from time to time by the Board of Directors. Additionally, our Board of Directors terminated, effective December 31, 2014, our March 2003 share repurchase program. The following table provides information about the share repurchase programs for the fiscal years ended October 31, 2015, 2014, and 2013:

	2015	2014	2013
Number of shares purchased (in thousands)	1,665	2,947	498
Average price per share	$34.17	$30.80	$30.90
Remaining authorization at October 31 (in thousands)	18,535	5,321	8,268

Stockholder Rights Plan and Transfer Restriction

In June 2007, we adopted a shareholder rights plan (“2007 Rights Plan”). The rights issued pursuant to the 2007 Rights Plan will become exercisable upon the earlier of (i) 10 days following a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of our common stock, or (ii) 10 business days following the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning 15% or more of the outstanding shares of common stock. No rights were exercisable at October 31, 2015.

On March 17, 2010, our Board of Directors adopted a Certificate of Amendment to the Second Restated Certificate of Incorporation of the Company (the “Certificate of Amendment”). The Certificate of Amendment includes an amendment approved by our stockholders at the 2010 Annual Meeting of Stockholders that restricts certain transfers of our common stock in order to preserve the tax treatment of our net operating and unrealized tax losses. The Certificate of Amendment's transfer restrictions generally restrict any direct or indirect transfer of our common stock if the effect would be to increase the direct or indirect ownership of any Person (as defined in the Certificate of Amendment) from less than 4.95% to 4.95% or more of our common stock or increase the ownership percentage of a Person owning or deemed to own 4.95% or more of our common stock. Any direct or indirect transfer attempted in violation of this restriction would be void as of the date of the prohibited transfer as to the purported transferee.

10. Stock-Based Benefit Plans

We grant stock options, restricted stock, and various types of restricted stock units to our employees and our nonemployee directors under our stock incentive plans. We have two active stock incentive plans, one for employees (including officers) and one for nonemployee directors. Our active stock incentive plans provide for the granting of incentive stock options (solely to employees) and nonqualified stock options with a term of up to 10 years at a price not less than the market price of the stock at the date of grant. Our active stock incentive plans also provide for the issuance of stock appreciation rights and restricted and unrestricted stock awards and stock units, which may be performance-based. At October 31, 2015, 2014, and 2013, we had 7,541,000; 8,821,000; and 4,397,000 shares, respectively, available for grant under our stock incentive plans.

We have two additional stock incentive plans for employees, officers, and directors that are inactive except for outstanding stock option awards at October 31, 2015. No additional options may be granted under these plans. Stock options granted under these plans were made with a term of up to 10 years at a price not less than the market price of the stock at the date of grant and generally vested over a four-year period for employees and a two-year period for nonemployee directors.

The following table provides information regarding the amount of total stock-based compensation expense recognized by us for fiscal 2015, 2014, and 2013 (amounts in thousands):

	2015	2014	2013
Total stock-based compensation expense recognized	$22,903	$21,656	$19,041
Income tax benefit recognized	$8,767	$8,322	$7,378

At October 31, 2015, 2014, and 2013, the aggregate unamortized value of outstanding stock-based compensation awards was approximately $25.2 million, $24.0 million, and $19.9 million, respectively.

Information about our more significant stock-based compensation programs is outlined below.

Stock Options:

Stock options granted to employees generally vest over a four-year period, although certain grants may vest over a longer or shorter period, and stock options granted to nonemployee directors generally vest over a two-year period. Shares issued upon the exercise of a stock option are either from shares held in treasury or newly issued shares.

The fair value of each option award is estimated on the date of grant using a lattice-based option valuation model that uses assumptions noted in the following table. The lattice-based option valuation model incorporates ranges of assumptions for inputs, which are disclosed in the table below. Expected volatilities were based on implied volatilities from traded options on our stock, historical volatility of our stock, and other factors. The expected lives of options granted were derived from the historical exercise patterns and anticipated future patterns and represent the period of time that options granted are expected to be outstanding; the range given below results from certain groups of employees exhibiting different behaviors. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The following table summarizes the weighted-average assumptions and fair value used for stock option grants in each of the fiscal years ended October 31, 2015, 2014, and 2013:

	2015	2014	2013
Expected volatility	32.69% - 42.58%	36.44% - 44.71%	44.04% - 48.13%
Weighted-average volatility	36.36%	42.71%	46.70%
Risk-free interest rate	1.53% - 2.11%	1.45% - 2.71%	0.64% - 1.56%
Expected life (years)	4.54 - 9.12	4.55 - 9.02	4.48 - 8.88
Dividends	none	none	none
Weighted-average fair value per share of options granted	$11.67	$14.26	$13.05

The fair value of stock option grants is recognized evenly over the vesting period of the options or over the period between the grant date and the time the option becomes nonforfeitable by the employee, whichever is shorter. Information regarding the stock compensation expense, related to stock options, for fiscal 2015, 2014 and 2013 was as follows (amounts in thousands):

	2015	2014	2013
Stock compensation expense recognized - options	$9,610	$9,005	$7,703

At October 31, 2015, total compensation cost related to nonvested stock option awards not yet recognized was approximately $13.8 million, and the weighted-average period over which we expect to recognize such compensation costs and tax benefit is approximately 2.4 years.

The following table summarizes stock option activity for our plans during each of the fiscal years ended October 31, 2015, 2014, and 2013 (amounts in thousands, except per share amounts):

	2015		2014		2013	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Balance, beginning	9,358	$25.94	9,924	$24.51	10,669	$23.23
Granted	870	32.49	819	35.16	768	32.22
Exercised	(1,441)	27.52	(1,313)	20.88	(1,454)	19.21
Canceled	(762)	32.48	(72)	25.23	(59)	25.09
Balance, ending	8,025	$25.75	9,358	$25.94	9,924	$24.51
Options exercisable, at October 31,	6,098	$23.67	7,482	$24.91	7,996	$24.49

The weighted average remaining contractual life (in years) for options outstanding and exercisable at October 31, 2015, was 4.6 and 3.5, respectively.

The intrinsic value of options outstanding and exercisable is the difference between the fair market value of our common stock on the applicable date ("Measurement Value") and the exercise price of those options that had an exercise price that was less than the Measurement Value. The intrinsic value of options exercised is the difference between the fair market value of our common stock on the date of exercise and the exercise price.

The following table provides information pertaining to the intrinsic value of options outstanding and exercisable at October 31, 2015, 2014, and 2013 (amounts in thousands):

	2015	2014	2013
Intrinsic value of options outstanding	$82,058	$62,073	$84,938
Intrinsic value of options exercisable	$75,034	$55,776	$68,920

Information pertaining to the intrinsic value of options exercised and the fair market value of options that became vested or modified in each of the fiscal years ended October 31, 2015, 2014, and 2013, is provided below (amounts in thousands):

	2015	2014	2013
Intrinsic value of options exercised	$12,923	$18,361	$19,632
Fair market value of options vested	$9,183	$8,447	$8,334

Our stock option plans permit optionees to exercise stock options using a "net exercise" method at the discretion of the Executive Compensation Committee of the Board of Directors ("Executive Compensation Committee"). In a net exercise, we withhold from the total number of shares that otherwise would be issued to an optionee upon exercise of the stock option that number of shares having a fair market value at the time of exercise equal to the option exercise price and applicable minimum income tax withholdings and remit the remaining shares to the optionee.

The following table provides information regarding the use of the net exercise method for fiscal 2015, 2014, and 2013:

	2015	2014	2013
Options exercised	30,000	96,162	531,000
Shares withheld	29,917	58,819	405,838
Shares issued	83	37,343	125,162
Average fair market value per share withheld	$32.64	$33.78	$32.22
Aggregate fair market value of shares withheld (in thousands)	$976	$1,987	$13,076

In addition, pursuant to the provisions of our stock option plans, optionees are permitted to use the value of our common stock that they own to pay for the exercise of options ("stock swap method").

