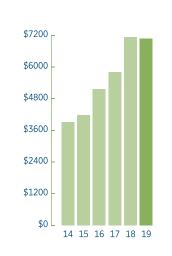
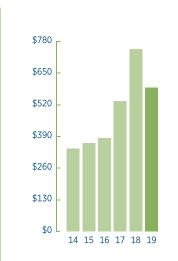


FINANCIAL SUMMARY

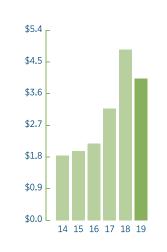


REVENUES for Home Sales In FY (in millions) Compound annual growth rate—13%*

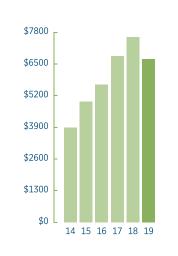


NET INCOME
In FY (in millions)

Compound annual growth rate—12%*

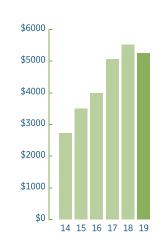


EARNINGS PER SHARE
In FY
Compound annual growth rate—17%*



CONTRACTS
In FY (in millions)

Compound annual growth rate—11%*



BACKLOG
At FYE (in millions)
Compound annual growth rate—14%*





CORPORATE OVERVIEW

LUXURY HOMES AND COMMUNITIES

Founded in 1967; NYSE (TOL) since 1986

National presence in the luxury market: over 50 markets in 23 states and Washington, DC

Selling from 333 communities

Average delivered home price of \$873,400; Average price in backlog of \$839,000

High-volume home production for extensively personalized homes

DIVERSE PRODUCT LINES

Luxury move-up homes

Millennial-focused affordable luxury homes

Elegant empty-nester, active-adult, and second homes

Urban low-, mid-, and high-rise condos

Large multigenerational homes and multiproduct master planned communities

Suburban high-density communities

Resort-style golf and country club living

Urban and suburban rental communities

INDUSTRY-LEADING **BRANDS**

America's Luxury Home Builder

Fortune 500 Company

Toll Brothers Active Adult: luxury homes for active adults including 55+ buyers

Toll Brothers City Living: luxury mid- and high-rise urban for-sale communities

Toll Brothers Apartment Living and Toll Brothers Campus Living: luxury for-rent urban, suburban, and student housing communities

AWARDS

National Builder of the Year, *Builder* magazine

Two-time Builder of the Year, Professional Builder magazine

Five-time World's Most Admired Home Building Company,* FORTUNE Magazine

Induction of founders Robert and Bruce Toll into the *Builder* Hall of Fame

SOPHISTICATED LAND AND **BUILDING PROGRAM**

Delivered over 100,000 homes (\$75 billion) since 2000

Control 59.230 home sites

Land planning, acquisition, approval. development, and sales expertise

Predesign and prebudget personalized features via Toll Architecture and **Toll Integrated Systems**

Averaged \$178,000 in upgrades and site premiums, 24% above base home price

ANCILLARY BUSINESSES

Land banking, lending, and joint venture financing services via Gibraltar Real **Estate Capital**

Integrated home automation and home security via TBI Smart Home Solutions

Home mortgage, title, insurance, design studio, and landscape

FINANCIAL AND MANAGEMENT STRENGTH

Strong corporate credit ratings: Standard & Poors (BB+), Moody's (Ba1), and Fitch (BBB-)

Liquidity of \$3.0 billion: \$1.3 billion in cash and \$1.7 billion available under our \$1.905 billion, 23-bank, 5-year revolving credit facility

\$800 million, 12-bank, 5-year term loan

Over \$12.5 billion in corporate and joint venture financing transactions completed in the last 5 years

Debt-to-capital ratio of 43.6%; net debt-to-capital ratio[†] of 32.9%

Laddered long-term public and bank debt maturities with a weighted average of 5.8 years remaining

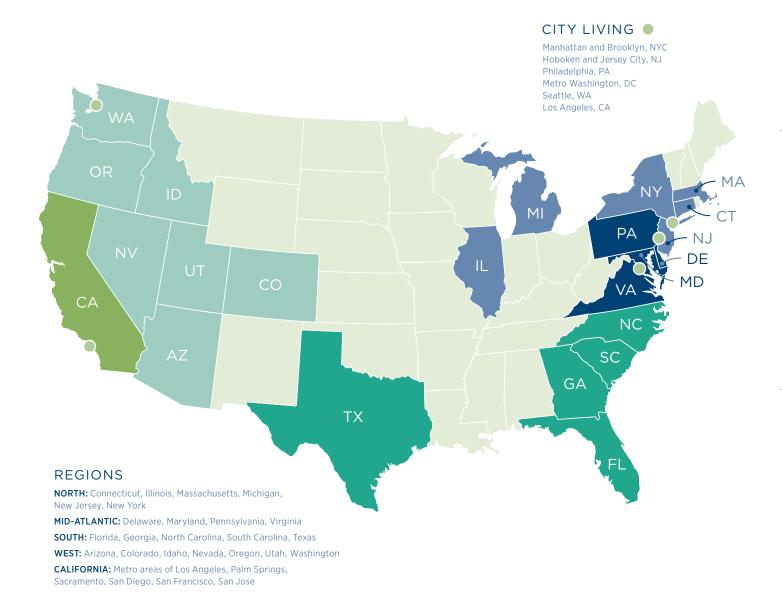
Seasoned management: average 16-year tenure

Information for and as of FYE October 31, 2019, unless otherwise noted.

^{*}See footnote on page 78.

^{*}See "Reconciliation of Non-GAAP Measures" on page 76 for more information on the calculation of the Company's net debt-to-capital ratio.

GEOGRAPHIC DIVERSIFICATION



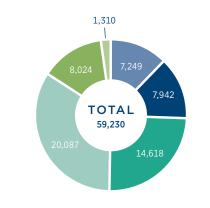
HOME SALES REVENUES

By segment in FY 2019 (in millions)



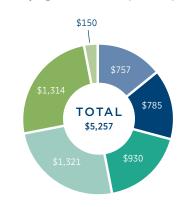
HOME SITES CONTROLLED

By segment at FYE 2019



BACKLOG

By segment at FYE 2019 (in millions)











DECEMBER 26, 2019

DEAR SHAREHOLDER

As we enter FY 2020, the economy remains supportive of housing. Consumer confidence is healthy, and household formations have been strong. Unemployment and mortgage rates are low. October housing starts were at their highest level since July of 2007, while the months' supply of homes on the market remains constrained. With this positive environment as a backdrop, we continue to pursue our strategies of broadening our product lines, price points, and geographic footprint and improving our capital efficiency.

EXPANSION AND DIVERSIFICATION

We now operate in over 50 markets in 23 states and the District of Columbia. This year we expanded our footprint into four new states and seven new markets. With the acquisition of Sharp Residential, we entered metro Atlanta, and with the acquisition of Sabal Homes, we entered Charleston, Greenville, and Myrtle Beach, South Carolina. Both companies offer a wide range of price points to their customers. We also opened our first communities in Salt Lake City, Utah, and Portland, Oregon.

Our broad range of for-sale communities includes single-family homes, attached product ranging from two- and three-plex to high-density multiplex buildings of 30–60 residences, and mid- and high-rise luxury urban condominium communities of up to several hundred residences. This diversity of product attracts a wide variety of customers, including

first-time, move-up, active-adult, empty-nester, and second-home buyers. We have built a significant rental platform that develops upscale apartments in both suburban and urban locations. Most recently, we entered the purpose-built single-family rental market in partnership with an experienced operator and a major financial institution.

As the nation's leading builder of luxury homes, we remain committed to our luxury niche. We will continue to buy land and build communities at the corner of Main Street and Main Street and empower our buyers to personalize their homes through our unique Design Studio experience. This market is strong, and demographics suggest it will grow over the next decade.

At the same time, we are also strategically focusing on more affordable luxury communities. One-third of our current communities offer a home with a base price of \$500,000 or less. We believe we receive a premium for these homes because of our brand. This will position us for faster growth as we expand our product lines, price points, and geographies.

While affordable luxury crosses all buyer segments, including move-up and active-adult, this initiative is driven in large part by a growing number of discerning millennials who are older and more affluent when they buy their first home. In fact, in FY 2019, over 20% of our closings had one purchaser aged 35 or under. This strategy builds on our strong brand

reputation and complements our focus on capital efficiency, as lower-priced, faster-paced communities tend to turn capital more quickly.

Toll Brothers Apartment Living (TBAL), which develops upscale rental apartments and student housing in both suburban and urban locations across the country, continues to show impressive growth.

In 2019, TBAL was named #1 fastest-growing and 14th largest apartment developer in the country by the National Multifamily Housing Council. We have a nationwide pipeline of over 18,000 rental units in various stages of development or operation, nearly all of which will be undertaken in joint ventures. Some of these projects will be held long-term, and others will be sold upon completion.

ADOPTING TECHNOLOGICAL INNOVATIONS

New technologies permeate all aspects of our business. They are driving forces in how we manage our customer experience and how we build our homes. Our innovative customer experience has been made smoother online and at our Design Studio locations. Buyers can create interactive personalized floor plans, select design options, and envision elements of their new homes in three dimensions through virtual kitchens and simulated walk-throughs of our model homes. Technology can help homeowners coordinate home control including sound systems, thermostats, home security, and other features, and seamlessly facilitate various third-party transactions involved in the purchase of their home. On the construction side, we produce components for about 35% of our homes more efficiently and with reduced waste due to technology used in our Toll Integrated Systems manufacturing plants.



A SLOW MARKET START AND A STRONG FINISH

For FY 2019, home sales revenues were \$7.08 billion and home building deliveries were 8,107 units, down 1% and 2% compared to FY 2018. Net income and earnings per share were \$590.0 million and \$4.03 per share diluted, compared to \$748.2 million and \$4.85 per share diluted in FY 2018. Net signed contracts totaled \$6.71 billion and 8,075 units, down 12% in dollars and 5% in units, while FYE 2019 backlog of \$5.26 billion and 6,266 units was down 5% in dollars and up 3% in units compared to FYE 2018.

FY 2019 began with industry softness that started in the second half of FY 2018 and carried through the first half of FY 2019. Demand for new homes nationally rebounded in the second half of FY 2019, and our results reflect that. Building on the positive momentum in the economy, we saw steady improvement in buyer demand throughout the year. FY 2019 ended on a strong note, with our fourth-quarter contracts up 18% in units and 12% in dollars and our contracts per community up 10% compared to one year ago.







SOLID BALANCE SHEET AND LIQUIDITY WITH A FOCUS ON CAPITAL EFFICIENCY

Our balance sheet remains strong as we focus on maintaining significant liquidity to support our growth and assure access to long-term, attractively priced capital. We ended FY 2019 with \$1.29 billion in cash and cash equivalents and had \$1.73 billion available under our bank revolving credit facility. Benefiting from our strong reputation and favorable capital market conditions, in FY 2019, we increased our bank revolving credit facility from \$1.295 billion to \$1.905 billion. We extended the facility's maturity to five years along with that of our \$800 million bank term loan facility. We also raised \$400 million of ten-year 3.8% debt in the public capital markets, a portion of which we later used to retire \$250 million of more expensive maturing public debt.

With our focus on capital efficiency, in FY 2019, we repurchased approximately 6.6 million shares of common stock at an average price of \$35.28, for a total purchase price of

approximately \$233.5 million. FYE 2019 Stockholders' Equity was \$5.07 billion, compared to \$4.76 billion at FYE 2018, and our FYE 2019 book value per share was \$35.99 per share, compared to \$32.57 at FYE 2018. We ended FY 2019 with a net debt-to-capital ratio of 32.9%.†

LOOKING TO FY 2020 WITH OPTIMISM

We are optimistic as we start FY 2020. We are projecting 10% community count growth over the course of the year. With this anticipated growth, our well-established brand, our great land positions, and our broadening geographic footprint, product lines, and price points, we believe we are well-positioned as we enter this new decade.

For the fifth consecutive year, we were named World's Most Admired Home Builder by FORTUNE Magazine. This is a tribute to our wonderful Toll Brothers associates, who seek to do their best and be the best each and every day. We wish to thank our home buyers for putting their trust in us, as well as thank our suppliers, contractors, and capital partners for working with us as we endeavor to exceed our customers' expectations and build the homes of their dreams.

DOUGLAS C. YEARLEY, JR.

Chairman and Chief Executive Officer

ROBERT I. TOLL

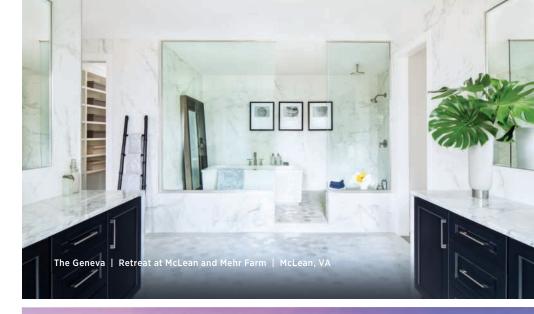




A UNIQUE BRAND

As America's Luxury Home Builder, we strive every day to maintain the high standards ingrained in our corporate culture honed over more than 50 years in the home building business. Our commitment to quality, value, choice, and service has led us to be named World's Most Admired Homebuilding Company five years in a row by FORTUNE Magazine. Building on our reputation and brand, we continue to broaden our product offerings to appeal to customers across many stages of the home buying and renting lifestyle spectrum. As we expand, our key attributes remain:

- superior homes at a range of price points for both owners and renters
- high-quality construction, exceptional architecture and floor plans, and distinctive personalized features designed for the way people live today
- community designs that encourage healthy living and sociability and include recreational and social amenities that matter to our customers
- a premium customer experience from the moment of first contact to the day a customer moves in
- unrivaled choice, from wonderful locations to a very wide variety of luxury home designs to an extensive selection of personalized options in our design studios









A CUSTOMER-DRIVEN CULTURE

Our customers, their desires, and their dreams are at the heart of everything we do. We seek to elevate the customer experience by providing a streamlined process that makes buying a luxury home a seamless, enjoyable experience.

At our for-sale communities, our sales professionals, Design Studio consultants, construction managers, and members of our Customer Care team are consistent points of communication for our buyers. We have developed our communication practices to build on our history of treating customers like family. We work to keep them up to speed at every step in their home building process through weekly calls, regular tours, and videos of the construction progress of their homes. Similarly, at our rental communities, our leasing agents and property management teams engage in constant communication with our clients.

By gathering insights from our buyers' architectural and design selections as well as customer satisfaction surveys, repeat buyer statistics, and referrals, we work to elevate our service and product offerings to enhance the customer experience.

With an increased focus on employee engagement, we have designed our internal systems to improve our management and communication practices, increase efficiency, and facilitate teamwork. We have learned over many decades that engaged employees translate into delighted customers.















A WORLD OF CHOICE

As many larger builders migrate to more standardized and less personalized product offerings, and many smaller builders struggle with the cost and complexity of extensively customizing, one powerful distinguishing feature and significant competitive advantage for Toll Brothers is choice.

By blending a hands-on, tailored customer service experience supported by well-designed management processes and technologies with an array of the most current products and trends in design, materials, and brands, we deliver choice to our customers efficiently and profitably. These choices include:

- locations across the country with a variety of product offerings and price points to serve a wide range of customer segments
- structural options to personalize their homes, including additional or expanded rooms, extra floors, and alternative room configurations that meet specific needs of our customers with options such as multigenerational living suites and finished basements
- selection of interior features such as cabinets, flooring, fixtures, appliances, lighting, and smart home technologies so customers can personalize their homes at one of our many Design Studios across the United States
- indoor-outdoor living features that expand the functionality and beauty of the home

While always mindful of the impact on operations and efficiency, we remain committed to offering a level of personalization at each price point to drive customer satisfaction as well as revenue opportunities.







FINANCIAL

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TOLL BROTHERS' 34-YEAR FINANCIAL SUMMARY 1986-2019

Summary Consolidated Statement of Operations Data (amounts in thousands, except per share data)

Year Ended October 31,		2019		2018	2017	2016	2015	2014	2013	2012	2011
Revenues	\$	7,080,379	\$	7,143,258	\$ 5,815,058	\$ 5,169,508	\$ 4,171,248	\$ 3,911,602	\$ 2,674,299 \$	1,882,781	\$ 1,475,881
Pre-tax income (loss)	\$	787,170	\$	933,916	\$ 814,311	\$ 589,027	\$ 535,562	\$ 504,582	\$ 267,697 \$	112,942	\$ (29,366)
Net income (loss)	\$	590,007	\$	748,151	\$ 535,495	\$ 382,095	\$ 363,167	\$ 340,032	\$ 170,606 \$	487,146	\$ 39,795
Earnings (loss) per share — Diluted	\$	4.03	\$	4.85	\$ 3.17	\$ 2.18	\$ 1.97	\$ 1.84	\$ 0.97 \$	2.86	\$ 0.24
Weighted-average number of shares — Diluted		146,501		154,201	169,487	175,973	184,703	185,875	177,963	170,154	168,381
Summary Consolidated Balance Sheet Data (amounts in	thou	ısands, except pe	er sha	are data)							
At October 31,		2019		2018	2017	2016	2015	2014	2013	2012	2011
Cash and marketable securities	\$	1,286,014	\$	1,182,195	\$ 712,829	\$ 633,715	\$ 928,994	\$ 598,341	\$ 825,480 \$	1,217,892	\$ 1,139,912
Inventory	\$	7,873,048	\$	7,598,219	\$ 7,281,453	\$ 7,353,967	\$ 6,997,516	\$ 6,490,321	\$ 4,650,412 \$	3,732,703	\$ 3,416,723
Total assets	\$	10,828,138	\$	10,244,590	\$ 9,445,225	\$ 9,736,789	\$ 9,206,515	\$ 8,398,457	\$ 6,811,782 \$	6,165,915	\$ 5,048,478
Debt											
Loans payable	\$	1,111,449	\$	686,801	\$ 637,416	\$ 871,079	\$ 1,000,439	\$ 652,619	\$ 107,222 \$	99,817	\$ 106,556
Senior notes		2,659,898		2,861,375	2,462,463	2,694,372	2,689,801	2,638,241	2,305,765	2,065,334	1,484,204
Subordinated notes											
Mortgage related debt		150,000		150,000	120,145	210,000	100,000	90,281	75,000	72,664	57,409
Total	\$	3,921,347	\$	3,698,176	\$ 3,220,024	\$ 3,775,451	\$ 3,790,240	\$ 3,381,141	\$ 2,487,987 \$	2,237,815	\$ 1,648,169
Stockholders' Equity	\$	5,071,816	\$	4,760,199	\$ 4,531,194	\$ 4,229,292	\$ 4,222,557	\$ 3,854,376	\$ 3,332,987 \$	3,121,700	\$ 2,586,353
Number of shares outstanding		140,938		146,163	157,205	161,783	174,847	175,046	169,353	168,637	165,729
Book value per share	\$	35.99	\$	32.57	\$ 28.82	\$ 26.14	\$ 24.15	\$ 22.02	\$ 19.68 \$	18.51	\$ 15.61
Return on beginning Stockholders' Equity		12.4%		16.5%	12.7%	9.0%	9.4%	10.2%	5.5%	18.8%	1.6%
Home Data											
Year Ended October 31,		2019		2018	2017	2016	2015	2014	2013	2012	2011
Number of homes closed (1)		8,107		8,265	7,151	6,098	5,525	5,397	4,184	3,286	2,611
Sales value of homes closed (1)(3)	\$	7,080,379	\$	7,143,258	\$ 5,815,058	\$ 5,169,508	\$ 4,171,248	\$ 3,911,602	\$ 2,674,299 \$	1,882,781	\$ 1,475,881
Revenues — % of completion (3)											
Number of homes contracted		8,075		8,519	8,175	6,719	5,910	5,271	5,294	4,159	2,784
Sales value of homes contracted (3)	\$	6,710,937	\$	7,604,265	\$ 6,828,277	\$ 5,649,570	\$ 4,955,579	\$ 3,896,490	\$ 3,633,908 \$	2,557,917	\$ 1,604,827
At October 31,		2019		2018	2017	2016	2015	2014	2013	2012	2011
Number of homes in backlog		6,266		6,105	5,851	4,685	4,064	3,679	3,679	2,569	1,667
Sales value of homes in backlog (2)(3)	\$	5,257,091	\$	5,522,523	\$ 5,061,517	\$ 3,984,065	\$ 3,504,004	\$ 2,719,673	\$ 2,629,466 \$	1,669,857	\$ 981,052
Number of selling communities		333		315	305	310	288	263	232	224	215
Home sites											
Owned		36,567		32,503	31,341	34,137	35,872	36,224	33,967	31,327	30,199
Optioned		22,663		20,919	16,970	14,700	8,381	10,943	14,661	9,023	7,298
						,,	-,	,		-,	

⁽¹⁾ Excludes 88 units with an aggregate delivered value of \$86.1 million in fiscal 2008 and 336 units with an aggregate delivered value of \$263.3 million in fiscal 2007 that were accounted for using the percentage of completion accounting method.

⁽²⁾ Net of \$55.2 million and \$170.1 million of revenues recognized in fiscal 2007 and 2006, respectively, under the percentage of completion accounting method.

⁽³⁾ In 000's

2010		2009	2008		2007		2006	2005		2004		2003		2002	2001		2000	1999	1998
\$	<u> </u>	1,755,310	\$ 3,148,166	<u> </u>	4,635,093	\$	6,115,280	\$ <u> </u>	\$	3,839,451	\$	2,731,044	· —	2,279,261	\$ 2,180,469	\$	1,762,930	\$,,	\$ 1,206,290
\$ (117,187)	\$	(496,465)	\$ (466,787)	\$	70,680	\$	1,126,616	\$ 1,323,128	\$	647,432	\$	411,153	\$	347,318	\$ 337,889	\$	230,966	\$ 160,432	\$ 132,523
\$ (3,374)	\$	(755,825)	\$ (297,810)	\$	35,651	\$	687,213	\$ 806,110	\$	409,111	\$	259,820	\$	219,887	\$ 213,673	\$	145,943	\$ 101,566	\$ 84,704
\$ (0.02)	\$	(4.68)	\$ (1.88)	\$	0.22	\$	4.17	\$ 4.78	\$	2.52	\$	1.72	\$	1.46	\$ 1.38	\$	0.98	\$ 0.68	\$ 0.55
 165,666		161,549	158,730		164,166	_	164,852	168,552	_	162,330	_	151,083	_	150,959	154,734	_	149,651	149,744	153,441
2010		2009	2008		2007		2006	2005		2004		2003		2002	2001		2000	1999	1998
\$ 1,236,927	\$	1,908,894	\$ 1,633,495	\$	900,337	\$	632,524	\$ 689,219	\$	580,863	\$	425,251	\$	102,337	\$ 182,840	\$	161,860	\$ 96,484	\$ 80,143
\$ 3,241,725	\$	3,183,566	\$ 4,127,475	\$	5,572,655	\$	6,095,702	\$ 5,068,624	\$	3,878,260	\$	3,080,349	\$	2,551,061	\$ 2,183,541	\$	1,712,383	\$ 1,443,282	\$ 1,111,863
\$ 5,163,450	\$	5,624,972	\$ 6,582,350	\$	7,214,739	\$	7,576,873	\$ 6,336,251	\$	4,897,626	\$	3,779,440	\$	2,888,671	\$ 2,525,014	\$	2,025,633	\$ 1,662,810	\$ 1,250,505
\$ 94,491	\$	472,854	\$ 613,594	\$	696,814	\$	736,934	\$ 250,552	\$	340,380	\$	281,697	\$	253,194	\$ 362,712	\$	326,537	\$ 213,317	\$ 182,292
1,536,005		1,578,212	1,139,895		1,138,065		1,136,235	1,134,575		840,737		543,170							
		47,836	342,064		348,664		348,264	347,864		446,976		615,548		812,969	662,395		464,878	464,166	265,333
 72,367		27,015	37,867		76,730		119,705	89,674		92,053		49,939		48,996	24,754			1,145	1,384
\$ 1,702,863	\$	2,125,917	\$ 2,133,420	\$	2,260,273	\$	2,341,138	\$ 1,822,665	\$	1,720,146	\$	1,490,354	\$	1,115,159	\$ 1,049,861	\$	791,415	\$ 678,628	\$ 449,009
\$ 2,555,453	\$	2,513,199	\$ 3,237,653	\$	3,527,234	\$	3,415,926	\$ 2,763,571	\$	1,919,987	\$	1,476,628	\$	1,129,509	\$ 912,583	\$	745,145	\$ 616,334	\$ 525,756
 166,408		164,725	160,369		157,008		153,899	154,943		149,642		146,644		140,432	139,112		143,580	145,814	147,742
\$ 15.36	\$	15.26	\$ 20.19	\$	22.47	\$	22.20	\$ 17.84	\$	12.83	\$	10.07	\$	8.04	\$ 6.56	\$	5.19	\$ 4.23	\$ 3.56
 (0.1%)		(23.3%)	(8.4%)		1.0%		24.9%	42.0%		27.7%		23.0%		24.1%	28.7%		23.7%	19.3%	22.0%
2010		2009	2008		2007		2006	2005		2004		2003		2002	2001		2000	1999	1998
2,642		2,965	4,743		6,687		8,601	8,769		6,627		4,911		4,430	4,358		3,945	3,555	3,099
\$ 1,494,771	\$	1,755,310	\$ 3,106,293	\$	4,495,600	\$	5,945,169	\$ 5,759,301	\$	3,839,451	\$	2,731,044	\$	2,279,261	\$ 2,180,469	\$	1,762,930	\$ 1,438,171	\$ 1,206,290
			\$ 41,873		139,493	\$	170,111												
2,605		2,450	2,927		4,440		6,164	10,372		8,684		6,132		5,070	4,314		4,364	3,799	3,387
\$ 1,472,030	\$	1,304,656	\$ 1,608,191	\$	3,010,013	\$	4,460,734	\$ 7,152,463	\$	5,641,454	\$	3,475,992	\$	2,734,457	\$ 2,158,536	\$	2,134,522	\$ 1,627,849	\$ 1,383,093
2010		2009	2008		2007		2006	2005		2004		2003		2002	2001		2000	1999	1998
1,494		1,531	2,046		3,950		6,533	8,805		6,709		4,652		3,342	2,702		2,746	2,327	1,892
\$ 852,106	\$	874,837	\$ 1,325,491	\$	2,854,435	\$	4,488,400	\$ 6,014,648	\$	4,433,895	\$	2,631,900	\$	1,858,784	\$ 1,403,588	\$	1,425,521	\$ 1,053,929	\$ 814,714
195		200	273		315		300	230		220		200		170	155		146	140	122
28,891		26,872	32,081		37,139		41,808	35,838		29,804		29,081		25,822	25,981		22,275	23,163	15,578
 5,961		5,045	7,703		22,112		31,960	47,288		30,385		18,977		15,022	13,165		10,843	11,268	14,803
34,852		31,917	39,784		59,251		73,768	83,126		60,189		48,058		40,844	39,146		33,118	34,431	30,381

	1007		1000		1005		1001		1007		1000		1001		1000		1000		1000		1007		1000
	1997		1996		1995		1994		1993	<u> </u>	1992	4	1991		1990		1989		1988		1987		1986
- \$ \$	968,253	\$	759,303 85,793	<u>\$</u> \$	643,017 79,439	\$	501,822 56,840		,	\$ \$	279,841 27,493	\$ \$	175,971 8,444	<u> </u>	198,336 16,801	\$	176,864 21,520	\$	197,027 40,803	\$	134,856 33,346	\$	124,641
		<u> </u>		<u> </u>		<u> </u>				<u> </u>						_		<u> </u>		<u> </u>		<u> </u>	23,718
	65,075	\$	53,744	\$		\$	36,177	\$	28,058	\$		\$	5,013	\$	9,988	\$	13,127	\$	24,074	\$	17,173	\$	11,861
\$_	0.44	\$	0.36	\$	0.34	<u>\$</u>	0.25	\$	0.21	>		\$		\$		\$	0.11	\$	0.20	\$	0.14	\$	0.11
	149,049	_	147,516	_	145,440	_	142,620	_	133,868	_	132,936		125,648	_	118,856	_	119,880	_	120,612		121,540	_	111,812
	1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986
\$	147,575	\$	22,891	\$	27,772	\$	38,026	\$	32,329	\$	33,407	\$	31,475	\$	10,379	\$	9,160	\$	27,110	\$	18,009	\$	14,720
\$	921,595	\$	772,471	\$	623,830	\$	506,347	\$	402,515	\$	287,844	\$	222,775	\$	240,155	\$	256,934	\$	206,593	\$	143,894	\$	66,543
\$	1,113,012	\$	833,189	\$	686,703	\$	580,148	\$	470,441	\$	380,584	\$	312,424	\$	316,534	\$	348,163	\$	256,611	\$	181,765	\$	108,185
\$	189,579	\$	132,109	\$	59,057	\$	17,506	\$	24,779	\$	25,756	\$	49,943	\$	71,707	\$	95,508	\$	74,048	\$	55,545	\$	12,474
	314,310		203,678		215,472		221,224		168,885		124,602		55,513		61,474		69,681		69,635		29,967		29,963
	2,577		2,816	_	3,912		4,686		10,810		24,403		39,864		45,988		52,617				382		5,969
_\$	506,466	\$	338,603	\$	278,441	\$	243,416	\$	204,474	\$	174,761	\$	145,320	\$	179,169	\$	217,806	\$	143,683	\$	85,894	\$	48,406
_\$		\$	314,677	\$		\$	204,176	\$	167,136	\$	136,605	\$	118,195	\$		\$	85,832	\$	73,305	\$	48,842	\$	31,405
	137,102		135,674	_	134,552		133,692		133,276		132,348		131,248		118,736		119,652		120,168		120,268		119,972
\$	2.81	\$	2.32	\$	1.91	\$	1.53	\$	1.25	\$	1.03	\$	0.90	\$	0.80	\$	0.72	\$	0.61	\$	0.41	\$	0.26
	20.7%		20.9%	_	24.5%	_	21.7%		20.6%		14.0%		5.3%		11.7%		18.0%		49.3%		54.7%		122.5%
	1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986
	2,517		2,109		1,825		1,583		1,324		1,019		676		727		676		778		674		802
\$	968,253	\$	759,303	\$	643,017	\$	501,822	\$	392,560	\$	279,841	\$	175,971	\$	198,336	\$	176,864	\$	197,027	\$	134,856	\$	124,641
	2,701		2,398		1,846		1,716		1,595		1,202		863		612		704		656		756		832
\$	1,069,279	\$	884,677	\$	660,467	\$	586,941	\$	490,883	\$	342,811	\$	230,324	\$	163,975	\$	185,255	\$	162,504	\$	190,680	\$	133,369
	1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986
	1,551		1,367		1,078		1,025		892		621		438		251		366		338		460		378
\$	627,220	\$	526,194	\$	400,820	\$	370,560	\$	285,441	\$	187,118	\$	124,148	\$	69,795	\$	104,156	\$	95,765	\$	130,288	\$	74,194
	116		100		97		80		67		62		42		41		40		26		21		15
	12,820		12,065		9,542		6,779		5,744		5,633		3,974		4,548		5,075		4,724		2,147		1,461
	9,145		5,237		5,042		4,445		4,271		3,592		3,281		2,117		2,832		4,041		7,141		4,853
	21,965		17,302		14,584		11,224		10,015		9,225		7,255		6,665		7,907		8,765		9,288		6,314



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. One 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," "could," "might," "should," and other words or phrases of similar meaning. Such statements may include, but are not limited to, information related to: market conditions; demand for our homes; 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; home warranty and construction defect claims; 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, investigations, 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.

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 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 I 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. Backlog consists of homes under contract but not yet delivered to our home buyers ("backlog"). Backlog conversion represents the percentage of homes delivered in the period from backlog at the beginning of the period ("backlog conversion").