The following table provides information regarding the use of the stock swap method for fiscal 2014, and 2013:

	2014	2013
Options exercised	7,006	6,534
Shares tendered	4,273	4,034
Shares issued	2,733	2,500
Average market value per share tendered	$33.01	$32.61
Aggregate market value of shares tendered (in thousands)	$141	$132

No optionees used the stock swap method in fiscal 2015.

Performance-Based Restricted Stock Units:

In fiscal 2015, 2014, and 2013, the Executive Compensation Committee approved awards of performance-based restricted stock units ("Performance-Based RSUs") relating to shares of our common stock to certain members of our senior management. The Performance-Based RSUs are based on the attainment of certain performance metrics by the Company in the year of grant. The number of shares underlying the Performance-Based RSUs that will be issued to the recipients may range from 90% to 110% of the base award depending on actual performance metrics as compared to the target performance metrics. The Performance-Based RSUs vest over a four-year period provided the recipients continue to be employed by us or serve on our Board of Directors (as applicable) as specified in the award document. The value of the Performance-Based RSUs was determined to be equal to the estimated number of shares of our common stock to be issued multiplied by the closing price of our common stock on the New York Stock Exchange ("NYSE") on the date the Performance-Based RSU awards were approved by the Executive Compensation Committee ("Valuation Date"). We evaluate the performance goals quarterly and estimate the number of shares underlying the Performance-Based RSUs that are probable of being issued. The following table provides information regarding the issuance, valuation assumptions, and amortization of the Performance-Based RSUs issued in fiscal 2015, 2014, and 2013:

	2015	2014	2013
Number of shares underlying Performance-Based RSUs to be issued	300,042	288,814	302,511
Aggregate number of Performance-Based RSUs outstanding at October 31	1,261,545	961,503	672,687
Closing price of our common stock on Valuation Date	$32.49	$35.16	$37.78
Aggregate fair value of Performance-Based RSUs issued (in thousands)	$9,748	$10,155	$11,429
Performance-Based RSU expense recognized (in thousands)	$9,863	$9,310	$6,946
Unamortized value of Performance-Based RSUs at October 31 (in thousands)	$8,850	$8,965	$8,120

Stock Price-Based Restricted Stock Units:

In each of December 2010 and 2009, the Executive Compensation Committee approved awards to certain of our executives of stock price-based restricted stock unit ("Stock Price-Based RSUs") awards relating to shares of our common stock. In fiscal 2012, we adopted a Performance-Based Restricted Stock Award program to replace the Stock Price-Based RSU program. The Stock Price-Based RSUs vested and the recipients were entitled to receive the underlying shares when the average closing price of our common stock on the NYSE, measured over any 20 consecutive trading days ending on or prior to five years from date of issuance of the Stock Price-Based RSUs, increased 30% or more over the closing price of our common stock on the NYSE on the date of issuance ("Target Price"), provided the recipients continued to be employed by us or serve on our Board of

Directors (as applicable) as specified in the award document. In fiscal 2012, the Target Price of all Stock Price-Based RSUs issued was met.

The Stock Price-Based RSUs issued in December 2010 were paid in fiscal 2014. The recipients of these RSUs elected to use a portion of the shares underlying the RSUs to pay the required income withholding taxes on the payout. The gross value of the payout was $10.5 million (306,000 shares), the minimum income tax withholding was $4.8 million (140,160 shares) and the net value of the shares delivered was $5.7 million (165,840 shares).

The Stock Price-Based RSUs issued in December 2009 were paid in fiscal 2013. The recipient of these RSUs elected to use a portion of the shares underlying the RSUs to pay the required income withholding taxes on the payout. The gross value of the payout was $6.5 million (200,000 shares), the minimum income tax withholding was $2.6 million (81,201 shares) and the net value of the shares delivered was $3.8 million (118,799 shares).

In fiscal 2014, and 2013, we recognized $0.2 million and $1.8 million, respectively, of expense related to Stock Price-Based RSUs. No expenses related to Stock Price-Based RSUs were recognized in fiscal 2015. At October 31, 2015 and 2014, no Stock Price-Based RSUs were outstanding.

Nonperformance-Based Restricted Stock Units:

In fiscal 2015, 2014, and 2013, we issued nonperformance-based restricted stock units (“RSUs”) to various officers, employees, and nonemployee directors. These RSUs generally vest in annual installments over a two- to four-year period. The value of the RSUs was determined to be equal to the number of shares of our common stock to be issued pursuant to the RSUs multiplied by the closing price of our common stock on the NYSE on the date the RSUs were awarded. The following table provides information regarding these RSUs for fiscal 2015, 2014, and 2013:

	2015	2014	2013
Nonperformance-Based RSUs issued:			
Number of RSUs issued	124,568	99,336	94,080
Weighted average closing price of our common stock on date of issuance	$32.74	$35.16	$32.22
Aggregate fair value of RSUs issued (in thousands)	$4,078	$3,493	$3,031
Nonperformance-Based RSU expense recognized (in thousands):	$3,317	$3,012	$2,490

	2015	2014	2013
At October 31:			
Aggregate Nonperformance-Based RSUs outstanding	380,548	304,286	225,252
Cumulative unamortized value of Nonperformance-Based RSUs (in thousands)	$2,542	$2,043	$1,706

Our stock incentive plans permit us to withhold from the total number of shares that otherwise would be issued to a restricted stock unit recipient upon distribution that number of shares having a fair value at the time of distribution equal to the applicable income tax withholdings due and remit the remaining shares to the restricted stock unit recipient. During fiscal 2015, we withheld 4,221 of the shares subject to restricted stock units to cover $146,500 of income tax withholdings and we issued the remaining 10,049 shares to the recipients.

Restricted Stock Units in Lieu of Compensation

In December 2008, we issued restricted stock units (“RSUs in Lieu”) relating to 62,051 shares of our common stock to a number of employees in lieu of a portion of the employees’ bonuses and in lieu of a portion of one employee’s 2009 salary. The amount applicable to employee bonuses was charged to our accrual for bonuses that we made in fiscal 2008, and the amount applicable to salary deferral ($130,000) was charged to “Selling, general and administrative” expense in the three-month period ended January 31, 2009.

During fiscal 2013, we withheld 8,509 shares subject to RSUs in Lieu to cover $308,000 of income tax withholdings and we issued the remaining 29,460 shares to the recipients. As of October 31, 2013, all RSUs in Lieu outstanding have been paid out to the participants.

Employee Stock Purchase Plan

Our employee stock purchase plan enables substantially all employees to purchase our common stock at 95% of the market price of the stock on specified offering dates without restriction or at 85% of the market price of the stock on specified offering

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dates subject to restrictions. The plan, which terminates in December 2017, provides that 1.2 million shares be reserved for purchase. At October 31, 2015, 537,000 shares were available for issuance.

The following table provides information regarding our employee stock purchase plan for fiscal 2015, 2014, and 2013:

	2015	2014	2013
Shares issued	26,674	24,275	20,362
Average price per share	$31.65	$30.59	$28.71
Compensation expense recognized (in thousands)	$113	$98	$77

11. Income Per Share Information

Information pertaining to the calculation of income per share for each of the fiscal years ended October 31, 2015, 2014, and 2013, is as follows (amounts in thousands):

	2015	2014	2013
Numerator:			
Net income as reported	$363,167	$340,032	$170,606
Plus: Interest and costs attributable to 0.5% Exchangeable Senior Notes, net of income tax benefit	1,561	1,557	1,604
Numerator for diluted earnings per share	$364,728	$341,589	$172,210
Denominator:			
Basic weighted-average shares	176,425	177,578	169,288
Common stock equivalents (a)	2,420	2,439	2,817
Shares attributable to 0.5% Exchangeable Senior Notes	5,858	5,858	5,858
Diluted weighted-average shares	184,703	185,875	177,963
Other information:			
Weighted-average number of antidilutive options and restricted stock units (b)	1,826	1,970	1,509
Shares issued under stock incentive and employee stock purchase plans	1,467	1,453	1,213

(a) Common stock equivalents represent the dilutive effect of outstanding in-the-money stock options using the treasury stock method and shares expected to be issued under Performance-Based Restricted Stock Units and Nonperformance-Based Restricted Stock Units.