This discussion and analysis does not address certain items in respect of fiscal 2017 in reliance on amendments to disclosure requirements adopted by the SEC in 2019. A discussion and analysis of fiscal 2017 may be found in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the fiscal year ended October 31, 2018, filed with the SEC on December 20, 2018.

OVERVIEW

Our Business

We design, build, market, sell, and arrange financing for an array of luxury residential single-family detached, attached home, master planned resort-style golf, and urban low-, mid-, and high-rise communities, principally on land we develop and improve, as we continue to pursue our strategy of broadening our product lines, price points and geographic footprint. We cater to luxury first-time, move-up, empty-nester, active-adult, affordable luxury and second-home buyers in the United States ("Traditional Home Building Product"), as well as urban and suburban renters. We also design, build, market, and sell urban low-, mid-, and high-rise condominiums through Toll Brothers City Living® ("City Living"). At October 31, 2019, we were operating in 23 states, as well as in the District of Columbia.

In the five years ended October 31, 2019, we delivered 35,146 homes from 724 communities, including 8,107 homes from 426 communities in fiscal 2019. At October 31, 2019, we had 715 communities containing approximately 59,200 home sites that we owned or controlled through options.

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 addition to our residential for-sale business, we also develop and operate for-rent apartments through joint ventures. See the section entitled "Toll Brothers Apartment Living/Toll Brothers Campus Living" below.

We operate our own architectural, engineering, mortgage, title, land development, golf course development, and landscaping subsidiaries. We also operate our own security company, TBI Smart Home Solutions, which provides homeowners with home automation and a full range of technology options. In addition, we operate our own lumber distribution, house component assembly, and manufacturing operations.

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 distressed loans and real estate and provide financing and land banking for residential builders and developers for the acquisition and development of land and home sites ("Gibraltar Joint Ventures").

Financial Highlights

In fiscal 2019, we recognized \$7.08 billion of home sales revenues and net income of \$590.0 million, as compared to \$7.14 billion of revenues and net income of \$748.2 million in fiscal 2018.

In fiscal 2019 and 2018, the value of net contracts signed was \$6.71 billion (8,075 homes) and \$7.60 billion (8,519 homes), respectively. The value of our backlog at October 31, 2019 was \$5.26 billion (6,266 homes), as compared to our backlog at October 31, 2018 of \$5.52 billion (6,105 homes).

At October 31, 2019, we had \$1.29 billion of cash and cash equivalents and approximately \$1.73 billion available for borrowing under our \$1.905 billion revolving credit facility (the "Revolving Credit Facility") that matures in November 2024. At October 31, 2019, we had no outstanding borrowings under the Revolving Credit Facility and had outstanding letters of credit of approximately \$177.9 million

In fiscal 2017, our Board of Directors approved the initiation of quarterly cash dividends to shareholders. During fiscal 2019 and 2018, we paid aggregate cash dividends of \$0.44 and \$0.41 per share, respectively, to our shareholders. In December 2019, we declared a quarterly cash dividend of \$0.11 which will be paid on January 24, 2020 to shareholders of record on the close of business on January 10, 2020.

At October 31, 2019, our total equity and our debt to total capitalization ratio were \$5.12 billion and 0.44 to 1.00, respectively.

Acquisitions

As part of our strategy to expand our geographic footprint and product offerings, in fiscal 2019, we acquired substantially all of the assets and operations of Sharp Residential, LLC ("Sharp") and Sabal Homes LLC ("Sabal"), for approximately \$92.8 million and \$69.6 million, respectively, in cash, Sharp operates in metropolitan Atlanta, Georgia; Sabal operates in the Charleston, Greenville, and Myrtle Beach, South Carolina markets. The assets acquired, based on our preliminary purchase price allocations, was primarily inventory, including approximately 2,550 home sites owned or controlled through land purchase agreements. In connection with these acquisitions, we assumed contracts to deliver 204 homes with an aggregate value of \$96.1 million. The average price of undelivered homes at the dates of acquisitions was approximately \$471,100. As a result of these acquisitions, our selling community count increased by 22 communities.

Our Business Environment and Current Outlook

Over the past several years, sales prices for both new and resale homes have generally increased, which has reduced housing affordability in many markets, including in California, where we have a significant presence. In addition, late in fiscal 2018 and in the first half of fiscal 2019, interest rates on mortgage loans increased. These conditions resulted in a moderation in demand for our homes late in fiscal 2018 into fiscal 2019, as well as margin compression on contracts signed during this period. Late in the spring of 2019, market conditions improved as interest rates on mortgage loans decreased and as home builders increased sales incentives to improve sales pace. Buyer demand for our homes steadily improved throughout the year, and, in the three months ended October 31, 2019, the number of contracts we signed had increased 18% in units and 12% in dollars compared to the three months ended October 31, 2018. For full year fiscal 2019, we signed 8,075 contracts for the sale of Traditional Home Building Product and City Living units with an aggregate value of \$6.71 billion, compared to 8,519 contracts with an aggregate value of \$7.60 billion in fiscal 2018.

As we enter fiscal 2020, we continue to see solid economic fundamentals underlying the housing market, as consumer confidence has been healthy, household formations have been strong, and there continues to be a limited supply of homes across most of our markets. As the nation's leading builder of luxury homes, we remain committed to meeting the demands of our discerning customers, who continue to pursue distinctive, high-quality homes in desirable locations. At the same time, we are strategically focused on broadening our portfolio through targeted expansion in high-potential markets and product-line diversification that includes increasing our presence in more affordable luxury communities. With a supportive economy as a backdrop, we expect this strategy to improve revenue growth and capital efficiency as we increase community count and seek to deliver more units with more rapid cycle times.

Tax Reform

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law, which changed many longstanding foreign and domestic corporate and individual tax rules, as well as rules pertaining to the deductibility of employee compensation and benefits. These changes include: (i) reducing the corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017; (ii) eliminating the corporate alternative minimum tax; (iii) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; (iv) repeal of the domestic production activities deduction for tax years beginning after December 31, 2017; and

(v) establishing new limits on the federal tax deductions individual taxpayers may take as a result of mortgage loan interest payments, and state and local tax payments, including real estate taxes.

As required under accounting rules, we remeasured our net deferred tax liability for the tax law change, which resulted in an income tax benefit of \$35.5 million in fiscal 2018. See Note 8, "Income Taxes" in Notes to Condensed Consolidated Financial Statements in Item 15(a)1 of this Form 10-K for additional information regarding the impact of the Tax Act.

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 based on price, location, design, quality, service, and reputation. We believe our financial stability, relative to many others in our industry, provides us with a competitive advantage.

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 and improve our capital efficiency by utilizing one or more of the following methods: controlling land for future development through options, 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 fixedprice basis.

During fiscal 2019 and 2018, we acquired control of approximately 13,900 and 13,400 home sites. respectively, net of options terminated and home sites sold. At October 31, 2019, we controlled approximately 59,200 home sites, as compared to approximately 53,400 home sites at October 31, 2018, and approximately 48,300 home sites at October 31, 2017. In addition, at October 31, 2019, we expect to purchase approximately 2,500 additional home sites from several land development joint ventures in which we have an interest, at prices not yet determined.

Of the approximately 59,200 total home sites that we owned or controlled through options at October 31, 2019, we owned approximately 36,600 and controlled approximately 22,600 through options. Of the 59,200 home sites, approximately 16,800 were substantially improved.

In addition, at October 31, 2019, our Land Development Joint Ventures owned approximately 10,100 home sites (including 130 home sites included in the 22,600 controlled through options), and our Home Building Joint Ventures owned approximately 100 home sites.

At October 31, 2019, we were selling from 333 communities, compared to 315 communities at October 31, 2018, and 305 communities at October 31, 2017.

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 these customers with financing.

We believe that our home buyers generally are, and should continue to be, well-positioned to secure mortgages due to their typically lower loan-to-value ratios and attractive credit profiles, as compared to the average home buyer.

Toll Brothers Apartment Living/Toll Brothers Campus Living

In addition to our residential for-sale business, we also develop and operate for-rent apartments through joint ventures. At October 31, 2019, we or joint ventures in which we have an interest controlled 56 land parcels as for-rent apartment projects containing approximately 18.300 units. These projects, which are located in multiple metropolitan areas throughout the country, are being operated, are being developed or will be developed with partners under the brand names Toll Brothers Apartment Living and Toll Brothers Campus Living.

In fiscal 2019, one of our Rental Property Joint Ventures, located in located in Phoenixville, Pennsylvania, sold its assets to an unrelated party for \$77.8 million. From our investment in this joint venture, we received cash of \$7.4 million and recognized a gain from this sale of \$3.8 million in fiscal 2019. In fiscal 2018, three of our Rental Property Joint Ventures sold their assets to unrelated parties for \$477.5 million. These joint ventures had owned, developed, and operated multifamily rental properties located in suburban Washington, D.C. and Westborough, Massachusetts, and a student housing community in College Park, Maryland, From our investment in these joint ventures, we received cash of \$79.1 million and recognized gains from these sales of \$67.2 million in fiscal 2018. The gains recognized from these sales are included in "Income from unconsolidated entities" in our Consolidated Statement of Operations and Comprehensive Income included in Item 15(a)1 of this Form 10-K.

At October 31, 2019, we had approximately 2,000 units in for-rent apartment projects that were occupied or ready for occupancy, 1,700 units in the lease-up stage, 8,400 units in the design phase or under development, and 6,200 units in the planning stage. Of the 18,300 units at October 31, 2019, 7,700 were owned by joint ventures in which we have an interest; approximately 4,400 were owned by us; and 6,200 were under contract to be purchased by us.

CONTRACTS AND BACKLOG

The aggregate value of net sales contracts signed decreased 11.7% in fiscal 2019, as compared to fiscal 2018. The value of net sales contracts signed was \$6.71 billion (8,075 homes) in fiscal 2019 and \$7.60 billion (8,519 homes) in fiscal 2018. The decrease in the aggregate value of net contracts signed in fiscal 2019, as compared to fiscal 2018, was due to decreases in the number of net contracts signed and average value of each contract signed of 5% and 7%, respectively. The decrease in the number of net contracts signed in fiscal 2019, as compared to fiscal 2018, was primarily due to decreased demand and a lack of inventory in certain locations in fiscal 2019, as compared to fiscal 2018, offset, in part, by an increase in the average number of selling communities and contracts signed in the metropolitan Atlanta, Georgia market and several markets in South Carolina in fiscal 2019 from the Sharp and Sabal acquisitions. The decrease in average price of net contracts signed in fiscal 2019, as compared to fiscal 2018, was principally due to a shift in the number of contracts signed to less expensive areas and/or products resulting in part from our strategy to broaden of our geographic footprint, product types and price points in fiscal 2019.

The value of our backlog at October 31, 2019, 2018, and 2017 was \$5,26 billion (6,266 homes), \$5.52 billion (6,105 homes), and \$5.06 billion (5,851 homes), respectively. Approximately 93% of the homes in backlog at October 31, 2019 are expected to be delivered by October 31, 2020. The 4.8% decrease in the value of homes in backlog at October 31, 2019, as compared to October 31, 2018, was due to home deliveries with an aggregate value of \$7.08 billion in fiscal 2019, offset, in part, by our signing net contracts with a value of \$6.71 billion in fiscal 2019.

For more information regarding revenues, net contracts signed, and backlog by geographic segment, see "Seaments" 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 home sales 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, 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 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 may 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 home sales 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 and such amounts could be material.

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, 2019, 2018, and 2017, as shown in the table below (amounts in thousands):

	2019	2018	2017
Land controlled for future communities	\$ 11,285	\$ 2,820	\$ 1,949
Land owned for future communities	_	2,185	3,050
Operating communities	31,075	 30,151	 9,795
	\$ 42,360	\$ 35,156	\$ 14,794

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	comm	air value of unities, net mpairment charges	Impairment charges recognized
Fiscal 2019:					
January 31	49	5	\$	37,282	\$ 5,785
April 30	64	6	\$	36,159	17,495
July 31	69	3	\$	5,436	1,100
October 31	71	7	\$	18,910	 6,695
					\$ 31,075
Fiscal 2018:					
January 31	64	5	\$	13,318	\$ 3,736
April 30	65	4	\$	21,811	13,325
July 31	55	5	\$	43,063	9,065
October 31	43	6	\$	24,692	4,025
					\$ 30,151
Fiscal 2017:					
January 31	57	2	\$	8,372	\$ 4,000
April 30	46	6	\$	25,092	2,935
July 31	53	4	\$	5,965	1,360
October 31	51	1	\$	6,982	1,500
					\$ 9,795

Income Taxes - Valuation Allowance

We assess the need for valuation allowances for deferred tax assets in each period based on whether it is more-likely-than-not that some portion of the deferred tax asset would not be realized. If, based on the available evidence, it is more-likely-than-not that such asset will not be realized, a valuation allowance is established against a deferred tax asset. 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. 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; tax planning alternatives; and outlooks for the U.S. housing industry and broader economy. Changes in existing tax laws or rates could also affect our actual tax results. Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods, actual results could differ from the estimates used in our assessment that could have a material impact on our consolidated results of operations or financial position.

Our deferred tax assets consist principally of the timing of deductibility of accrued expenses, inventory impairments, inventory valuation differences, state tax net operating loss carryforwards. and stock-based compensation expense. 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, 2019 and 2018, we determined that it was more-likely-than-not that our deferred tax assets would be realized. Accordingly, at October 31, 2019 and 2018, we did not have valuation allowances recorded against our federal or state deferred tax assets. During fiscal 2017, we reversed the remaining \$32.2 million of state deferred tax valuation allowances.

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.

Revenue and Cost Recognition

HOME SALES REVENUES AND COST RECOGNITION: Revenues and cost of revenues from home sales are recognized at the time each home is delivered and title and possession are transferred to the buyer. For the majority of our home closings, our performance obligation to deliver a home is satisfied in less than one year from the date a binding sale agreement is signed.

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 "Home sales revenues" 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 may offer our home buyers sales incentives. These incentives will vary by type of incentive and by amount on a community-bycommunity and home-by-home basis. Incentives are reflected as a reduction in home sales revenues. Incentives are recognized at the time the home is delivered to the home buyer and we receive the sales proceeds.

On November 1, 2018, we adopted Accounting Standards Codification ("ASC") Topic 606 "Revenue from Contracts with Customers" ("ASC 606"), which supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, "Revenue Recognition," and most industry-specific guidance. See Note 1. "Significant Accounting Policies" in Notes to Consolidated Financial Statements in Item 15(a)1 of this Form 10-K for additional information regarding the impact of the adoption of ASC 606.

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. Over the past several years, we have had a significant number of warranty claims related primarily to homes built in Pennsylvania and Delaware. See Note 7 - "Accrued Expenses" in Item 15(a)1 of this Form 10-K for additional information regarding these warranty charges.

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, Colorado, Nevada, Washington, and certain areas of Texas, 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 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.

OFF-BALANCE SHEET ARRANGEMENTS

We also operate through a number of joint ventures. We earn construction and management fee income from many of these joint ventures. Our investments in these entities are generally 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 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 our purchase; instead, our cost basis in the home sites is reduced by our share of the earnings realized by the joint venture from those home sites.

At October 31, 2019, we had investments in these entities of \$366.3 million, and were committed to invest or advance up to an additional \$38.8 million to these entities if they require additional funding. At October 31, 2019, we had agreed to terms for the acquisition of 130 home sites from one Land Development Joint Ventures for an estimated aggregate purchase price of \$10.8 million. In addition, we expect to purchase approximately 2,500 additional home sites over a number of years from several of these joint ventures; the purchase price of these home sites will be determined at a future date.

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 quaranteed 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) carry cost guarantees, which cover costs such as interest, real estate taxes, and insurance; (iv) an environmental indemnity provided to the lender that holds the lender harmless from and against losses arising from the discharge of hazardous materials from the property and non-compliance with applicable environmental laws; 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 ioint 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, 2019, 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 all or a significant portion of the obligation. If it is not, we and our partners would need to contribute additional capital to the entity. At October 31, 2019, we had guaranteed the debt of certain unconsolidated entities with loan commitments aggregating \$1.53 billion, of which, if the full amount of the debt obligations were borrowed, we estimate \$299.1 million to be our maximum exposure related to repayment and carry cost guarantees. At October 31, 2019, the unconsolidated entities had borrowed an aggregate of \$1.14 billion, of which we estimate \$239.6 million to be our maximum exposure related to repayment and carry cost guarantees. These maximum exposure estimates do not take into account any recoveries from the underlying collateral or any reimbursement from our partners.

For more information regarding these joint ventures, see Note 4, "Investments in Unconsolidated Entities" in the Notes to Consolidated Financial Statements in Item 15(a)1 of this Form 10-K.

The trends, uncertainties or other factors that 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 our unconsolidated entities that own, develop, and manage for-rent residential apartments, 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 recognized charges in connection with one Land Development Joint Venture of \$1.0 million in fiscal 2019; two Land Development Joint Ventures of \$6.0 million in fiscal 2018; and \$2.0 million in fiscal 2017 at one Land Development Joint Venture.

RESULTS OF OPERATIONS

The following table compares certain items in our Consolidated Statements of Operations and Comprehensive Income and other supplemental information for fiscal 2019 and 2018 (\$ amounts in millions, unless otherwise stated). For more information regarding results of operations by operating segment, see "Segments" in this MD&A.

	Years ended October 31,								
		2019		2018	% Change				
Revenues: (1)									
Home sales	\$	7,080.4	\$	7,143.3	(1)%				
Land sales		143.6		_					
		7,224.0		7,143.3	1%				
Cost of revenues: (1)									
Home sales		5,678.9		5,673.0	—%				
Land sales		129.7		_					
		5,808.6		5,673.0	2%				
Selling, general and administrative		734.5		684.0	7%				
Income from operations		680.8		786.2	(13)%				
Other:									
Income from unconsolidated entities		24.9		85.2	(71)%				
Other income - net		81.5		62.5	30%				
Income before income taxes		787.2		933.9	(16)%				
Income tax provision		197.2		185.8	6%				
Net income	\$	590.0	\$	748.2	(21)%				
Supplemental information:									
Home sales cost of revenues as a percentage of home									
sales revenues		80.2%		79.4%					
Land sales cost of revenues as a percentage of land sales revenues (1)		90.3%							
SG&A as a percentage of home sales revenues		10.4%		9.6%					
Effective tax rate		25.1%		19.9%					
Effective tax rate		23.1/0		19.9%					
Deliveries – units		8,107		8,265	(2)%				
Deliveries – average selling price (2)	\$	873.4	\$	864.3	1%				
beliveries average senting price (2)	Ψ	075.4	Ψ	004.5	1/0				
Net contracts signed – value	\$	6,710.9	\$	7,604.3	(12)%				
Net contracts signed – units	~	8,075	Ψ.	8,519	(5)%				
Net contracts signed – average selling price (2)	\$	831.1	\$	892.6	(7)%				
and the second s	7			ctober 31					
		2019		2018	% Change				
Backlog - value	\$	5,257.1	\$	5,522.5	(5)%				
Backlog - units		6,266		6,105	3%				
Packles average colling price (2)	đ	070.0	đ		(7)0/				

- (1) On November 1, 2018, we adopted ASC 606, Upon adoption, land sale activity is presented as part of income from operations where previously it was included in "Other income - net." In fiscal 2018, we recognized land sales revenues and land sales cost of revenues of \$134.3 million and \$128.0 million, respectively. Further, retained customer deposits, which totaled \$13.2 million in fiscal 2019, are included in "Home sales revenue" where previously they were included in "Other income - net." In fiscal 2018, retained customer deposits were \$8.9 million. Prior periods are not restated.
- (2) \$ amounts in thousands.

Note: Amounts may not add due to rounding.

Backlog - average selling price (2)

(7)%

904.6

839.0 \$

FISCAL 2019 COMPARED TO FISCAL 2018

HOME SALES REVENUES AND HOME SALES COST OF REVENUES

The decrease in home sales revenues in fiscal 2019, as compared to fiscal 2018, was attributable to a 2% decrease in the number of homes delivered, offset, in part, by a 1% increase in the average price of the homes delivered. The decrease in the number of homes delivered was primarily due to a moderation in demand, particularly in California, which we experienced beginning in the fourth quarter of fiscal 2018 through the third quarter of fiscal 2019. This decrease was partially offset by contracts we signed in the metropolitan Atlanta, Georgia market and several markets in South Carolina in fiscal 2019 from the Sharp and Sabal acquisitions and an increase in the number of selling communities, primarily in our South and West regions, in fiscal 2019, as compared to fiscal 2018. The increase in the average delivered home price was mainly due to price increases in homes delivered in California and the West region and a shift in the number of homes delivered to more expensive areas and/or products in California, New Jersey, Virginia, and the West region in fiscal 2019, as compared to fiscal 2018. These increases were partially offset by a shift in the number of homes delivered to less expensive areas in City Living in fiscal 2019, as compared to fiscal 2018 and a decrease in the number of homes delivered in California where home prices were higher, in fiscal 2019, as compared to fiscal 2018.

Home sales cost of revenues, as a percentage of homes sales revenues, in fiscal 2019 was 80.2%, as compared to 79.4% in fiscal 2018. The increase in fiscal 2019 was primarily due to higher land, land development, material and labor costs; a shift in the mix of our home sales revenues to lower margin products/areas; the recovery of approximately \$9.7 million from litigation settlements in fiscal 2018; a \$7.0 million benefit in fiscal 2018 from the reversal of an accrual related to an indemnification obligation related to the Shapell acquisition that expired; and higher inventory impairment charges in fiscal 2019, as compared to fiscal 2018. These increases were offset, in part, by a state reimbursement of previously expensed environmental clean-up costs received in fiscal 2019; a benefit in fiscal 2019 from the reversal of accruals for certain Home Owners Associations ("HOA") turnovers that were no longer required; price increases in homes delivered in California and the West region; and lower interest expense in fiscal 2019 compared to fiscal 2018.

Interest cost in fiscal 2019 was \$185.0 million or 2.6% of home sales revenues, as compared to \$190.7 million or 2.7% of home sales revenues in fiscal 2018. We recognized inventory impairments and write-offs of \$42.4 million or 0.6% of home sales revenues and \$35.2 million or 0.5% of home sales revenues in fiscal 2019 and fiscal 2018, respectively.

LAND SALES REVENUES AND LAND SALES COST OF REVENUES

Our revenues from land sales generally consist of the following: (1) land sales to joint ventures in which we retain an interest; (2) lot sales to third-party builders within our master planned communities; and (3) bulk land sales to third parties of land we have decided no longer meets our development criteria. In fiscal 2019, we recognized a gain of \$9.3 million from the sale of land to two newly formed Rental Property Joint Ventures in which we have interests of 25%.

Prior to the adoption of ASC 606, land sales activity was reported within "Other income – net" in our Condensed Consolidated Statements of Operations and Comprehensive Income. In fiscal 2018, we recognized land sales revenues and land sales cost of revenues of \$134.3 million and \$128.0 million, respectively.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A")

SG&A spending increased by \$50.5 million in fiscal 2019 compared to fiscal 2018. As a percentage of home sales revenues, SG&A was 10.4% and 9.6% in fiscal 2019 and 2018, respectively. The dollar increase in SG&A was due primarily to increased compensation costs due to a higher number of employees and normal compensation increases, increased sales and marketing costs, and costs related to the implementation of new enterprise information technology systems. The higher sales and marketing costs were the result of the increased number of selling communities, increased spending on advertising, and higher design studio operating costs. The increased number of employees was due primarily to the increase in the number of current and future selling communities.

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, high-rise/mid-rise condominium construction projects, or for-rent apartments projects, which do not generate revenues and earnings for a number of years during the development of the property. Once development is complete for land development projects and high-rise/mid-rise condominium construction projects, 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. Further, once for-rent apartments projects are complete and stabilized, we may monetize a portion of these projects through a recapitalization or a sale of all or a portion of our ownership interest in the joint venture, resulting in an income producing event. Because of the long development periods associated with these entities, the earnings recognized from these entities may vary significantly from quarter to quarter and year to year.

The decrease in income from unconsolidated entities from \$85.2 million in fiscal 2018 to \$24.9 million in fiscal 2019, was due mainly to \$67.2 million of gains recognized in fiscal 2018 from asset sales by three of our Rental Property Joint Ventures located in College Park, Maryland, Herndon, Virginia, and Westborough, Massachusetts, and an increase in losses in several Rental Property Joint Ventures related to the commencement of operations and lease up activities in fiscal 2019, as compared to fiscal 2018. These decreases were offset, in part, by a \$3.8 million gain recognized in fiscal 2019 from an asset sale by one of our Rental Property Joint Ventures located in Phoenixville, Pennsylvania; higher earnings from two of our Home Building Joint Ventures; and a \$3.0 million decrease in impairment charges recognized in fiscal 2019 as compared to fiscal 2018.

OTHER INCOME - NET

The table below provides the components of "Other Income – net" for the years ended October 31, 2019 and 2018 (amounts in thousands):

	2019	2018
Income from ancillary businesses	\$ 53,568	\$ 25,692
Management fee income from home building		
unconsolidated entities, net	9,948	11,740
Income from land sales	_	6,331
Retained customer deposits	_	8,937
Other	 17,986	 9,760
Total other income-net	\$ 81,502	\$ 62,460

As a result of our adoption of ASC 606 on November 1, 2018, land sale activity is presented as part of income from operations where previously it was included in "Other income – net." In addition, retained customer deposits are included in "Home sales revenue" where previously they were included in "Other income – net." Prior periods are not restated. See Note 1, "Significant Accounting Policies – Recent Accounting Pronouncements" in Notes to Consolidated Financial Statements in this Form 10-K for additional information regarding the adoption of ASC 606.

The increase in income from ancillary businesses in fiscal 2019, as compared to fiscal 2018, was mainly due to gains recognized of \$35.1 million from the sale of seven golf clubs in fiscal 2019 and lower losses incurred in our apartment living operations in fiscal 2019, as compared to fiscal 2018, partially offset by a \$10.7 million gain from a bulk sale of security monitoring accounts by our home control solutions business in fiscal 2018.

Management fee income from home building unconsolidated entities presented above primarily represents fees earned by our City Living and Traditional Home Building operations. In addition, in fiscal 2019 and 2018, our apartment living operations earned fees from unconsolidated entities of \$11.9 million and \$7.5 million, respectively. Fees earned by our apartment living operations are included in income from ancillary businesses.

The increase in "other" in fiscal 2019 was principally due to higher interest income earned in fiscal 2019 compared to fiscal 2018, offset, in part, by \$2.6 million received in fiscal 2018 from the resolution of a matter involving defective floor joists.

INCOME BEFORE INCOME TAXES

In fiscal 2019, we reported income before income taxes of \$787.2 million or 10.9% of revenues, as compared to \$933.9 million, or 13.1% of revenues in fiscal 2018.

INCOME TAX PROVISION

We recognized a \$197.2 million income tax provision in fiscal 2019. Based upon the federal statutory rate of 21.0% for fiscal 2019, our federal tax provision would have been \$165.3 million. The difference between the tax provision recognized and the tax provision based on the federal statutory rate was mainly due to the provision for state income taxes of \$37.9 million and an increase in unrecognized tax benefits of \$2.2 million, offset, in part, by the reversal of \$5.3 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 a benefit of \$2.1 million from excess tax benefits related to stock-based compensation.

We recognized a \$185.8 million income tax provision in fiscal 2018. Based upon the blended federal statutory rate of 23.3% for fiscal 2018, our federal tax provision would have been \$217.9 million. The difference between the tax provision recognized and the tax provision based on the federal statutory rate was mainly due to tax law changes of \$38.7 million; a benefit of \$18.2 million related to the utilization of domestic production activities deductions; the reversal of \$4.7 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 benefit of \$4.2 million from excess tax benefits related to stock-based compensation; and \$15.2 million of permanent and other differences, which primarily relates to the recognition of Section 45L energy credits and tax planning transactions that benefited the Company's state net operating loss carryforwards, offset, in part. by the provision for state income taxes of \$47.1 million. See Note 8. "Income Taxes" in Item 15(a)1 of this Form 10-K for additional information regarding the impact of the Tax Act.

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 markets.

Fiscal 2019

At October 31, 2019, we had \$1.29 billion of cash and cash equivalents and approximately \$1.73 billion available for borrowing under our Revolving Credit Facility.

Cash provided by operating activities during fiscal 2019 was \$437.7 million. It was generated primarily from \$590.0 million of net income plus \$26.2 million of stock-based compensation, \$72.1 million of depreciation and amortization, \$42.4 million of inventory impairments and write-offs, and a net deferred tax benefit of \$102.8 million; offset, in part, by a \$40.2 million increase in inventory; an increase of \$185.3 million in receivables, prepaid assets, and other assets; an increase of \$45.6 million in mortgage loans held for sale; and a decrease of \$64.5 million in accounts payable and accrued expenses.

Cash used in investing activities during fiscal 2019 was \$75.9 million, primarily related to \$162.4 million used to acquired Sharp and Sabal: \$87.0 million for the purchase of property and equipment: and \$56.6 million used to fund investments in unconsolidated entities. This activity was offset, in part, by \$151.1 million of cash received as returns on our investments in unconsolidated entities, foreclosed real estate, and distressed loans and proceeds of \$79.6 million of cash received from sales of golf club properties and an office buildings in several separate transactions with unrelated third parties.

We used \$258.5 million of cash from financing activities in fiscal 2019, primarily for the repayment of \$600.0 million of senior notes; the repurchase of \$233.5 million of our common stock; and payment of \$63.6 million of dividends on our common stock, offset, in part, by the net proceeds of \$396.4 million from the issuance of \$400.0 million aggregate principal amount of 3.80% Senior Notes due 2029; borrowings of \$227.4 million of other loans payable, net of new repayments; and the proceeds of \$17.4 million from our stock-based benefit plans.

Fiscal 2018

At October 31, 2018, we had \$1.18 billion of cash and cash equivalents on hand and approximately \$1.13 billion available for borrowing under our Revolving Credit Facility.

Cash provided by operating activities during fiscal 2018 was \$588.2 million. It was generated primarily from \$748.2 million of net income plus \$28.3 million of stock-based compensation. \$25.3 million of depreciation and amortization, \$35.2 million of inventory impairments and write-offs; and an increase of \$57.9 million in accounts payable and accrued expenses; offset, in part, by a \$143.6 million increase in inventory; an increase of \$99.6 million in receivables, prepaid assets, and other assets; an increase of \$38.9 million in mortgage loans held for sale; and a net deferred tax benefit of

Cash provided by investing activities during fiscal 2018 was \$81.3 million. The cash generated by investing activities was primarily related to \$138.0 million of cash received as returns on our investments in unconsolidated entities, foreclosed real estate, and distressed loans, offset, in part, by \$28.2 million for the purchase of property and equipment and \$27.5 million used to fund investments in unconsolidated entities.

We used \$214.3 million of cash from financing activities in fiscal 2018, primarily for repurchase of \$503.2 million of our common stock; the repayment of \$89.2 million of other loans payable, net of new borrowings; and payment of \$61.7 million of dividends on our common stock, offset, in part, by the net proceeds of \$396.5 million from the issuance of \$400.0 million aggregate principal amount of 4.35% Senior Notes due 2028, the borrowings of \$29.9 million on our mortgage company loan facility, net of new borrowings; and the proceeds of \$13.4 million from our stock-based benefit plans.

Other

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 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 are currently in inventory, resulting in additional cash flow from operations. In addition, we might delay, decrease, or curtail our acquisition of additional land, which would further reduce our inventory levels and cash needs. At October 31, 2019, we owned or controlled through options approximately 59,200 home sites, as compared to approximately 53,400 at October 31, 2018; and approximately 48,300 at October 31, 2017. Of the approximately 59,200 home sites owned or controlled through options at October 31, 2019, we owned approximately 36,600. Of our owned home sites at October 31, 2019, significant improvements were completed on approximately 16,800 of them.