(b) Weighted-average number of antidilutive options and restricted stock units are based upon the average of the average quarterly closing prices of our common stock on the NYSE for the year.

12. Fair Value Disclosures

Financial Instruments

A summary of assets and (liabilities) at October 31, 2015 and 2014, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (amounts in thousands):

Financial Instrument	Fair value hierarchy	Fair value October 31, 2015	October 31, 2014
Marketable Securities	Level 2	$10,001	$12,026
Residential Mortgage Loans Held for Sale	Level 2	$123,175	$101,944
Forward Loan Commitments – Residential Mortgage Loans Held for Sale	Level 2	$186	$(341)
Interest Rate Lock Commitments (“IRLCs”)	Level 2	$(297)	$(108)
Forward Loan Commitments – IRLCs	Level 2	$297	$108

At October 31, 2015 and 2014, the carrying value of cash and cash equivalents and restricted cash approximated fair value.

Marketable Securities
The fair value of our marketable securities approximates the amortized costs basis as of October 31, 2015 and 2014. The estimated fair values of marketable securities are based on quoted prices provided by brokers. The remaining contractual maturities of marketable securities as of October 31, 2015 was one month.
Mortgage Loans Held for Sale
At the end of the reporting period, we determine the fair value of our mortgage loans held for sale and the forward loan commitments we have entered into as a hedge against the interest rate risk of our mortgage loans and commitments using the market approach to determine fair value. The evaluation is based on the current market pricing of mortgage loans with similar terms and values as of the reporting date and the application of such pricing to the mortgage loan portfolio. We recognize the difference between the fair value and the unpaid principal balance of mortgage loans held for sale as a gain or loss. In addition, we recognize the fair value of our forward loan commitments as a gain or loss. These gains and losses are included in “Other income – net” in our Consolidated Statements of Operations and Comprehensive Income. Interest income on mortgage loans held for sale is calculated based upon the stated interest rate of each loan and is included in “Other income – net.”
The table below provides, for the periods indicated, the aggregate unpaid principal and fair value of mortgage loans held for sale as of the date indicated (amounts in thousands):

At October 31,	Aggregate unpaid principal balance	Fair value	Excess
2015	$121,904	$123,175	$1,271
2014	$100,463	$101,944	$1,481

IRLCs represent individual borrower agreements that commit us to lend at a specified price for a specified period as long as there is no violation of any condition established in the commitment contract. These commitments have varying degrees of interest rate risk. We utilize best-efforts forward loan commitments (“Forward Commitments”) to hedge the interest rate risk of the IRLCs and residential mortgage loans held for sale. Forward Commitments represent contracts with third-party investors for the future delivery of loans whereby we agree to make delivery at a specified future date at a specified price. The IRLCs and Forward Commitments are considered derivative financial instruments under ASC 815, “Derivatives and Hedging,” which requires derivative financial instruments to be recorded at fair value. We estimate the fair value of such commitments based on the estimated fair value of the underlying mortgage loan and, in the case of IRLCs, the probability that the mortgage loan will fund within the terms of the IRLC. The fair values of IRLCs and forward loan commitments are included in either “Receivables, prepaid expenses and other assets” or “Accrued expenses” in our Consolidated Balance Sheets, as appropriate. To manage the risk of non-performance of investors regarding the Forward Commitments, we assess the creditworthiness of the investors on a periodic basis.
Inventory
We recognize inventory impairment charges based on the difference in the carrying value of the inventory and its fair value at the time of the evaluation. The fair value of the aforementioned inventory was determined using Level 3 criteria. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. See Note 1, “Significant Accounting Policies - Inventory,” for additional information regarding our methodology on determining fair value. As further discussed in Note 1, determining the fair value of a community’s inventory involves a number of variables, many of which are interrelated. If we used a different input for any of the various unobservable inputs used in our impairment analysis, the results of the analysis may have been different, absent any other changes. The table below summarizes, for the periods indicated, the ranges of certain quantitative unobservable inputs utilized in determining the fair value of impaired communities:

	Selling price per unit ($ in thousands)	Sales pace per year (in units)	Discount rate
Three months ended October 31, 2015	301 - 764	3 - 24	16.3% - 22.0%
Three months ended July 31, 2015	788 - 1,298	4 - 8	15.5% -16.2%
Three months ended April 30, 2015	527 - 600	13 - 25	17.0%
Three months ended January 31, 2015	289 - 680	1 - 7	13.5% - 16.0%
Three months ended October 31, 2014	337 - 902	7 - 23	12.5% - 16.5%
Three months ended July 31, 2014	698 - 1,233	10 - 22	15.9%
Three months ended April 30, 2014	634 - 760	4 - 7	12.0% - 15.3%
Three months ended January 31, 2014	388 - 405	21 - 23	16.6%

The table below provides, for the periods indicated, the fair value of operating communities whose carrying value was adjusted and the amount of impairment charges recognized ($ amounts in thousands):

		Impaired operating communities		
Three months ended:	Number of communities tested	Number of communities	Fair value of communities, net of impairment charges	Impairment charges recognized
Fiscal 2015:				
January 31	58	4	$24,968	$900
April 30	52	1	$16,235	11,100
July 31	40	3	$13,527	6,000
October 31	44	3	$8,726	4,300
				$22,300
Fiscal 2014:				
January 31	67	1	$7,131	$1,300
April 30	65	2	$6,211	1,600
July 31	63	1	$14,122	4,800
October 31	55	7	$38,473	9,855
				$17,555
Fiscal 2013:				
January 31	60	2	$5,377	$700
April 30	79	1	$749	340
July 31	76	1	$191	100
October 31	63	2	$6,798	2,200
				$3,340

Investments in REO

Gibraltar’s REO was recorded at estimated fair value at the time it was acquired through foreclosure or deed in lieu actions using Level 3 inputs. The valuation techniques used to estimate fair value are third-party appraisals, broker opinions of value, or internal valuation methodologies (which may include discounted cash flows, capitalization rate analysis, or comparable transactional analysis). Unobservable inputs used in estimating the fair value of REO assets are based upon the best information available under the circumstances and take into consideration the financial condition and operating results of the asset, local market conditions, the availability of capital, interest and inflation rates, and other factors deemed appropriate by management.

Acquisition of Shapell

The purchase price allocation performed in connection with the Acquisition was primarily based on Level 3 inputs. The valuation techniques used to value the assets and liabilities acquired are described in Note 2, “Acquisition”.

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Debt

The table below provides, as of the dates indicated, the book value and estimated fair value of our debt at October 31, 2015 and 2014 (amounts in thousands):

		2015		2014	
	Fair value hierarchy	Book value	Estimated fair value	Book value	Estimated fair value
Loans payable (a)	Level 2	$1,001,702	$1,001,366	$654,261	$652,944
Senior notes (b)	Level 1	2,707,376	2,877,039	2,657,376	2,821,559
Mortgage company loan facility (c)	Level 2	100,000	100,000	90,281	90,281
		$3,809,078	$3,978,405	$3,401,918	$3,564,784

(a) The estimated fair value of loans payable was based upon contractual cash flows discounted at interest rates that we believed were available to us for loans with similar terms and remaining maturities as of the applicable valuation date.

(b) The estimated fair value of our senior notes is based upon their market prices as of the applicable valuation date.

(c) We believe that the carrying value of our mortgage company loan borrowings approximates their fair value.

13. Employee Retirement and Deferred Compensation Plans

Salary Deferral Savings Plans

We maintain salary deferral savings plans covering substantially all employees. We recognized an expense, net of plan forfeitures, with respect to the plans of $8.9 million, $7.8 million, and $6.4 million for the fiscal years ended October 31, 2015, 2014, and 2013, respectively.

Deferred Compensation Plan

We have an unfunded, nonqualified deferred compensation plan that permits eligible employees to defer a portion of their compensation. The deferred compensation, together with certain of our contributions, earns various rates of return depending upon when the compensation was deferred. A portion of the deferred compensation and interest earned may be forfeited by a participant if he or she elects to withdraw the compensation prior to the end of the deferral period. We accrued $21.6 million and $20.4 million at October 31, 2015 and 2014, respectively, for our obligations under the plan.

Defined Benefit Retirement Plans

We have two unfunded defined benefit retirement plans. Retirement benefits generally vest when the participant reaches normal retirement age (age 62). Unrecognized prior service costs are being amortized over the period from the date participants enter the plans until their interests are fully vested. We used a 3.55%, 3.55%, and 4.01% discount rate in our calculation of the present value of our projected benefit obligations at October 31, 2015, 2014, and 2013, respectively. The rates represent the approximate long-term investment rate at October 31 of the fiscal year for which the present value was calculated. Information related to the plans is based on actuarial information calculated as of October 31, 2015, 2014 and 2013.

Information related to our retirement plans for each of the fiscal years ended October 31, 2015, 2014, and 2013, is as follows (amounts in thousands):

	2015	2014	2013
Plan costs:			
Service cost	$579	$470	$471
Interest cost	1,232	1,277	1,044
Amortization of prior service cost	806	662	843
Amortization of unrecognized losses	81	8	144
	$2,698	$2,417	$2,502
Projected benefit obligation:			
Beginning of year	$34,606	$32,136	$34,319
Plan amendments adopted during year	768	511	826
Service cost	579	470	471
Interest cost	1,232	1,277	1,044
Benefit payments	(988)	(971)	(888)
Change in unrecognized loss	(382)	1,183	(3,636)
Projected benefit obligation, end of year	$35,815	$34,606	$32,136
Unamortized prior service cost:			
Beginning of year	$3,003	$3,154	$3,171
Plan amendments adopted during year	768	511	826
Amortization of prior service cost	(806)	(662)	(843)
Unamortized prior service cost, end of year	$2,965	$3,003	$3,154
Accumulated unrecognized loss, October 31	$1,240	$1,703	$527
Accumulated benefit obligation, October 31	$35,815	$34,606	$32,136
Accrued benefit obligation, October 31	$35,815	$34,606	$32,136

The table below provides, based upon the estimated retirement dates of the participants in the retirement plans, the amounts of benefits we would be required to pay in each of the next five fiscal years and for the five fiscal years ended October 31, 2025 in the aggregate (in thousands):

Year ending October 31,	Amount
2016	$988
2017	$2,028
2018	$2,124
2019	$2,468
2020	$2,576
November 1, 2020 – October 31, 2025	$14,214

14. Accumulated Other Comprehensive Loss

The tables below provide, for the fiscal years ended October 31, 2015 and 2014, the components of accumulated other comprehensive loss (amounts in thousands):

2015	Employee retirement plans	Available-for-sale securities	Derivative instruments	Total
Balance, beginning of period	$(2,789)	$ (2)	$(47)	$(2,838)
Other comprehensive (loss) income before reclassifications	(387)	3	26	(358)
Gross amounts reclassified from accumulated other comprehensive income	887			887
Income tax expense	(189)	(1)	(10)	(200)
Other comprehensive income, net of tax	311	2	16	329
Balance, end of period	$(2,478)	$ —	$(31)	$(2,509)

2014	Employee retirement plans	Available-for-sale securities	Derivative instruments	Total
Balance, beginning of period	$(2,112)	$ (5)	$(270)	$(2,387)
Other comprehensive (loss) income before reclassifications	(1,694)	13	364	(1,317)
Gross amounts reclassified from accumulated other comprehensive income (loss)	670	(6)		664
Income tax benefit (expense)	347	(4)	(141)	202
Other comprehensive (loss) income, net of tax	(677)	3	223	(451)
Balance, end of period	$(2,789)	$ (2)	$(47)	$(2,838)

Reclassifications for the amortization of the employee retirement plans are included in “Selling, general and administrative” expense in the Consolidated Statements of Operations and Comprehensive Income. Reclassifications for the realized gains on available-for-sale securities are included in “Other income – net” in the Consolidated Statements of Operations and Comprehensive Income.

15. Commitments and Contingencies

Legal Proceedings

We are involved in various claims and litigation arising principally in the ordinary course of business. We believe that adequate provision for resolution of all current claims and pending litigation has been made for probable losses. We believe that the disposition of these matters will not have a material adverse effect on our results of operations and liquidity or on our financial condition.

Land Purchase Commitments

Generally, our purchase agreements to acquire land parcels do not require us to purchase those land parcels, although we, in some cases, forfeit any deposit balance outstanding if and when we terminate a purchase agreement. If market conditions are weak, approvals needed to develop the land are uncertain, or other factors exist that make the purchase undesirable, we may choose not to acquire the land. Whether a purchase agreement is legally terminated or not, we review the amount recorded for the land parcel subject to the purchase agreement to determine if the amount is recoverable. While we may not have formally terminated the purchase agreements for those land parcels that we do not expect to acquire, we write off any non-refundable deposits and costs previously capitalized to such land parcels in the periods that we determine such costs are not recoverable.

Information regarding our land purchase commitments at October 31, 2015 and 2014, is provided in the table below (amounts in thousands):

	2015	2014
Aggregate purchase commitments:		
Unrelated parties	$1,081,008	$1,043,654
Unconsolidated entities that the Company has investments in	136,340	184,260
Total	$1,217,348	$1,227,914
Deposits against aggregate purchase commitments	$79,072	$103,422
Additional cash required to acquire land	1,138,276	1,124,492
Total	$1,217,348	$1,227,914
Amount of additional cash required to acquire land included in accrued expenses	$4,809	$764

At October 31, 2015, we had an understanding to acquire 378 home sites from one of our Land Development Joint Ventures for an aggregate purchase price of $136.3 million. In addition, we expect to purchase approximately 3,600 additional home sites over a number of years from several joint ventures in which we have investments; the purchase prices of these home sites will be determined at a future date.

At October 31, 2015, we also had purchase commitments to acquire land for apartment developments of approximately $69.4 million, of which we had outstanding deposits in the amount of $2.4 million.

In November 2014, we closed on a 99-year ground lease on land located within New York City where we are developing a high-rise luxury cooperative-owned residential building. In August 2014, we paid $4.7 million representing two years of prepaid rent under the ground lease. Pursuant to the terms of the ground lease, in the third quarter of fiscal 2015, we made an additional payment of $17.3 million when final approvals were received. As we deliver homes to our home buyers, the obligation under this lease will transfer to the building's cooperative. We expect to deliver all homes by the end of our fiscal year ending October 31, 2018; therefore we have included two years of additional rent payments totaling $4.7 million that we expect to pay which is included in "Aggregate purchase commitments – Unrelated parties" above.

We have additional land parcels under option that have been excluded from the aforementioned aggregate purchase amounts since we do not believe that we will complete the purchase of these land parcels and no additional funds will be required from us to terminate these contracts.

Investments in Unconsolidated Entities

At October 31, 2015, we had investments in a number of unconsolidated entities, were committed to invest or advance additional funds, and had guaranteed a portion of the indebtedness and/or loan commitments of these entities. See Note 4, "Investments in Unconsolidated Entities," for more information regarding our commitments to these entities.