At October 31, 2019, the aggregate purchase price of land parcels under option and purchase agreements was approximately \$2.36 billion (including \$10.8 million of land to be acquired from joint ventures in which we have invested). Of the \$2.36 billion of land purchase commitments, we had paid or deposited \$168.8 million and, if we acquire all of these land parcels, we will be required to pay an additional \$2.19 billion. The purchases of these land parcels are scheduled over the next several years. In addition, we expect to purchase approximately 2,500 additional home sites over a number of years from several of these joint ventures. 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 "Net cash (used in) provided by investing activities," At October 31, 2019, we had investments in these entities of \$366.3 million, and were committed to invest or advance up to an additional \$38.8 million to these entities if they require additional funding. At October 31, 2019, we had purchase commitments to acquire land for apartment developments of approximately \$280.2 million, of which we had outstanding deposits in the amount of \$13.7 million. We intend to develop these apartment projects in joint ventures with unrelated parties in the future.

On October 31, 2019, we amended and restated our existing \$1.295 billion Revolving Credit Agreement, dated as of May 19, 2016, to, among other things: (i) increase the aggregate revolving credit commitments under the Revolving Credit Facility from \$1,295 billion to \$1,905 billion: (ii) extend the Revolving Credit Facility termination date from May 19, 2021 to November 1, 2024; (iii) modify the pricing for outstanding commitments, borrowings and letters of credit under the facility, as set forth in the pricing schedule that is attached to the Revolving Credit Facility: (iv) modify the accordion feature to permit the aggregate revolving credit commitments under the Revolving Credit Facility to be increased to up to \$2.5 billion, subject to certain conditions and availability of bank commitments; and (iv) modify certain provisions relating to financial maintenance and negative covenants. Under the terms of the amended and restated Revolving 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 agreement) of no less than approximately \$2.70 billion. Under the terms of the Revolving Credit Facility, at October 31, 2019, our leverage ratio was approximately 0.50 to 1.00 and our tangible net worth was approximately \$5.02 billion. Based upon the minimum tangible net worth requirement, our ability to repurchase our common stock was limited to approximately \$3.53 billion as of October 31, 2019. At October 31, 2019, we had no outstanding borrowings under the Revolving Credit Facility and had outstanding letters of credit of approximately \$177.9 million.

On October 31, 2018, we had a \$800.0 million, five-year senior unsecured term loan facility (the "Term Loan Facility") with a syndicate of banks. On October 31, 2019, we entered into an amendment to the Term Loan Facility to, among other things, extend the maturity date from November 1, 2023 to November 1, 2024, with no principal payments being required before the maturity date.

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 home sales 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, 2019 (amounts in millions):

	2020		20	21-2022	20	023-2024	Th	ereafter	Total
Senior notes (a)	\$	127.8	\$	658.1	\$	818.2	\$	1,770.2	\$ 3,374.3
Loans payable (a)		121.3		144.2		99.7		940.7	1,305.9
Mortgage company loan									
facility (a)(b)		152.8							152.8
Operating lease obligations		15.4		22.7		14.5		218.2	270.8
Purchase obligations (c)		1,541.9		1,010.2		263.5		92.5	2,908.1
Retirement plans (d)		13.4		13.4		14.7		62.6	104.1
	\$	1,972.6	\$	1,848.6	\$	1,210.6	\$	3,084.2	\$ 8,116.0

- (a) Amounts include estimated annual interest payments until maturity of the debt. Of the amounts indicated, \$2.66 billion of the senior notes. \$1.11 billion of loans payable. \$150.0 million of the mortgage company loan facility, and \$31.3 million of accrued interest were recorded on our October 31, 2019 Consolidated Balance Sheet.
- (b) In December 2019, we amended the mortgage company warehousing agreement to, among other things, extend the maturity date to December 4, 2020.
- (c) 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. Of the total amount indicated. \$14.6 million was recorded on our October 31, 2019 Consolidated Balance
- (d) 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, \$82.7 million was recorded on our October 31, 2019 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, New Jersey, and New York; (2) the Mid-Atlantic, consisting of Delaware, Maryland, Pennsylvania, and Virginia; (3) the South, consisting of Florida, Georgia, North Carolina, South Carolina, and Texas; (4) the West, consisting of Arizona, Colorado, Idaho, Nevada, Oregon, Utah, and Washington, and (5) California.

The following tables summarize information related to revenues, net contracts signed, and income (loss) before income taxes by segment for fiscal years 2019, 2018, and 2017. Information related to backlog and assets by segment at October 31, 2019 and 2018, has also been provided.

Units Delivered and Revenues:									
				Fiscal 2019 Co	mpared to Fisca	al 2018			
	Revenues (\$ in millions)			Unit	s Delivered		Average Delivered Price (\$ in thousands)		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
Traditional Home Building:									
North	\$ 923.3	\$ 975.7	(5)%	1,325	1,453	(9)% \$	696.8 \$	671.5	4%
Mid-Atlantic	1,112.8	1,141.1	(2)%	1,708	1,800	(5)%	651.5	633.9	3%
South	1,244.6	1,045.4	19%	1,725	1,391	24%	721.5	751.5	(4)%
West	1,418.0	1,451.4	(2)%	1,965	2,130	(8)%	721.6	681.4	6%
California	2,129.5	2,208.7	(4)%	1,180	1,322	(11)%	1,804.7	1,670.7	8%
Traditional Home Building	6,828.2	6,822.3	- %	7,903	8,096	(2)%	864.0	842.7	3%
City Living	253.2	321.0	(21)%	204	169	21%	1,241.2	1,899.4	(35)%
Other	(1.0)								
Total home sales revenue	\$ 7,080.4	\$ 7,143.3	(1)%	8,107	8,265	(2)% \$	873.4 \$	864.3	1%
Land sales revenue	143.6								
Total revenue	\$ 7,224.0	\$ 7,143.3							

Net Contracts Signed:											
					Fiscal 201	9 Compared to F	iscal 2018				
	Net Contract Value (\$ in millions)				Ne	t Contracted Un	Average Co	Average Contracted Price (\$ in thousands)			
	2019	2	018	% Change	2019	2018	% Change	2019		2018	% Change
Traditional Home Building:											
North	\$ 910.1	\$ 92	28.1	(2)%	1,303	1,334	(2)%	\$ 698.5	\$	695.7	-%
Mid-Atlantic	1,137.8	1,15	58.3	(2)%	1,725	1,799	(4)%	659.6	6	643.9	2%
South	1,177.3	1,13	32.7	4%	1,705	1,502	14%	690.5	5	754.1	(8)%
West	1,705.7	1,53	10.5	13%	2,303	2,133	8%	740.6	5	708.2	5%
California	1,555.3	2,59	96.9	(40)%	889	1,568	(43)%	1,749.5	5	1,656.2	6%
Traditional Home Building	6,486.2	7,32	26.5	(11)%	7,925	8,336	(5)%	818.4	1	878.9	(7)%
City Living	224.7	2.	77.8	(19)%	150	183	(18)%	1,498.3	3	1,518.0	(1)%
Total	\$ 6,710.9	\$ 7,60)4.3	(12)%	8,075	8,519	(5)%	\$ 831.1	\$	892.6	(7)%

Backlog at October 31:													
	October 31, 2019 Compared to October 31, 2018												
		Backlog Value (\$ in millions)					Backlog Units		Average B	Average Backlog Price (\$ in thousands)			
		2019		2018	% Change	2019	2018	% Change	2019	201	8 % Change		
Traditional Home Building:													
North	\$	757.1	\$	768.5	(1)%	1,076	1,098	(2)%	\$ 703.6	\$ 699.	9 1%		
Mid-Atlantic		785.1		758.8	3%	1,159	1,142	1%	677.4	664.	4 2%		
South		930.0		903.2	3%	1,339	1,166	15%	694.6	774.	6 (10)%		
West		1,321.2		1,031.1	28%	1,738	1,400	24%	760.2	736.	5 3%		
California		1,314.1		1,883.3	(30)%	842	1,133	(26)%	1,560.7	1,662.	2 (6)%		
Traditional Home Building		5,107.5		5,344.9	(4)%	6,154	5,939	4%	829.9	900.	0 (8)%		
City Living		149.6		177.6	(16)%	112	166	(33)%	1,335.6	1,069.	7 25%		
Total	\$	5,257.1	\$	5,522.5	(5)%	6,266	6,105	3%	\$ 839.0	\$ 904.	6 (7)%		

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

	2019	2018	% Change
Traditional Home Building:			
North	\$ 55.9	\$ 56.5	(1)%
Mid-Atlantic	64.8	90.6	(28)%
South	117.5	110.3	7%
West	170.4	213.3	(20)%
California	452.4	494.3	(8)%
Traditional Home Building	861.0	965.0	(11)%
City Living	70.1	78.1	(10)%
Corporate and other	(143.9)	(109.2)	(32)%
Total	\$ 787.2	\$ 933.9	(16)%

"Corporate and other" is comprised principally of general corporate expenses such as 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 our Rental Property Joint Ventures and Gibraltar Joint Ventures.

Total Assets (\$ amounts in millions):			
	At Oct	ber	31,
	2019		2018
Traditional Home Building:			
North	\$ 917.5	\$	970.9
Mid-Atlantic	1,177.4		1,130.4
South	1,412.5		1,237.7
West	2,057.4		1,580.2
California	2,339.7		2,734.0
Traditional Home Building	7,904.5		7,653.2
City Living	529.5		516.2
Corporate and other	2,394.1		2,075.2
Total	\$ 10,828.1	\$	10,244.6

"Corporate and other" is comprised principally of cash and cash equivalents, restricted cash, income taxes receivable, investments in properties held for rental apartments, expected recoveries from insurance carriers and suppliers, our Gibraltar investments and operations, manufacturing facilities, and our mortgage and title subsidiaries.

Traditional Home Building

NORTH

	Year ended October 31,					
		2019		2018	% Change	
Units Delivered and						
Home Sales Revenues:						
Home sales revenues (\$ in millions)	\$	923.3	\$	975.7	(5)%	
Units delivered		1,325		1,453	(9)%	
Average delivered price						
(\$ in thousands)	\$	696.8	\$	671.5	4%	
Net Contracts Signed:						
Net contract value (\$ in millions)	\$	910.1	\$	928.1	(2)%	
Net contracted units		1,303		1,334	(2)%	
Average contracted price						
(\$ in thousands)	\$	698.5	\$	695.7	-%	
Home sales cost of revenues as a						
percentage of home sales revenues		85.4%		86.7%		
Income before income taxes						
(\$ in millions)	\$	55.9	\$	56.5	(1)%	
Number of selling communities at						
October 31,		50		57	(12)%	

The decrease in the number of homes delivered in fiscal 2019 was mainly due to a decrease in the number of homes in backlog at October 31, 2018, as compared to the number of homes in backlog at October 31, 2017. The increase in the average price of homes delivered in fiscal 2019 was due primarily to a shift in the number of homes delivered to more expensive areas and/or products in fiscal 2019, as compared to fiscal 2018, particularly in Michigan and New Jersey.

The decrease in the number of net contracts signed in fiscal 2019, as compared to fiscal 2018, was principally due to a decrease in demand in fiscal 2019, as compared to fiscal 2018.

The decrease in income before income taxes in fiscal 2019 was principally attributable to lower home sales cost of revenues, as a percentage of home sale revenues, offset, in part, by lower earnings from decreased home sales revenues and higher SG&A costs in fiscal 2019, as compared to fiscal 2018. The decrease in home sales cost of revenues, as a percentage of home sales revenues, in fiscal 2019 was primarily due to a shift in product mix/areas to higher-margin areas and lower inventory impairment charges in fiscal 2019, as compared to fiscal 2018.

Inventory impairment charges were \$17.5 million in fiscal 2019, as compared to \$19.7 million in fiscal 2018. During fiscal 2019, we determined that the pricing assumptions used in prior impairment reviews for one operating community located in Illinois needed to be reduced primarily because weaker-than-expected market conditions drove a lack of improvement and/or a decrease in customer demand for homes in the community. As a result of the reduction in expected sales prices. we determined that this community was impaired. Accordingly, the carrying value was written down in the fiscal 2019 period to its estimated fair value, which resulted in a charge to income before income taxes of \$6.6 million. In addition, with respect to two communities located in Illinois, we decided to sell their remaining lots in bulk sales rather than sell and construct homes. As a result, the carrying values of these communities were written down to their estimated fair values, which resulted in a charge to income before income taxes of \$4.9 million in fiscal 2019.

During fiscal 2018, we determined that the pricing assumptions used in prior impairment reviews for one operating community located in Connecticut needed to be reduced, primarily due to a lack of improvement and/or a decrease in customer demand as a result of weaker than expected market conditions. As a result of the reduction in expected sales prices, we determined that this community was impaired. Accordingly, its carrying value was written down to its estimated fair value, which resulted in a charge to income before income taxes of \$12.0 million in fiscal 2018. In addition, with respect to two communities located in Illinois and Minnesota, we decided to sell their remaining lots in bulk sales rather than sell and construct homes. As a result, the carrying values of these communities were written down to their estimated fair values, which resulted in a charge to income before income taxes of \$4.4 million in fiscal 2018.

MID-ATLANTIC

	Ye	ear e	ended October 3	1,
	2019		2018	% Change
Units Delivered and				
Home Sales Revenues:				
Home sales revenues (\$ in millions)	\$ 1,112.8	\$	1,141.1	(2)%
Units delivered	1,708		1,800	(5)%
Average delivered price				
(\$ in thousands)	\$ 651.5	\$	633.9	3%
Net Contracts Signed:				
Net contract value (\$ in millions)	\$ 1,137.8	\$	1,158.3	(2)%
Net contracted units	1,725		1,799	(4)%
Average contracted price				
(\$ in thousands)	\$ 659.6	\$	643.9	2%
Home sales cost of revenues as a				
percentage of home sales revenues	86.3%		84.4%	
Income (loss) before income taxes				
(\$ in millions)	\$ 64.8	\$	90.6	(28)%
Number of selling communities at				
October 31,	56		62	(10)%

The decrease in the number of homes delivered in fiscal 2019 was mainly due to lower backlog conversion in fiscal 2019, as compared to fiscal 2018. The increase in the average price of homes delivered in fiscal 2019 was primarily due to a shift in the number of homes delivered to more expensive areas and/or products in fiscal 2019, as compared to fiscal 2018.

The decrease in the number of net contracts signed in fiscal 2019 was principally due to a decrease in the average number of selling communities in fiscal 2019, as compared to fiscal 2018. The increase in the average value of each contract signed in fiscal 2019 was mainly due to shifts in the number of contracts signed to more expensive areas and/or products in fiscal 2019, as compared to fiscal 2018.

The decrease in income before income taxes in fiscal 2019 was mainly due to increases in home sales costs of revenues, as a percentage of home sale revenues; lower earnings on decreased home sales revenues; and increases in SG&A costs in fiscal 2019, as compared to fiscal 2018. This decrease was partially offset by a \$4.0 million impairment charge recognized in fiscal 2018 related to one Land Development Joint Venture located in Maryland. The increase in home sales costs of revenues, as a percentage of home sale revenues, in fiscal 2019 was primarily due to higher material and labor costs in fiscal 2019, as compared to fiscal 2018.

Inventory impairment charges were \$8.5 million and \$9.8 million in fiscal 2019 and 2018, respectively. During our review of operating communities for impairment in fiscal 2019, we determined that the pricing assumptions used in prior impairment reviews for two operating communities located in Pennsylvania needed to be reduced primarily because weaker-than-expected market conditions drove a lack of improvement and/or a decrease in customer demand for homes in the community. As a result of the reduction in expected sales prices, we determined that these communities were impaired. Accordingly, the carrying value of these communities were written down to their estimated fair values, which resulted in a charge to income before income taxes of \$8.0 million in fiscal 2019.

In fiscal 2018, we decided to sell a portion of the lots in a bulk sale in one community located in Maryland, primarily due to increases in site costs and a lack of improvement in customer demand as a result of weaker than expected market conditions. The carrying value of this community was written down to its estimated fair value resulting in a charge to income before income taxes in fiscal 2018 of \$6.7 million.

SOUTH

	Ye	ear (ended October 3	31 ,
	2019		2018	% Change
Units Delivered and			_	
Home Sales Revenues:				
Home sales revenues (\$ in millions)	\$ 1,244.6	\$	1,045.4	19%
Units delivered	1,725		1,391	24%
Average delivered price				
(\$ in thousands)	\$ 721.5	\$	751.5	(4)%
Net Contracts Signed:				
Net contract value (\$ in millions)	\$ 1,177.3	\$	1,132.7	4%
Net contracted units	1,705		1,502	14%
Average contracted price				
(\$ in thousands)	\$ 690.5	\$	754.1	(8)%
Home sales cost of revenues as a				
percentage of home sales revenues	84.2%		83.3%	
Income before income taxes				
(\$ in millions)	\$ 117.5	\$	110.3	\$ 7%
Number of selling communities at				
October 31,	93		69	35%

The increase in the number of homes delivered in fiscal 2019 was mainly due to the delivery of 137 homes in metropolitan Atlanta, Georgia and several markets in South Carolina from the Sharp and Sabal acquisitions; an increase in the number of homes in backlog at October 31, 2018, as compared to the number of homes in backlog at October 31, 2017; and higher backlog conversion in fiscal 2019, as compared to fiscal 2018. The decrease in the average price of homes delivered in fiscal 2019 was primarily due to a shift in the number of homes delivered to less expensive areas and/or products in fiscal 2019, as compared to fiscal 2018.

The increase in the number of net contracts signed in fiscal 2019 was mainly due to contracts we signed in the metropolitan Atlanta, Georgia market and several markets in South Carolina in fiscal 2019 and an increase in the number of selling communities, primarily in Florida, in fiscal 2019, as compared to fiscal 2018, offset, in part, by decreased demand. The decrease in the average value of each contract signed in fiscal 2019 was mainly due to shifts in the number of contracts signed to less expensive areas and/or products in fiscal 2019, as compared to fiscal 2018.

The increase in income before income taxes in fiscal 2019 was principally due to higher earnings from increased home sales revenues, offset, in part, by higher cost of home sales revenues, as a percentage of home sales revenues. The increase in home sales cost of revenues, as a percentage of home sales revenues, in fiscal 2019 was primarily due to higher material and labor costs and a shift in product mix/areas to lower-margin areas in fiscal 2019, as compared to fiscal 2018.

Inventory impairment charges were \$9.5 million and \$3.8 million in fiscal 2019 and 2018, respectively. During fiscal 2019, we decided to sell the remaining lots in a bulk sale in one community located in Texas rather than sell and construct homes, primarily due to a lack of improvement and/or a decrease in customer demand. As a result, the carrying value of this community was written down to its estimated fair value, which resulted in a charge to income before income taxes of \$1.5 million in fiscal 2019. In addition, we terminated three purchase agreements to acquire land parcels in Texas and forfeited the deposit balances outstanding. We wrote off the deposits resulting in a charges to income before income taxes of \$4.2 million in fiscal 2019.

WEST

	Y	ear e	ended October	31,	
	2019		2018		% Change
Units Delivered and					
Home Sales Revenues:					
Home sales revenues (\$ in millions)	\$ 1,418.0	\$	1,451.4		(2)%
Units delivered	1,965		2,130		(8)%
Average delivered price					
(\$ in thousands)	\$ 721.6	\$	681.4		6%
Net Contracts Signed:					
Net contract value (\$ in millions)	\$ 1,705.7	\$	1,510.5		13%
Net contracted units	2,303		2,133		8%
Average contracted price					
(\$ in thousands)	\$ 740.6	\$	708.2		5%
Home sales cost of revenues as a					
percentage of home sales revenues	79.3%		78.2%		
Income before income taxes					
(\$ in millions)	\$ 170.4	\$	213.3	\$	(20)%
Number of selling communities at					
October 31,	94		83		13%

The decrease in the number of homes delivered in fiscal 2019 was mainly due to lower backlog conversion in fiscal 2019, as compared to fiscal 2018. The increase in the average price of homes delivered in fiscal 2019 was primarily due to a shift in the number of homes delivered to more expensive areas and/or products and price increases in fiscal 2019, as compared to fiscal 2018.

The increase in the number of net contracts signed in fiscal 2019 was principally due to an increase in the average number of selling communities in fiscal 2019, as compared to fiscal 2018, and an increase in demand, primarily in the fourth guarter of fiscal 2019. The increase in the average value of each contract signed in fiscal 2019 was mainly due to a shift in the number of contracts signed to more expensive areas and/or products in fiscal 2019, as compared to fiscal 2018.

The decrease in income before income taxes in fiscal 2019 was due mainly to higher SG&A costs; higher home sales cost of revenues, as a percentage of home sales revenues; and lower earnings from decreased revenues, in fiscal 2019, as compared to fiscal 2018. The increase in home sales cost of revenues, as a percentage of home sales revenues, was primarily due to a shift in product mix/ areas to lower-margin areas in fiscal 2019, as compared to fiscal 2018.

CALIFORNIA

	Year ended October 31,						
		2019		2018		% Change	
Units Delivered and							
Home Sales Revenues:							
Home sales revenues (\$ in millions)	\$	2,129.5	\$	2,208.7		(4)%	
Units delivered		1,180		1,322		(11)%	
Average delivered price							
(\$ in thousands)	\$	1,804.7	\$	1,670.7		8%	
Net Contracts Signed:							
Net contract value (\$ in millions)	\$	1,555.3	\$	2,596.9		(40)%	
Net contracted units		889		1,568		(43)%	
Average contracted price							
(\$ in thousands)	\$	1,749.5	\$	1,656.2		6%	
Home sales cost of revenues as a							
percentage of home sales revenues		74.0%		72.9%			
Income before income taxes							
(\$ in millions)	\$	452.4	\$	494.3	\$	(8)%	
Number of selling communities at							
October 31,		36		38		(5)%	

The decrease in the number of homes delivered in fiscal 2019 was mainly due to lower backlog conversion in fiscal 2019, as compared to fiscal 2018, offset, in part, by the increased number of homes in backlog at October 31, 2018, as compared to the number of homes in backlog at October 31, 2017. The increase in the average price of homes delivered in 2019 was primarily due 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 2019, as compared to fiscal 2018.

The decrease in the number of net contracts signed in fiscal 2019 was principally due to a decrease in demand and reduced availability of lots in fiscal 2019, as compared to fiscal 2018. The increase in the average value of each contract signed in fiscal 2019 was mainly due to a shift in the number of contracts signed to more expensive areas and/or products in fiscal 2019, as compared to fiscal 2018.

The decrease in income before income taxes in fiscal 2019 was primarily due to lower earnings from the decreased home sales revenues and higher home sales cost of revenues, as a percentage of home sales revenues, in fiscal 2019, as compared to fiscal 2018, partially offset by lower SG&A costs in fiscal 2019. The increase in home sales cost of revenues, as a percentage of home sales revenues. was primarily due to a shift in product mix/areas to lower-margin areas in fiscal 2019, as compared to fiscal 2018, and a \$7.0 million benefit in fiscal 2018 from the reversal of an accrual related to the Shapell acquisition that has expired.

CITY LIVING

	Year ended October 31,							
		2019		2018		% Change		
Units Delivered and Home								
Sales Revenues:								
Home sales revenues (\$ in millions)	\$	253.2	\$	321.0		(21)%		
Units delivered		204		169		21%		
Average delivered price								
(\$ in thousands)	\$	1,241.2	\$	1,899.4		(35)%		
Net Contracts Signed:								
Net contract value (\$ in millions)	\$	224.7	\$	277.8		(19)%		
Net contracted units		150		183		(18)%		
Average contracted price								
(\$ in thousands)	\$	1,498.3	\$	1,518.0	\$	(1)%		
Home sales cost of revenues as a								
percentage of home sales revenues		70.6%		75.1%				
Income before income taxes								
(\$ in millions)	\$	70.1	\$	78.1	\$	(10)%		
Number of selling communities at								
October 31,		4		6		(33)%		

The increase in the number of homes delivered in fiscal 2019 was mainly attributable to homes delivered at a building located in Jersey City, New Jersey, which commenced deliveries in the fourth quarter of fiscal 2018. The decrease in the average price of homes delivered in fiscal 2019 was primarily due to a shift in the number of homes delivered to less expensive buildings in fiscal 2019, as compared to fiscal 2018, offset, in part, by the delivery of two homes in fiscal 2019 in a building located in New York City, New York, where the average price was \$13.6 million. In fiscal 2019 and 2018, 7% and 37%, respectively, of the units delivered were located in New York City, where average home prices were higher.

The decrease in the number of net contracts signed in fiscal 2019 was primarily due to a decrease in demand. The decrease in the average sales price of net contracts signed in fiscal 2019, as compared to fiscal 2018, was principally due to a shift to less expensive units in fiscal 2019, as compared to fiscal 2018, offset, in part, by the sale of two home in fiscal 2019 period in a building located in New York City. New York, where the average price was \$13.6 million.

The decrease in income before income taxes in fiscal 2019 was mainly due to lower earnings from decreased home sales revenues and a decrease in earnings from our investments in unconsolidated entities, in fiscal 2019, as compared to fiscal 2018. This decrease was partially offset by lower home sales cost of revenues, as a percentage of home sale revenues, in fiscal 2019. The lower home sales cost of revenues, as a percentage of home sale revenues, in fiscal 2019 was due primarily to a shift in the number of homes delivered to buildings with higher margins; a state reimbursement of previously expensed environmental clean-up costs received in fiscal 2019; a benefit in fiscal 2019 from the reversal of accruals for certain HOA turnovers that were no longer required; and lower interest costs in fiscal 2019, as compared to fiscal 2018. These decreases were offset, in part, by impairment charges of \$4.8 million in fiscal 2019. As a result of decreased demand, we wrote down the carrying value of units in two buildings, located in Maryland and New York, New York, to their estimated fair value, which resulted in impairment charges of \$4.8 million in fiscal 2019.

In fiscal 2019, earnings from our investments in unconsolidated entities decreased \$2.8 million as compared to fiscal 2018. This decrease was primarily due a shift in the number of homes delivered to buildings with lower margins and a shift in the number of homes delivered in joint ventures where our ownership percentage was lower in fiscal 2019, as compared to fiscal 2018. The tables below provide information related to deliveries, home sales revenues and net contracts signed by our City Living Home Building Joint Ventures, for the periods indicated, and the related backlog for the dates indicated (\$ amounts in millions):

	Year ended October 31,									
	2019	2018	2019		2018					
	Units	Units	\$		\$					
Deliveries and home										
sales revenues	147	14	\$ 330.8	\$	65.7					
Net contracts signed	39	102	\$ 128.1	\$	245.6					
		At Octo	ber 31,							
	2019	2018	2019		2018					
	Units	Units	\$		\$					
Backlog	26	134	\$ 76.3	\$	279.0					

CORPORATE AND OTHER

In fiscal 2019 and 2018, loss before income taxes was \$143.9 million and \$109.2 million, respectively. The increase in the loss before income taxes in fiscal 2019 was principally attributable to \$67.2 million of gains recognized in fiscal 2018 from asset sales by our Rental Property Joint Ventures located in College Park, Maryland, Herndon, Virginia, and Westborough, Massachusetts; a \$10.7 million gain from a bulk sale of security monitoring accounts by our home control solutions business in fiscal 2018; an increase in losses in several Rental Property Joint Ventures due to the commencement of operations and lease up activities in fiscal 2019; and higher SG&A costs in fiscal 2019 compared to fiscal 2018. These increases were partially offset by gains recognized of \$35.1 million from the sale of seven golf clubs in fiscal 2019; a \$9.3 million gain recognized from the sales of land to newly formed Rental Property Joint Ventures in fiscal 2019; a \$3.8 million gain recognized in fiscal 2019 from an asset sale by a Rental Property Joint Venture in Phoenixville, Pennsylvania; and higher interest income in fiscal 2019.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk primarily due to fluctuations in interest rates. We utilize both fixedrate 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 by scheduled maturity, weighted-average interest rates, and estimated fair value as of October 31, 2019 (\$ amounts in thousands):

	Fixed-ra	ate debt	Variable-ra	ate debt (a)
		Weighted-		Weighted-
		average		average
Fiscal year of maturity	 Amount	interest rate (%)	 Amount	interest rate (%)
2020	\$ 84,096	4.33%	\$ 150,000	3.68%
2021	52,713	3.89%	150	1.26%
2022	437,668	5.85%	150	1.26%
2023	421,461	4.42%	150	1.26%
2024	290,595	5.41%	150	1.26%
Thereafter	1,684,410	4.52%	812,910	3.06%
Bond discounts, premiums, and deferred				
issuance costs, net	(9,978)		(3,128)	
Total	\$ 2,960,965	4.77%	\$ 960,382	3.16%
Fair value at				
October 31, 2019	\$ 3,121,573		\$ 963,510	

⁽a) Based upon the amount of variable-rate debt outstanding at October 31, 2019, 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.

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, 2019.

During fiscal 2019, we completed the acquisitions of each of Sharp Residential, LLC ("Sharp") and Sabal Homes LLC ("Sabal"). In accordance with SEC Staff guidance permitting a company to exclude an acquired business from management's assessment of the effectiveness of internal control over financial reporting for the year in which the acquisition is completed, we have excluded each of Sharp and Sabal from the Company's assessment of the effectiveness of internal control over financial reporting as of October 31, 2019. These companies represented less than 2% of the Company's total assets as of October 31, 2019 and less than 1% of the Company's revenues for the fiscal year ended October 31, 2019.

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

To the Shareholders and the Board of Directors of Toll Brothers, Inc.

OPINION ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited Toll Brothers, Inc.'s internal control over financial reporting as of October 31, 2019, 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). In our opinion, Toll Brothers, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of October 31, 2019, based on the COSO criteria.

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Sharp Residential, LLC or Sabal Homes, LLC, which are included in the 2019 consolidated financial statements of the Company and constitute less than 2% of total assets as of October 31, 2019 and less than 1% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Sharp Residential, LLC or Sabal Homes, LLC.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 consolidated financial statements of the Company and our report dated December 26, 2019 expressed an unqualified opinion thereon.

BASIS FOR OPINION

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

DEFINITION AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

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.

Philadelphia, Pennsylvania December 26, 2019

Ernst + Young LLP

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Toll Brothers, Inc.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of Toll Brothers, Inc. (the Company) as of October 31, 2019 and 2018, 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, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2019, 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) (PCAOB), the Company's internal control over financial reporting as of October 31, 2019, 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 26, 2019 expressed an unqualified opinion thereon.

ADOPTION OF ASU NO. 2014-09

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for revenue recognition, inventory and cost of revenues in 2019 due to the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), and related Subtopic ASC 340-40, Other Assets and Deferred Costs - Contracts with Customers.

BASIS FOR OPINION

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

CRITICAL AUDIT MATTERS

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

WATER INTRUSION RESERVES

Description of the Matter

As described in Note 7 of the consolidated financial statements, the Company accrues for the estimated repair costs to be incurred for known and unknown water intrusion claims from owners of certain homes built in Pennsylvania and Delaware. At October 31, 2019, the Company had an accrued liability for water intrusion claims of \$124.6 million, representing its best estimate of the expected costs related to known and future water intrusion claims. The Company calculated the estimated liability for water intrusion claims using assumptions that are subject to significant uncertainty, including the number of homes that require repairs, outcomes of litigation or arbitrations, the extent of repairs required, the repair procedures employed, and the expected costs of those repairs or costs incurred to otherwise settle the homeowner's claim. Due to the degree of judgment required in making these assumptions and the inherent uncertainty of certain outcomes, it is reasonably possible that the actual costs will differ from the amount accrued. If it is reasonably possible that such additional costs may be incurred and the effect on the financial statements is material, the Company discloses an estimate of the amount or range of additional costs or a statement that such an estimate cannot be made within the notes to the financial statements.

Auditing the Company's accounting for water intrusion claims, and the related disclosures, was especially challenging as evaluating the likelihood and amount of cost was highly subjective and required significant judgment. In particular, management's estimates were sensitive to assumptions about the number of claims and the costs to settle the claims, which are projected to be resolved over an extended period of time, and the amount accrued by the Company was sensitive to relatively small changes in those assumptions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's review of the accrual calculation, including controls over the significant assumptions and the data inputs utilized in the calculations, as well as the financial statement disclosures. For example, we tested controls over management's review of the accrual calculation, including its review of the significant assumptions and the data inputs utilized in the calculations. We also tested controls over management's review of the disclosure in the notes to the consolidated financial statements for compliance with generally accepted accounting principles.