Surety Bonds and Letters of Credit

At October 31, 2015, we had outstanding surety bonds amounting to $606.6 million, primarily related to our obligations to governmental entities to construct improvements in our communities. We estimate that $354.7 million of work remains on these improvements. We have an additional $116.6 million of surety bonds outstanding that guarantee other obligations. We do not believe it is probable that any outstanding bonds will be drawn upon.

At October 31, 2015, we had outstanding letters of credit of $118.9 million under our Credit Facility. These letters of credit were issued to secure our various financial obligations, including insurance policy deductibles and other claims, land deposits, and security to complete improvements in communities in which we are operating. We believe it is not probable that any outstanding letters of credit will be drawn upon.

Backlog

At October 31, 2015, we had agreements of sale outstanding to deliver 4,064 homes with an aggregate sales value of $3.50 billion.

Mortgage Commitments

Our mortgage subsidiary provides mortgage financing for a portion of our home closings. For those home buyers to whom our mortgage subsidiary provides mortgages, we determine whether the home buyer qualifies for the mortgage based upon information provided by the home buyer and other sources. For those home buyers who qualify, our mortgage subsidiary

provides the home buyer with a mortgage commitment that specifies the terms and conditions of a proposed mortgage loan based upon then-current market conditions. Prior to the actual closing of the home and funding of the mortgage, the home buyer will lock in an interest rate based upon the terms of the commitment. At the time of rate lock, our mortgage subsidiary agrees to sell the proposed mortgage loan to one of several outside recognized mortgage financing institutions ("investors") that is willing to honor the terms and conditions, including interest rate, committed to the home buyer. We believe that these investors have adequate financial resources to honor their commitments to our mortgage subsidiary.

Information regarding our mortgage commitments at October 31, 2015 and 2014, is provided in the table below (amounts in thousands):

	2015	2014
Aggregate mortgage loan commitments:		
IRLCs	$316,184	$191,604
Non-IRLCs	941,243	709,401
Total	$1,257,427	$901,005
Investor commitments to purchase:		
IRLCs	$316,184	$191,604
Mortgage loans receivable	115,859	93,261
Total	$432,043	$284,865

Lease Commitments

We lease certain facilities and equipment under non-cancelable operating leases. Rental expenses incurred by us under these operating leases were (amounts in thousands):

Year ending October 31,	Amount
2015	$12,584
2014	$12,385
2013	$10,973

At October 31, 2015, future minimum rent payments under our operating leases were (amounts in thousands):

Year ending October 31,	Amount
2016	$11,048
2017	9,009
2018	7,072
2019	5,297
2020	1,166
Thereafter	349
	$33,941

16. Other Income - Net

The table below provides the components of other income - net for the years ended October 31, 2015, 2014, and 2013 (amounts in thousands):

	2015	2014	2013
Interest income	$1,939	$2,493	$4,457
Income from ancillary businesses	23,530	10,653	9,912
Gibraltar	10,168	14,364	10,185
Management fee income from unconsolidated entities	11,299	7,306	2,890
Retained customer deposits	5,224	3,067	2,534
Income from land sales	13,150	25,489	4,435
Income recognized from settlement of litigation			13,229
Directly expensed interest		(656)	
Other	2,263	3,476	4,596
Total other income – net	$67,573	$66,192	$52,238

In fiscal 2015, our security monitoring business recognized an $8.1 million gain from a bulk sale of security monitoring accounts, which is included in income from ancillary businesses above.

For the year ended October 31, 2014, income from land sales includes $2.9 million of previously deferred gains on our initial sales of the properties to Trust II as further described in Note 4, “Investments in Unconsolidated Entities.”

In fiscal 2013, we recognized income from the settlement of litigation as the result of three derivative lawsuits brought on our behalf against certain of our officers and directors.

Income from ancillary businesses includes our mortgage, title, landscaping, security monitoring, and golf course and country club operations. The table below provides revenues and expenses for these ancillary businesses for the years ended October 31, 2015, 2014, and 2013 (amounts in thousands):

	2015	2014	2013
Revenue	$119,732	$100,284	$89,182
Expense	$96,202	$89,631	$79,270

The table below provides revenues and expenses recognized from land sales for the years ended October 31, 2015, 2014, and 2013 (amounts in thousands):

	2015	2014	2013
Revenue	$183,870	$242,931	$29,252
Deferred gain on land sale to joint venture	(9,260)		
Expense	(161,460)	(217,442)	(24,817)
	$13,150	$25,489	$4,435

Land sale revenues for the nine months ended July 31, 2015, include $78.5 million related to property sold to a Home Building Joint Venture in which we have a 25% interest. Due to our continued involvement in the joint venture through our ownership interest and guarantees provided on the joint venture’s debt, we deferred the $9.3 million gain realized on the sale. We will recognize the gain as units are sold to the ultimate home buyers. See Note 4, “Investments in Unconsolidated Entities,” for more information on this transaction.

17. Information on Operating Segments

As we discussed in Note 1, “Significant Accounting Policies - Segment Reporting,” prior to October 31, 2015, California was included in the West geographic segment. Due to the increase in our assets and operations in California, it is now presented as a separate geographic segment. Prior year amounts presented below have been reclassified to conform to the fiscal 2015 presentation.

The table below summarizes revenue and income (loss) before income taxes for each of our segments for each of the fiscal years ended October 31, 2015, 2014, and 2013 (amounts in thousands):

	Revenues			Income (loss) before income taxes		
	2015	2014	2013	2015	2014	2013
Traditional Home Building:						
North	$702,175	$662,734	$485,052	$59,172	$56,983	$32,648
Mid-Atlantic	845,328	817,306	652,855	69,093	78,971	79,801
South	892,303	836,498	641,331	152,991	113,584	67,934
West	665,282	517,925	369,697	106,365	78,802	42,731
California	750,036	795,802	354,673	139,133	157,561	68,570
Traditional Home Building	3,855,124	3,630,265	2,503,608	526,754	485,901	291,684
City Living	316,124	281,337	170,691	124,290	104,580	53,345
Corporate and other				(115,482)	(85,899)	(77,332)
Total	$4,171,248	$3,911,602	$2,674,299	$535,562	$504,582	$267,697

“Corporate and other” is comprised principally of general corporate expenses such as the offices of our executive officers; the corporate finance, accounting, audit, tax, human resources, risk management, information technology, marketing, and legal groups; interest income; income from certain of our ancillary businesses, including Gibraltar; and income from a number of our unconsolidated entities.

Total assets for each of our reportable and geographic segments at October 31, 2015 and 2014, are shown in the table below (amounts in thousands):

	2015	2014
Traditional Home Building:		
North	$1,061,777	$1,053,787
Mid-Atlantic	1,225,988	1,267,563
South	1,196,650	1,165,600
West	949,566	755,849
California	2,243,309	1,920,315
Traditional Home Building	6,677,290	6,163,114
City Living	873,013	834,949
Corporate and other	1,656,212	1,400,394
Total	$9,206,515	$8,398,457

“Corporate and other” is comprised principally of cash and cash equivalents, marketable securities, restricted cash, deferred tax assets, and the assets of our Gibraltar investments, manufacturing facilities, and mortgage subsidiary.

Inventory for each of our segments, as of the dates indicated, is shown in the table below (amounts in thousands):

	Land controlled for future communities	Land owned for future communities	Operating communities	Total
Balances at October 31, 2015				
Traditional Home Building:				
North	$12,858	$146,063	$865,553	$1,024,474
Mid-Atlantic	33,196	194,058	956,749	1,184,003
South	4,861	205,562	806,513	1,016,936
West	8,417	198,689	726,256	933,362
California	14,386	899,675	1,149,112	2,063,173
Traditional Home Building	73,718	1,644,047	4,504,183	6,221,948
City Living	1,496	389,400	384,672	775,568
	$75,214	$2,033,447	$4,888,855	$6,997,516
Balances at October 31, 2014				
Traditional Home Building:				
North	$12,007	$171,780	$834,266	$1,018,053
Mid-Atlantic	29,169	209,506	994,859	1,233,534
South	10,971	219,904	793,835	1,024,710
West	18,780	201,710	519,415	739,905
California	3,342	1,189,318	658,405	1,851,065
Traditional Home Building	74,269	1,992,218	3,800,780	5,867,267
City Living	48,264	363,656	211,134	623,054
	$122,533	$2,355,874	$4,011,914	$6,490,321

The amounts we have provided for inventory impairment charges and the expensing of costs that we believed not to be recoverable for each our of geographic segments, for the years ended October 31, 2015, 2014, and 2013, are shown in the table below (amounts in thousands):

	2015	2014	2013
Traditional Home Building:			
North	$15,033	$9,148	$1,762
Mid-Atlantic	19,488	9,069	522
South	720	2,285	2,400
West	420	169	365
California		7	(526)
Traditional Home Building	35,661	20,678	4,523
City Living	48		
	$35,709	$20,678	$4,523

The net carrying value of our investments in unconsolidated entities and our equity in earnings from such investments, for each of our reportable and geographic segments, as of the dates indicated, are shown in the table below (amounts in thousands):

	Investments in unconsolidated entities At October 31,		Equity in earning from unconsolidated entities Year ended October 31,		
	2015	2014	2015	2014	2013
Traditional Home Building:					
Mid-Atlantic	$12,167	$11,841		$(8)	
South	97,041	98,362	$11,074	2,621	$184
West		1,841	447	(166)	(183)
California	128,338	57,732	5,089	302	3,584
Traditional Home Building	237,546	169,776	16,610	2,749	3,585
City Living	52,634	159,953	(1,158)	(3,593)	1,174
Corporate and other	122,680	117,349	5,667	41,985	9,633
Total	$412,860	$447,078	$21,119	$41,141	$14,392

“Corporate and other” is comprised of our investments in the Rental Property Joint Ventures (including the Trust and Trust II) and the Structured Asset Joint Venture. In the first quarter of fiscal 2015, a Rental Property Joint Venture that was previously included in the Mid-Atlantic geographic segment was reclassified to “Corporate and other.” Our investment balance in this joint venture at October 31, 2014, of $12.4 million, was reclassified in the table above to conform to the fiscal 2015 presentation.

18. Supplemental Disclosure to Consolidated Statements of Cash Flows

The following are supplemental disclosures to the Consolidated Statements of Cash Flows for each of the fiscal years ended October 31, 2015, 2014 and 2013 (amounts in thousands):

	2015	2014	2013
Cash flow information:			
Interest paid, net of amount capitalized	$23,930	$10,131	$18,187
Income tax payments	$205,412	$71,608	$3,130
Income tax refunds	$16,965	$8	$1,190
Noncash activity:			
Cost of inventory acquired through seller financing or municipal bonds, net	$67,890	$96,497	$45,726
Financed portion of land sale	$2,273	$6,586	$7,200
Reduction in inventory for Company's share of earnings in land purchased from unconsolidated entities	$9,188	$4,177	$3,035
Transfer of investment in REO to inventory			$764
Reclassification of deferred income from inventory to accrued liabilities			$4,545
Reclassification of inventory to property, construction, and office equipment		$9,482	$5,576
(Decrease) increase in unrecognized losses in defined benefit plans	$(382)	$1,183	$(3,636)
Defined benefit plan amendment	$768	$511	$826
Deferred tax decrease related to exercise of stock options included in APIC	$2,325	$312	
Increase in accrued expenses related to Stock Price-Based RSUs		$5,086	$2,942
Income tax (expense) benefit recognized in total comprehensive income	$(200)	$202	$(1,512)
Transfer of inventory to investment in unconsolidated entities		$4,152	$54,761
Transfers of investment in unconsolidated entity to inventory	$132,256	$2,704	
Transfer of other assets to investment in unconsolidated entities	$4,852		
Unrealized gain on derivatives held by equity investees	$26	$364	$435
Increase in investments in unconsolidated entities for change in the fair value of debt guarantees	$1,843	$1,356	$1,582
Miscellaneous increases (decreases) to investments in unconsolidated entities	$144	$249	$(1,811)
Business Acquisition:			
Fair value of assets purchased, excluding cash acquired		$1,524,964	
Liabilities assumed		$35,848	
Cash paid, net of cash acquired		$1,489,116	

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19. Supplemental Guarantor Information

Our 100%-owned subsidiary, Toll Brothers Finance Corp. (the “Subsidiary Issuer”), has issued the following Senior Notes (amounts in thousands):

	Original amount issued and amount outstanding at October 31, 2015
8.91% Senior Notes due 2017	$400,000
4.0% Senior Notes due 2018	$350,000
6.75% Senior Notes due 2019	$250,000
5.875% Senior Notes due 2022	$419,876
4.375% Senior Notes due 2023	$400,000
5.625% Senior Notes due 2024	$250,000
4.875% Senior Notes due 2025	$350,000
0.50% Exchangeable Senior Notes due 2032	$287,500

The obligations of the Subsidiary Issuer to pay principal, premiums, if any, and interest are guaranteed jointly and severally on a senior basis by us and substantially all of our 100%-owned home building subsidiaries (the “Guarantor Subsidiaries”). The guarantees are full and unconditional. Our non-home building subsidiaries and several of our home building subsidiaries (together, the “Nonguarantor Subsidiaries”) do not guarantee the debt. The Subsidiary Issuer generates no operating revenues and does not have any independent operations other than the financing of our other subsidiaries by lending the proceeds from the above-described debt issuances. The indentures under which the Senior Notes were issued provide that any of our subsidiaries that provide a guarantee of the Credit Facility will guarantee the Senior Notes. The indentures further provide that any Guarantor Subsidiary may be released from its guarantee, so long as (1) no default or event of default exists or would result from release of such guarantee, (2) the Guarantor Subsidiary being released has consolidated net worth of less than 5% of our consolidated net worth as of the end of our most recent fiscal quarter, (3) the Guarantor Subsidiaries released from their guarantees in any fiscal year comprise in the aggregate less than 10% (or 15% if and to the extent necessary to permit the cure of a default) of our consolidated net worth as of the end of our most recent fiscal quarter, (4) such release would not have a material adverse effect on our and our subsidiaries home building business, and (5) the Guarantor Subsidiary is released from its guarantee under the Credit Facility. If there are no guarantors under the Credit Facility, all Guarantor Subsidiaries under the indentures will be released from their guarantees.

Separate financial statements and other disclosures concerning the Guarantor Subsidiaries are not presented because management has determined that such disclosures would not be material to investors.

Supplemental consolidating financial information of Toll Brothers, Inc., the Subsidiary Issuer, the Guarantor Subsidiaries, the Nonguarantor Subsidiaries, and the eliminations to arrive at Toll Brothers, Inc. on a consolidated basis is presented below ($ amounts in thousands).