To test the estimated liability and related financial statement disclosures for water intrusion claims, we performed audit procedures that included, among others, testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to historical water intrusion claims data, historical data about additional homes delivered by the Company that could potentially be subject to water intrusion claims, and historical costs incurred to either repair homes or otherwise settle water intrusion claims from homeowners. We also reviewed contractual agreements and evaluated management's conclusions about the Company's legal and contractual obligations with respect to water intrusion claims. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the accrual for water intrusion claims that would result from changes in the assumptions. We recalculated the Company's liability for water intrusion claims using management's data and evaluated the disclosure of the liability in the Company's consolidated financial statements.

INSURANCE RECEIVABLE

Description of the Matter

As described in Note 7 of the consolidated financial statements, the Company recorded a receivable for expected recoveries from insurance carriers. At October 31, 2019, the Company recorded an estimated insurance receivable of \$97.9 million, inclusive of amounts that are subject to dispute with the Company's insurance carriers.

Auditing management's accounting for the existence of insurance receivable was especially challenging due to the complexity and variability of the underlying claims. Evaluating the likelihood and amount of recoveries from insurance carriers was highly subjective and required significant judgment. In particular, as stated in Note 7, of the consolidated financial statements, management's estimates were sensitive to assumptions about the amount of losses that the Company will incur on warranty related repairs by policy year and management's conclusions about the legal merits that support the pending and future insurance claims.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's review of the expected recoveries from insurance carriers and the recorded receivable, including controls over the significant assumptions and the data inputs used to calculate the expected recoverable amount, as well as the financial statement disclosures. For example, we tested controls over management's review of the insurance policies and related coverage, the legal merits of the claims made and the expected amounts to be covered under those insurance policies.

To test the expected recoveries from insurance carriers, we performed audit procedures that included, among others, reading and understanding the Company's insurance policies, testing the claims submitted under the Company's insurance policies to verify the completeness, occurrence and measurement of the loss, and, when applicable, vouching cash receipts from the insurance carrier for previously submitted claims. We also tested the Company's calculation of the losses the Company expects to incur on warranty related repairs by policy year. We reviewed communications between the Company and its insurance carriers and evaluated management's conclusions about the legal merits of the insurance claims with respect to the recorded receivable by performing procedures that included, among others, reviewing correspondence from external counsel regarding the legal merits of the Company's insurance claims.

INVENTORY IMPAIRMENT

Description of the Matter

As described in Note 1 of the consolidated financial statements, the Company states its inventory at cost unless an impairment exists, in which case the inventory is written down to fair value. For the year ended October 31, 2019, the Company recorded inventory impairment charges of \$31.1 million. The Company regularly evaluates whether there are any impairment indicators for inventory present at the community level. If impairment indicators are present, the Company reviews the carrying value of each community's inventory by comparing the estimated future undiscounted cash flow to the carrying value. For inventory for which the carrying value exceeds the future undiscounted cash flows, the Company writes down the carrying value of the inventory to its estimated fair value primarily based on a discounted cash flow model.

Auditing management's accounting for inventory impairment, its tests for recoverability and, when applicable, its measurement of impairment losses, was especially challenging and involved a high degree of subjectivity as a result of the assumptions and estimates inherent in these evaluations. In particular, management's assumptions and estimates included future sales prices, the pace of future sales, and the applicable discount rates, which were sensitive to expectations about future demand, operations and economic factors. Additionally, the fair value of certain communities was highly sensitive to relatively small changes in one or more of those assumptions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's inventory impairment review process. For example, we tested controls over management's review of the significant assumptions and data inputs utilized in the calculation of future undiscounted and discounted cash flows.

To test the Company's estimated future cash flows used to test for the recoverability of a community and, if applicable, the measurement of an impairment loss, we performed audit procedures that included, among others, testing the significant assumptions discussed above and the underlying data used by the Company in its impairment analyses, evaluating the methodologies applied by management, and recalculating the total undiscounted and discounted cash flows in each analysis. In certain cases, we involved our internal real estate valuation specialists to assist in performing these procedures. We compared the significant assumptions used by management to historical sales data, sales trends, and observable market-specific data. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of inventory that would result from changes in the assumptions.

Ernet + Young LLP

We have served as the Company's auditor since 1983.

Philadelphia, Pennsylvania December 26, 2019

CONSOLIDATED BALANCE SHEETS (Amounts in thousands)			
	Octol	ber 3	1,
	2019		2018
ASSETS			
Cash and cash equivalents	\$ 1,286,014	\$	1,182,195
Inventory	7,873,048		7,598,219
Property, construction, and office equipment, net	273,412		193,281
Receivables, prepaid expenses, and other assets (1)	715,441		550,778
Mortgage loans held for sale, at fair value	218,777		170,731
Customer deposits held in escrow	74,403		117,573
Investments in unconsolidated entities	366,252		431,813
Income taxes receivable	20,791		_
	\$ 10,828,138	\$	10,244,590
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	\$ 1,111,449	\$	686,801
Senior notes	2,659,898		2,861,375
Mortgage company loan facility	150,000		150,000
Customer deposits	385,596		410,864
Accounts payable	348,599		362,098
Accrued expenses	950,932		973,581
Income taxes payable	102,971		30,959
Total liabilities	5,709,445		5,475,678
Equity			
Stockholders' equity			
Preferred stock, none issued	_		_
Common stock, 152,937 and 177,937 shares issued			
at October 31, 2019 and 2018, respectively	1,529		1,779
Additional paid-in capital	726,879		727,053
Retained earnings	4,774,422		5,161,551
Treasury stock, at cost - 11,999 and 31,774 shares at			
October 31, 2019 and 2018, respectively	(425,183)		(1,130,878)
Accumulated other comprehensive (loss) income	 (5,831)		694
Total stockholders' equity	5,071,816		4,760,199
Noncontrolling interest	 46,877		8,713
Total equity	 5,118,693		4,768,912
	\$ 10,828,138	\$	10,244,590

⁽¹⁾ As of October 31, 2019 and 2018, receivables, prepaid expenses, and other assets include \$145.8 million and \$19.7 million, respectively, of assets related to consolidated variable interest entities ("VIEs"). See Note 4, "Investments in Unconsolidated Entities" for additional information regarding VIEs.

See accompanying notes.

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

	Year ended October 31,							
		2019		2018		2017		
Revenues:								
Home sales	\$	7,080,379	\$	7,143,258	\$	5,815,058		
Land sales		143,587		_		_		
		7,223,966		7,143,258		5,815,058		
Cost of revenues:								
Home sales		5,678,914		5,673,007		4,562,303		
Land sales		129,704		_		_		
		5,808,618		5,673,007		4,562,303		
Selling, general and								
administrative		734,548		684,035		605,572		
Income from operations		680,800		786,216		647,183		
Other:								
Income from								
unconsolidated entities		24,868		85,240		116,066		
Other income – net		81,502		62,460		51,062		
Income before income taxes		787,170		933,916		814,311		
Income tax provision		197,163		185,765		278,816		
Net income	\$	590,007	\$	748,151	\$	535,495		
Other comprehensive (loss)								
income, net of tax:		(6,525)		2,926		1,426		
Total comprehensive income	\$	583,482	\$	751,077	\$	536,921		
Per share:								
Basic earnings	\$	4.07	_	4.92	\$	3.30		
Diluted earnings	\$	4.03	\$	4.85	\$	3.17		
Weighted-average number								
of shares:								
Basic		145,008		151,984		162,222		
Diluted	_	146,501		154,201		169,487		

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN	EQUITY (Amounts i	in thousands)							
	Common S	Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Stock- holder's Equity	Non- controlling Interest	Total Equity
-	Shares	\$	\$	\$	\$	\$	\$	\$	\$
Balance, November 1, 2016	177,937	1,779	728,464	3,977,297	(474,912)	(3,336)	4,229,292	5,910	4,235,202
Net income				535,495			535,495		535,495
Purchase of treasury stock					(290,881))	(290,881)		(290,881)
Exercise of stock options and stock									
based compensation issuances			(36,896)		101,799		64,903		64,903
Employee stock purchase plan issuances			81		1,140		1,221		1,221
Stock-based compensation			28,466				28,466		28,466
Dividends declared				(38,728)			(38,728)		(38,728)
Other comprehensive income						1,426	1,426		1,426
Loss attributable to noncontrolling interest							_	(14)	(14)
Balance, October 31, 2017	177,937	1,779	720,115	4,474,064	(662,854)	(1,910)	4,531,194	5,896	4,537,090
Cumulative effect adjustment upon adoption									
of ASU 2016-09 and ASU 2018-02			372	1,413		(322)	1,463		1,463
Net income				748,151			748,151		748,151
Purchase of treasury stock					(503,159))	(503,159)		(503,159)
Exercise of stock options and stock									
based compensation issuances			(21,789)		33,969		12,180		12,180
Employee stock purchase plan issuances			43		1,166		1,209		1,209
Stock-based compensation			28,312				28,312		28,312
Dividends declared				(62,077)			(62,077)		(62,077)
Other comprehensive income						2,926	2,926		2,926
Loss attributable to noncontrolling interest							_	(15)	(15)
Capital contribution								2,832	2,832
Balance, October 31, 2018	177,937	1,779	727,053	5,161,551	(1,130,878)	694	4,760,199	8,713	4,768,912
Cumulative effect adjustment upon adoption									
of ASC 606, net of tax				(17,987)			(17,987)		(17,987)
Net income				590,007			590,007		590,007
Purchase of treasury stock					(233,523))	(233,523)		(233,523)
Exercise of stock options and stock			(26.760)		42.702		16.004		16.024
based compensation issuances			(26,368)		42,392		16,024		16,024
Employee stock purchase plan issuances			14		1,309		1,323		1,323
Stock-based compensation	(25,000)	(250)	26,180	(005.267)	00F F17		26,180		26,180
Cancellation of treasury stock	(25,000)	(250)		(895,267)	895,517		(67,002)		(67,002)
Dividends declared				(63,882)		(6 E2E)	(63,882)		(63,882)
Other comprehensive loss						(6,525)	(6,525)	(10)	(6,525)
Loss attributable to noncontrolling interest Capital contributions							_	(19)	(19)
	152 077	1 520	726 070		(//25 107)	(5 071)	5 071 016	38,183	<u>38,183</u> 5,118,693
Balance, October 31, 2019	152,937	1,529	726,879	4,774,422	(425,183)	(5,831)	5,071,816	46,877	5,118,095

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Amounts in thousands)

	Yea	r Er	ided October	31,	
	2019		2018	20	17
Cash flow provided by operating activities:					_
Net income	\$ 590,007	\$	748,151	\$ 535,49	95
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	72,149		25,259	25,36	61
Stock-based compensation	26,180		28,312	28,46	
Income from unconsolidated entities	(24,868)		(85,240)	(116,06	
Distributions of earnings from	(24,000)		(03,240)	(110,00	50)
unconsolidated entities	31,799		86.099	134,29	91
Income from foreclosed real estate and			,		
distressed loans	(947)		(1,551)	(4,93	37)
Deferred tax provision (benefit)	102,764		(21,930)	217,86	64
Change in deferred tax valuation					
allowances				(32,15	54)
Inventory impairments and write-offs	42,360		35,156	14,79	94
Gain on sales of golf club properties and					
an office building	(36,277)				
Other	(1,042)		3,111	1,39	95
Changes in operating assets and liabilities					
(Increase) decrease in inventory	(40,236)		(143,598)	129,66	66
Origination of mortgage loans	(1,611,496)		(1,449,494)	(1,217,27	74)
Sale of mortgage loans	1,565,944		1,410,627	1,332,20	07
Increase in receivables, prepaid					
expenses, and other assets	(185,261)		(99,604)	(60,94	44)
Increase in income taxes receivable	(20,791)				
Increase (decrease) in customer					
deposits - net	14,041		(718)	37,96	67
(Decrease) increase in accounts payable					
and accrued expenses	(64,518)		57,927	(140,46	63)
Decrease in income taxes payable	 (22,147)		(4,296)	(23,97	70)
Net cash provided by operating activities	437,661		588,211	861,69	98_

	Ye	ar E	nded Octobe	r 31	,
	2019		2018		2017
Cash flow (used in) provided by					
investing activities:					
Purchase of property, construction,					
and office equipment – net	(86,97)	L)	(28,232)		(28,872)
Sale and redemption of marketable securities and restricted investments – net					18,049
Investments in unconsolidated entities	(56,560))	(27,491)		(122,334)
Return of investments in unconsolidated entities	147,92	7	133,190		195,505
Investment in foreclosed real estate and					
distressed loans	(73)	L)	(966)		(710)
Return of investments in foreclosed real					
estate and distressed loans	3,14	7	4,765		13,765
Proceeds from sales of golf club properties					
and an office building	79,64	7			
Acquisitions of businesses	(162,373	<u> </u>			(83,088)
Net cash (used in) provided by					
investing activities	(75,914	<u> </u>	81,266	_	(7,685)
Cash flow used in financing activities:					
Proceeds from issuance of senior notes	400,000)	400,000		455,483
Proceeds from loans payable	2,699,028	3	2,630,835		1,621,043
Debt issuance costs	(6,180))	(3,531)		(4,449)
Principal payments of loans payable	(2,471,616	5)	(2,690,164)		(1,999,357)
Redemption of senior notes	(600,000))			(687,500)
Proceeds from stock-based benefit					
plans - net	17,369		13,392		66,000
Purchase of treasury stock	(233,523		(503,159)		(290,881)
Dividends paid	(63,642	L)	(61,704)		(38,587)
Receipts related to noncontrolling	44		70		
interest - net	49		30	_	(070.040)
Net cash used in financing activities	(258,514	+)	(214,301)	_	(878,248)
Net increase (decrease) in cash, cash equivalents, and restricted cash	103,233	7	<i>1</i> 55 176		(24 275)
Cash, cash equivalents, and restricted cash,	103,233	,	455,176		(24,235)
beginning of period	1,216,410)	761,234		785,469
Cash, cash equivalents, and restricted cash, end of period	\$ 1,319,643	3 \$	1,216,410	\$	761,234

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The 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. Our cash balances exceed federally insurable limits. We monitor the cash balances in our operating accounts and adjust the cash balances as appropriate; however, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to cash in its operating accounts.

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 home sales cost of sales 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 4 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 home sales 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 may 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 home sales 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 and such amounts could be material.

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 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 dayto-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 \$252.5 million and \$145.0 million at October 31, 2019 and 2018, respectively. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. In fiscal 2019, 2018, and 2017, we recognized \$67.6 million, \$21.0 million, and \$18.7 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 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 from the unconsolidated entity. In addition, for rental properties, we review rental trends, expected future expenses, and expected cash flows to determine estimated fair values of the properties.

Our unconsolidated entities that develop land or develop for-sale homes and condominiums evaluate their inventory in a similar manner as we do. See "Inventory" above for more detailed disclosure on our evaluation of inventory. For our unconsolidated entities that own, develop, and manage for-rent residential apartments, we review rental trends, expected future expenses, and expected future cash flows to determine estimated fair values of the properties. 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.

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. When treasury stock is canceled, any excess purchase price over par value is charged directly to retained earnings.

Revenue and Cost Recognition

As discussed under "Recent Accounting Pronouncements" below, on November 1, 2018, we adopted Accounting Standards Codification ("ASC") Topic 606 "Revenue from Contracts with Customers" ("ASC 606"). As a result of this adoption, we updated our revenue recognition policies effective November 1, 2018, as follows:

HOME SALES REVENUES: Revenues and cost of revenues from home sales are recognized at the time each home is delivered and title and possession are transferred to the buyer. For the majority of our home closings, our performance obligation to deliver a home is satisfied in less than one year from the date a binding sale agreement is signed. In certain states where we build, we are not able

to complete certain outdoor features prior to the closing of the home. Effective November 1, 2018, to the extent these separate performance obligations are not complete upon the home closing, we defer a portion of the home sales revenues related to these obligations and subsequently recognize the revenue upon completion of such obligations. As of October 31, 2019, the home sales revenues and related costs we deferred related to these obligations were immaterial. Our contract liabilities. consisting of deposits received from customers for sold but undelivered homes, totaled \$385.6 million and \$410.9 million at October 31, 2019 and October 31, 2018, respectively. Of the outstanding customer deposits held as of October 31, 2018, we recognized \$367.8 million in home sales revenues during the fiscal year ended October 31, 2019.