Consolidating Balance Sheet at October 31, 2015

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents	—	—	783,599	135,394	—	918,993
Marketable securities				10,001		10,001
Restricted cash	15,227		499	1,069		16,795
Inventory			6,530,698	466,818		6,997,516
Property, construction, and office equipment, net			121,178	15,577		136,755
Receivables, prepaid expenses, and other assets	52		149,268	178,680	(43,870)	284,130
Mortgage loans held for sale				123,175		123,175
Customer deposits held in escrow			51,767	4,338		56,105
Investments in unconsolidated entities			115,999	296,861		412,860
Investments in foreclosed real estate and distressed loans				51,730		51,730
Investments in and advances to consolidated entities	4,067,722	2,726,428	4,740		(6,798,890)	—
Deferred tax assets, net of valuation allowances	198,455					198,455
	4,281,456	2,726,428	7,757,748	1,283,643	(6,842,760)	9,206,515
LIABILITIES AND EQUITY						
Liabilities						
Loans payable			1,000,439			1,000,439
Senior notes		2,669,860			19,941	2,689,801
Mortgage company loan facility				100,000		100,000
Customer deposits			271,124	13,185		284,309
Accounts payable			236,436	517		236,953
Accrued expenses		25,699	361,089	266,411	(45,133)	608,066
Advances from consolidated entities			1,932,075	850,374	(2,782,449)	—
Income taxes payable	58,868					58,868
Total liabilities	58,868	2,695,559	3,801,163	1,230,487	(2,807,641)	4,978,436
Equity						
Stockholders' equity						
Common stock	1,779		48	3,006	(3,054)	1,779
Additional paid-in capital	728,125	49,400		1,734	(51,134)	728,125
Retained earnings	3,595,202	(18,531)	3,956,568	42,894	(3,980,931)	3,595,202
Treasury stock, at cost	(100,040)					(100,040)
Accumulated other comprehensive loss	(2,478)		(31)			(2,509)
Total stockholders' equity	4,222,588	30,869	3,956,585	47,634	(4,035,119)	4,222,557
Noncontrolling interest				5,522		5,522
Total equity	4,222,588	30,869	3,956,585	53,156	(4,035,119)	4,228,079

4,281,456	2,726,428	7,757,748	1,283,643	(6,842,760)	9,206,515

Consolidating Balance Sheet at October 31, 2014

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents	—	—	455,714	130,601	—	586,315
Marketable securities			1,997	10,029		12,026
Restricted cash	15,211		2,070	1,061		18,342
Inventory			6,260,303	230,018		6,490,321
Property, construction, and office equipment, net			126,586	16,424		143,010
Receivables, prepaid expenses, and other assets			113,221	137,496	(17,590)	233,127
Mortgage loans held for sale				101,944		101,944
Customer deposits held in escrow			39,912	2,161		42,073
Investments in unconsolidated entities			132,096	314,982		447,078
Investments in foreclosed real estate and distressed loans				73,800		73,800
Investments in and advances to consolidated entities	3,714,788	2,677,448	4,740		(6,396,976)	—
Deferred tax assets, net of valuation allowances	250,421					250,421
	3,980,420	2,677,448	7,136,639	1,018,516	(6,414,566)	8,398,457
LIABILITIES AND EQUITY						
Liabilities						
Loans payable			651,627	992		652,619
Senior notes		2,608,910			29,331	2,638,241
Mortgage company loan facility				90,281		90,281
Customer deposits			221,084	2,715		223,799
Accounts payable			225,106	241		225,347
Accrued expenses		31,906	386,223	181,649	(18,301)	581,477
Advances from consolidated entities			2,018,981	708,167	(2,727,148)	—
Income taxes payable	125,996					125,996
Total liabilities	125,996	2,640,816	3,503,021	984,045	(2,716,118)	4,537,760
Equity						
Stockholders' equity						
Common stock	1,779		48	3,006	(3,054)	1,779
Additional paid-in capital	712,162	49,400		1,734	(51,134)	712,162
Retained earnings	3,232,035	(12,768)	3,633,618	23,410	(3,644,260)	3,232,035
Treasury stock, at cost	(88,762)					(88,762)
Accumulated other comprehensive loss	(2,790)		(48)			(2,838)
Total stockholders' equity	3,854,424	36,632	3,633,618	28,150	(3,698,448)	3,854,376
Noncontrolling interest				6,321		6,321
Total equity	3,854,424	36,632	3,633,618	34,471	(3,698,448)	3,860,697
	3,980,420	2,677,448	7,136,639	1,018,516	(6,414,566)	8,398,457

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Consolidating Statement of Operations and Comprehensive Income (Loss) for the fiscal year ended October 31, 2015

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Revenues			4,213,776	77,226	(119,754)	4,171,248
Cost of revenues			3,276,078	12,909	(19,717)	3,269,270
Selling, general and administrative	113	3,560	481,943	60,377	(90,885)	455,108
	113	3,560	3,758,021	73,286	(110,602)	3,724,378
Income (loss) from operations	(113)	(3,560)	455,755	3,940	(9,152)	446,870
Other:						
Income from unconsolidated entities			14,034	7,085		21,119
Other income - net	9,429		34,098	21,724	2,322	67,573
Intercompany interest income		137,362			(137,362)	—
Interest expense		(143,193)		(999)	144,192	—
Income from consolidated subsidiaries	526,246		22,359		(548,605)	—
Income (loss) before income taxes	535,562	(9,391)	526,246	31,750	(548,605)	535,562
Income tax provision (benefit)	172,395	(3,628)	203,296	12,265	(211,933)	172,395
Net income (loss)	363,167	(5,763)	322,950	19,485	(336,672)	363,167
Other comprehensive (loss) income	311		18			329
Total comprehensive income (loss)	363,478	(5,763)	322,968	19,485	(336,672)	363,496

Consolidating Statement of Operations and Comprehensive Income (Loss) for the fiscal year ended October 31, 2014

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Revenues			3,950,509	79,097	(118,004)	3,911,602
Cost of revenues			3,098,048	9,406	(25,617)	3,081,837
Selling, general and administrative	132	3,670	457,808	55,721	(84,815)	432,516
	132	3,670	3,555,856	65,127	(110,432)	3,514,353
Income (loss) from operations	(132)	(3,670)	394,653	13,970	(7,572)	397,249
Other:						
Income from unconsolidated entities			40,588	553		41,141
Other income - net	9,403		40,594	15,416	779	66,192
Intercompany interest income		148,177			(148,177)	—
Interest expense		(153,898)		(1,072)	154,970	—
Income from consolidated subsidiaries	495,311		19,476		(514,787)	—
Income (loss) before income taxes	504,582	(9,391)	495,311	28,867	(514,787)	504,582
Income tax provision (benefit)	164,550	(3,609)	190,349	11,094	(197,834)	164,550
Net income (loss)	340,032	(5,782)	304,962	17,773	(316,953)	340,032
Other comprehensive income (loss)	(677)		202	24		(451)
Total comprehensive income (loss)	339,355	(5,782)	305,164	17,797	(316,953)	339,581

Consolidating Statement of Operations and Comprehensive Income (Loss) for the fiscal year ended October 31, 2013

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Revenues			2,711,438	70,107	(107,246)	2,674,299
Cost of revenues			2,149,554	10,043	(26,297)	2,133,300
Selling, general and administrative	188	2,963	364,256	48,413	(75,888)	339,932
	188	2,963	2,513,810	58,456	(102,185)	2,473,232
Income (loss) from operations	(188)	(2,963)	197,628	11,651	(5,061)	201,067
Other:						
Income from unconsolidated entities			9,318	5,074		14,392
Other income - net	9,433		32,217	12,616	(2,028)	52,238
Intercompany interest income		127,057			(127,057)	—
Interest expense		(133,500)		(646)	134,146	—
Income from consolidated subsidiaries	258,452		19,289		(277,741)	—
Income (loss) before income taxes	267,697	(9,406)	258,452	28,695	(277,741)	267,697
Income tax (benefit) provision	97,091	(3,691)	101,416	11,260	(108,985)	97,091
Net income (loss)	170,606	(5,715)	157,036	17,435	(168,756)	170,606
Other comprehensive loss	2,334		114	(16)		2,432
Total comprehensive income (loss)	172,940	(5,715)	157,150	17,419	(168,756)	173,038

Consolidating Statement of Cash Flows for the fiscal year ended October 31, 2015

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	45,366	2,156	100,487	(78,246)	(9,581)	60,182
Cash flow (used in) provided by investing activities:						
Purchase of property and equipment — net			(10,181)	734		(9,447)
Sale and redemption of marketable securities			2,000			2,000
Investment in unconsolidated entities			(4,552)	(119,388)		(123,940)
Return of investments in unconsolidated entities			23,213	16,553		39,766
Investment in distressed loans and foreclosed real estate				(2,624)		(2,624)
Return of investments in distressed loans and foreclosed real estate				37,625		37,625
Net increase in cash from purchase of joint venture interest			3,848			3,848
Intercompany advances	(29,620)	(48,981)			78,601	—
Net cash (used in) provided by investing activities	(29,620)	(48,981)	14,328	(67,100)	78,601	(52,772)
Cash flow provided by (used in) financing activities:						
Proceeds from issuance of senior notes		350,000				350,000
Debt issuance costs for senior notes		(3,175)				(3,175)
Proceeds from loans payable			400,000	1,554,432		1,954,432
Principal payments of loans payable			(113,745)	(1,545,713)		(1,659,458)
Redemption of senior notes		(300,000)				(300,000)
Proceeds from stock-based benefit plans	39,514					39,514
Excess tax benefits from stock-based compensation	1,628					1,628
Purchase of treasury stock	(56,888)					(56,888)
Receipts related to noncontrolling interest				(785)		(785)
Intercompany advances			(73,185)	142,205	(69,020)	—
Net cash provided by (used in) financing activities	(15,746)	46,825	213,070	150,139	(69,020)	325,268
Net (decrease) increase in cash and cash equivalents	—	—	327,885	4,793	—	332,678
Cash and cash equivalents, beginning of year	—	—	455,714	130,601	—	586,315
Cash and cash equivalents, end of year	—	—	783,599	135,394	—	918,993

Consolidating Statement of Cash Flows for the fiscal year ended October 31, 2014

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	137,023	15,644	279,724	(102,540)	(16,651)	313,200
Cash flow provided by (used in) investing activities:						
Purchase of property and equipment — net			(13,161)	(1,913)		(15,074)
Sale and redemption of marketable securities			40,242			40,242
Investment in unconsolidated entities			(16,683)	(96,346)		(113,029)
Return of investments in unconsolidated entities			63,581	10,264		73,845
Investment in distressed loans and foreclosed real estate				(2,089)		(2,089)
Return of investments in distressed loans and foreclosed real estate				53,130		53,130
Acquisition of a business			(1,489,116)			(1,489,116)
Dividends received intercompany			15,000		(15,000)	—
Intercompany advances	(302,591)	(342,945)			645,536	—
Net cash provided by (used in) investing activities	(302,591)	(342,945)	(1,400,137)	(36,954)	630,536	(1,452,091)
Cash flow provided by (used in) financing activities:						
Net proceeds from issuance of senior notes		600,000				600,000
Debt issuance costs for senior notes		(4,739)				(4,739)
Proceeds from loans payable			1,156,300	1,073,071		2,229,371
Debt issuance costs for loans payable			(3,063)			(3,063)
Principal payments of loans payable			(704,320)	(1,062,795)		(1,767,115)
Redemption of senior notes		(267,960)				(267,960)
Net proceeds from issuance of common stock	220,365					220,365
Proceeds from stock-based benefit plans	28,364					28,364
Excess tax benefits from stock-based compensation	7,593					7,593
Purchase of treasury stock	(90,754)					(90,754)
Receipts related to noncontrolling interest				172		172
Dividends paid intercompany				(15,000)	15,000	—
Intercompany advances			457,108	171,777	(628,885)	—
Net cash provided by financing activities	165,568	327,301	906,025	167,225	(613,885)	952,234
Net (decrease) increase in cash and cash equivalents	—	—	(214,388)	27,731	—	(186,657)
	—	—	670,102	102,870	—	772,972

Cash and cash equivalents, beginning of year						
Cash and cash equivalents, end of year	—	—	455,714	130,601	—	586,315

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Consolidating Statement of Cash Flows for the fiscal year ended October 31, 2013

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	116,508	5,163	(518,598)	(161,333)	(10,703)	(568,963)
Cash flow provided by (used in) investing activities:						
Purchase of property and equipment — net			(15,038)	(11,529)		(26,567)
Purchase of marketable securities			(25,938)	(10,264)		(36,202)
Sale and redemption of marketable securities			357,583	60,263		417,846
Investment in unconsolidated entities			(34,071)	(59,327)		(93,398)
Return of investments in unconsolidated entities			43,405	26,404		69,809
Investment in distressed loans and foreclosed real estate				(26,155)		(26,155)
Return of investments in distressed loans and foreclosed real estate				27,370		27,370
Intercompany advances	(141,346)	(241,693)			383,039	—
Net cash provided by (used in) investing activities	(141,346)	(241,693)	325,941	6,762	383,039	332,703
Cash flow provided by (used in) financing activities:						
Net proceeds from issuance of senior notes		400,383				400,383
Proceeds from loans payable				1,164,531		1,164,531
Principal payments of loans payable			(33,329)	(1,162,195)		(1,195,524)
Redemption of senior notes		(163,853)				(163,853)
Proceeds from stock-based benefit plans	15,798					15,798
Excess tax benefits from stock-based compensation	24,417					24,417
Purchase of treasury stock	(15,377)					(15,377)
Receipts related to noncontrolling interest				33		33
Intercompany advances			184,064	188,272	(372,336)	—
Net cash provided by financing activities	24,838	236,530	150,735	190,641	(372,336)	230,408
Net decrease in cash and cash equivalents	—	—	(41,922)	36,070	—	(5,852)
Cash and cash equivalents, beginning of year	—	—	712,024	66,800	—	778,824
Cash and cash equivalents, end of year	—	—	670,102	102,870	—	772,972

20. Summary Consolidated Quarterly Financial Data (Unaudited)

The table below provides summary income statement data for each quarter of fiscal 2015 and 2014 (amounts in thousands, except per share data):

	Three Months Ended,			
	October 31	July 31	April 30	January 31
Fiscal 2015:				
Revenue	$1,437,202	$1,028,011	$852,583	$853,452
Gross profit (a)	$320,870	$203,617	$174,071	$203,420
Income before income taxes	$217,543	$107,464	$86,532	$124,023
Net income	$147,163	$66,749	$67,930	$81,325
Income per share (b)				
Basic	$0.83	$0.38	$0.38	$0.46
Diluted	$0.80	$0.36	$0.37	$0.44
Weighted-average number of shares				
Basic	176,370	176,797	176,458	176,076
Diluted	184,736	185,133	184,838	184,107
Fiscal 2014:				
Revenue	$1,350,690	$1,056,857	$860,374	$643,681
Gross profit (a)	$288,115	$239,625	$172,376	$129,649
Income before income taxes	$188,538	$151,325	$93,484	$71,235
Net income	$131,524	$97,707	$65,222	$45,580
Income per share (b)				
Basic	$0.74	$0.55	$0.37	$0.26
Diluted	$0.71	$0.53	$0.35	$0.25
Weighted-average number of shares				
Basic	177,540	178,217	178,082	176,474
Diluted	185,669	186,501	186,442	184,888

(a) Gross profit in the third quarter and fourth quarter of fiscal 2015 included charges, net of reversals, of $4.9 million and $8.2 million, respectively, associated with stucco-related claims, construction claims, and litigation. Gross profit in the fourth quarter of 2014 included charges of $32.0 million associated with such items. See Note 7, “Accrued Expenses,” for additional information regarding certain of these charges.

(b) Due to rounding, the sum of the quarterly earnings per share amounts may not equal the reported earnings per share for the year.