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 land, land development, and related 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.

LAND SALES REVENUES: Our revenues from land sales generally consist of: (1) lot sales to thirdparty builders within our master planned communities; (2) land sales to joint ventures in which we retain an interest; and (3) bulk land sales to third parties of land we have decided no longer meets our development criteria. In general, our performance obligation for each of these land sales is fulfilled upon the delivery of the land, which generally coincides with the receipt of cash consideration from the counterparty. Effective November 1, 2018, in land sale transactions that contain repurchase options, revenues and related costs are not recognized until the repurchase option expires. In addition, when we sell land to a joint venture in which we retain an interest, we do not recognize revenue or gains on the sale to the extent of our retained interest in such joint venture.

FORFEITED CUSTOMER DEPOSITS: Effective November 1, 2018, forfeited customer deposits are recognized in "Home sales revenues" 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 may offer our home buyers sales incentives. These incentives will vary by type of incentive and by amount on a community-bycommunity and home-by-home basis. Incentives are reflected as a reduction in home sales 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 \$38.5 million, \$28.5 million, and \$26.1 million for the years ended October 31, 2019, 2018, and 2017, 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 periods are recorded in the period in which a change in our estimate occurs. Over the past several years, we have had a significant number of warranty claims related primarily to homes built in Pennsylvania and Delaware. See Note 7 - "Accrued Expenses" for additional information regarding these warranty charges.

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, Colorado, Nevada, Washington, and certain areas of Texas, 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-insured liability.

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 may be made, and the ultimate resolution of the claim. Though state regulations vary, construction defect claims may be 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 of 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.

Legal Expenses

Transactional legal expenses for land acquisition and entitlement, and financing are capitalized and expensed over their appropriate life. We expense legal fees related to litigation, warranty and insurance claims when incurred.

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 derecognition, 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 morelikely-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

We assess the need for valuation allowances for deferred tax assets in each period based on whether it is more-likely-than-not that some portion of the deferred tax asset would not be realized. If, based on the available evidence, it is more-likely-than-not that such asset will not be realized, a valuation allowance is established against a deferred tax asset. 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. 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; tax planning alternatives: and outlooks for the U.S. housing industry and broader economy. Changes in existing tax laws or rates could also affect our actual tax results. Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods, actual results could differ from the estimates used in our assessment that could have a material impact on our consolidated results of operations or financial position.

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, 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, New Jersey, and New York
MID-ATLANTIC:	Delaware, Maryland, Pennsylvania, and Virginia
SOUTH:	Florida, Georgia, North Carolina, South Carolina, and Texas
WEST:	Arizona, Colorado, Idaho, Nevada, Oregon, Utah, and Washington
CALIFORNIA:	California

In fiscal 2018, we acquired land and commenced development activities in the Salt Lake City, Utah and Portland, Oregon markets. We opened communities in these markets in fiscal 2019. In addition, as a result of two acquisitions, we commenced operations in Georgia and South Carolina in fiscal 2019. In fiscal 2018, we discontinued the sale of homes in Minnesota. Our operations in Minnesota were immaterial to the North geographic segment.

Related Party Transactions

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

Recent Accounting Pronouncements

In May 2014, the FASB created ASC 606 with the issuance ASU No. 2014-09, "Revenue from Contracts with Customers," which provides guidance for revenue recognition. ASC 606 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. ASC 606 supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition," and most industryspecific guidance. ASC 606 also supersedes some cost guidance included in ASC 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 previous 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 delayed the effective date of ASC 606 by one year. ASC 606, as amended by ASU 2015-14, became effective for our fiscal year beginning November 1, 2018, and we adopted the new standard under the modified retrospective transition method applied to contracts that were not completed as of November 1, 2018. We elected to apply the practical expedient which allows us to immediately expense incremental costs of obtaining a contract that would otherwise have been recognized in one year or less. We recognized the cumulative effect, net of tax, of applying ASC 606 as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the previous accounting standards. The adoption of ASC 606 did not have a material impact on our Consolidated Balance Sheet or Consolidated Statement of Operations or Comprehensive Income, and there have been no significant changes to our internal controls, processes, or systems as a result of implementing this new standard. However, the adoption of ASC 606 resulted in the following changes:

- Prior to adoption of ASC 606, we capitalized certain costs related to our marketing efforts. including sales offices and model home upgrades and furnishings within "Inventory" on our Consolidated Balance Sheets and amortized such costs through "Selling, general, and administrative" on our Consolidated Statements of Operations and Comprehensive Income. As of November 1, 2018, we reclassified \$104.8 million to "Property, construction, and office equipment, net" on our Consolidated Balance Sheets, primarily related to sales offices and model home improvement costs. The amortization of such costs will remain unchanged and will continue to be included in "Selling, general, and administrative" on our Consolidated Statements of Operations and Comprehensive Income. Additionally, we recorded a net cumulative effect adjustment to retained earnings of approximately \$13.2 million for certain other marketing costs that no longer qualify for capitalization under the new guidance, and such costs will be expensed as incurred in the future.
- Prior to adoption of ASC 606, we recorded our land sale revenues, net of their related expenses. within "Other income - net" on our Consolidated Statements of Operations and Comprehensive Income. As of November 1, 2018, we are presenting this activity in income from operations and

breaking out the components of land sales revenues and land sales cost of revenues on our Consolidated Statements of Operations and Comprehensive Income. In addition, due to the existence of certain repurchase options in existing agreements to sell lots to third party builders in our master planned communities, both for wholly owned projects as well as projects in which we are a joint venture partner, we recorded a net cumulative effect adjustment to retained earnings of approximately \$4.6 million to account for previously settled lots for which the related repurchase option had not yet expired. Because the amount of the deferred earning is not material to our consolidated financial statements, we have elected to recognize the revenue and related expenses for such lots in future periods when such repurchase options expire rather than account for them as leases under ASC 840, "Leases."

• Prior to adoption of ASC 606, retained customer deposits were classified in "Other income net" on our Consolidated Statements of Operations and Comprehensive Income. As of November 1, 2018, retained customer deposits, which totaled \$13.2 million for our fiscal year ending October 31, 2019, are included in "Home sales revenue" on our Consolidated Statements of Operations and Comprehensive Income. Prior period balances for retained customer deposits have not been reclassified and are not material to our consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"). ASU 2017-05 is meant to clarify the scope of the original guidance within Subtopic 610-20 that was issued in connection with ASC 606, which provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. ASU 2017-05 also added guidance for partial sales of nonfinancial assets. ASU 2017-05 became effective for our fiscal year beginning November 1, 2018 and we adopted ASU 2017-05 concurrent with our adoption of ASC 606. The adoption of ASU 2017-05 did not have a material effect on our consolidated financial statements and disclosures.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"), which provides guidance on the classification of restricted cash in the statement of cash flows. ASU 2016-18 became effective for our fiscal year beginning November 1, 2018 and resulted in a change in the presentation to our Consolidated Statement of Cash Flows but did not have a material effect on our other consolidated financial statements or disclosures. As a result of the adoption of ASU No. 2016-18, net cash provided by operations on the Consolidated Statement of Cash Flows for the years ended October 31, 2018 and 2017, decreased by \$14.2 million and \$103.4 million, respectively.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), which is intended to reduce diversity in practice in how certain transactions are classified and makes eight targeted changes to how cash receipts and cash payments are presented in the statement of cash flows. ASU 2016-15 became effective for our fiscal year beginning November 1, 2018 and did not have a material effect on our consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, "Leases" ("ASU 2016-02"), which requires an entity to recognize assets and liabilities on the balance sheet for the rights and obligations created by leased assets and provide additional disclosures. In July 2018, the FASB issued ASU No. 2018-11, "Leases: Targeted Improvements" ("ASU 2018-11"), which provides an entity with the option to apply the transition provisions of the new standard at its adoption date instead of at its earliest comparative period presented. ASU 2018-11 also provides an entity with a practical expedient that permits lessors to not separate nonlease components from the associated lease component if certain conditions are met. ASU 2016-02, as amended by ASU 2018-11, is effective for our fiscal year beginning November 1, 2019, at which time we will adopt the new standard using a modified retrospective approach. We expect to elect the package of transition practical expedients, which allows us to carry forward our historical assessment of (1) whether contracts are or contain leases, (2) lease classification, and (3) initial direct costs. In addition, we expect to elect the practical expedient that allows lessees the

option to account for lease and non-lease components together as a single component for all classes of underlying assets. Upon adoption, we currently estimate the increase to our balance sheet will be approximately 1% of assets and approximately 2% of liabilities. While the recognition of such lease assets and liabilities will impact our Consolidated Balance Sheet and require additional disclosure, we do not expect that the new standard will have a material impact on our other consolidated financial statements. We also do not expect significant changes to our business processes, systems, or internal controls as a result of implementing the standard.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. ASU 2016-13 is effective for our fiscal year beginning November 1, 2020, with early adoption permitted as of November 1, 2019. We are currently evaluating the impact that the adoption of ASU 2016-13 may have on our consolidated financial statements and disclosures.

2. ACQUISITIONS

In fiscal 2019, we acquired substantially all of the assets and operations of Sharp Residential, LLC ("Sharp") and Sabal Homes LLC ("Sabal"), for approximately \$162.4 million in cash. Sharp operates in metropolitan Atlanta, Georgia; Sabal operates in the Charleston, Greenville, and Myrtle Beach, South Carolina markets. The assets acquired, based on our preliminary purchase price allocations, were primarily inventory, including approximately 2,550 home sites owned or controlled through land purchase agreements. In connection with these acquisitions, we assumed contracts to deliver 204 homes with an aggregate value of \$96.1 million. The average price of undelivered homes at the dates of acquisitions was approximately \$471,100. As a result of these acquisitions, our selling community count increased by 22 communities.

In November 2016, we acquired all of the assets and operations of Coleman Real Estate Holdings, LLC ("Coleman") for approximately \$83.1 million in cash. The assets acquired were primarily inventory, including approximately 1,750 home sites owned or controlled through land purchase agreements. As part of the acquisition, we assumed contracts to deliver 128 homes with an aggregate value of \$38.8 million. The average price of the undelivered homes at the date of acquisition was approximately \$303,000. As a result of this acquisition, our selling community count increased by 15 communities at the acquisition date.

The acquisitions discussed above were accounted for as a business combination and were not material to our results of operations or financial condition.

3. INVENTORY

Inventory at October 31, 2019 and 2018 consisted of the following (amounts in thousands):

	2019	2018
Land controlled for future communities	\$ 182,929	\$ 139,985
Land owned for future communities	868,202	916,616
Operating communities	6,821,917	 6,541,618
	\$ 7,873,048	\$ 7,598,219

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 nonavailability 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, 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, 2019, 2018, and 2017, is provided in the table below (\$ amounts in thousands):

	2019	2018	2017
Land owned for future communities:			
Number of communities	16	17	14
Carrying value (in thousands)	\$ 120,857	\$ 124,426	\$ 110,732
Operating communities:			
Number of communities	1	1	6
Carrying value (in thousands)	\$ 2,871	\$ 2,622	\$ 26,749

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, 2019, 2018, and 2017, as shown in the table below (amounts in thousands):

	2019	2018	2017
Charge:			
Land controlled for future communities	\$ 11,285	\$ 2,820	\$ 1,949
Land owned for future communities	_	2,185	3,050
Operating communities	31,075	30,151	9,795
	\$ 42,360	\$ 35,156	\$ 14,794

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, 2019, we evaluated our land purchase contracts, including those to acquire land for apartment developments, to determine whether 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 maximum exposure to loss is generally limited to deposits paid to the sellers and predevelopment costs incurred; and the creditors of the sellers generally have no recourse against us. At October 31, 2019, we determined that 127 land purchase contracts, with an aggregate purchase price of \$2.00 billion, on which we had made aggregate deposits totaling \$149.2 million, were VIEs, but that we were not the primary beneficiary of any VIE related to such land purchase contracts. At October 31, 2018, we determined that 110 land purchase contracts, with an aggregate purchase price of \$1.88 billion, on which we had made aggregate deposits totaling \$120.5 million, were VIEs, but that we were not the primary beneficiary of any VIE related to such land purchase contracts.

Interest incurred, capitalized, and expensed in each of the three fiscal years ended October 31, 2019, 2018, and 2017, was as follows (amounts in thousands):

		2019		2018		2017
Interest capitalized, beginning of year	\$	319,364	\$	352,049	\$	369,419
Interest incurred		178,035		165,977		175,944
Interest expensed to home sales cost of						
revenues		(185,045)		(190,734)		(172,832)
Interest expensed to land sales cost of						
revenues		(1,787)				
Interest expensed to other income				(3,760)		(4,823)
Interest reclassified to property,						
construction, and office equipment						(485)
Interest capitalized on investments in						
unconsolidated entities		(4,571)		(7,220)		(8,824)
Previously capitalized interest transferred						(0.700)
to investments in unconsolidated entities						(8,708)
Previously capitalized interest on						
investments in unconsolidated entities		F 707		7.050		2.750
transferred to inventory	_	5,327	_	3,052	_	2,358
Interest capitalized, end of year	\$	311,323	\$	319,364	\$	352,049

During fiscal 2017, we reclassified \$9.0 million of inventory related to two golf courses to property, construction, and office equipment and such amount was net of \$3.5 million transferred to accrued liabilities related to deferred golf membership fees. The amounts were reclassified due to the completion of construction of the facilities and the substantial completion of the master planned communities of which the golf facilities are a part.

4. INVESTMENTS IN UNCONSOLIDATED ENTITIES

We have investments in various unconsolidated entities. These entities, which are structured as 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"), which includes our investment in Toll Brothers Realty Trust (the "Trust"); and (iv) invest in distressed loans and real estate and provide financing and land banking to residential builders and developers for the acquisition and development of land and home sites ("Gibraltar Joint Ventures"). In fiscal 2019, 2018 and 2017, we recognized income from the unconsolidated entities in which we had an investment of \$24.9 million, \$85.2 million, and \$116.1 million, respectively.

The table below provides information as of October 31, 2019, regarding active joint ventures that we are invested in, by joint venture category (\$ amounts in thousands):

	Land Development Joint Ventures	Home Building Join Ventures	į t	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Number of unconsolidated entities	8	4	1	20	9	41
Investment in unconsolidated entities	\$ 110,306	\$ 60,512	2 \$	174,292	\$ 21,142	\$ 366,252
Number of unconsolidated entities with funding commitments by the Company	2	-	L	2	1	6
Company's remaining funding commitment to unconsolidated						
entities	\$ 28,586	\$ 1,400) \$	539	\$ 8,271	\$ 38,796

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, 2019, regarding the debt financing obtained by category (\$ amounts in thousands):

	Land evelopment nt Ventures	ome Building oint Ventures	Pi	Rental roperty Joint Ventures	Total
Number of joint ventures with debt financing	3	2		18	23
Aggregate loan commitments	\$ 100,859	\$ 133,453	\$	1,393,838	\$ 1,628,150
Amounts borrowed under commitments	\$ 88,252	\$ 133,453	\$	1,017,788	\$ 1,239,493

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

Land Development Joint Ventures

In fiscal 2019, our Land Development Joint Ventures sold approximately 934 lots and recognized revenues of \$261.7 million. We acquired 293 of these lots for \$137.1 million. Our share of the joint venture income from the lots we acquired was insignificant. We recognized a charge in connection with one Land Development Joint Venture of \$1.0 million in fiscal 2019.

In fiscal 2018, our Land Development Joint Ventures sold approximately 986 lots and recognized revenues of \$351.4 million. We acquired 259 of these lots for \$153.2 million. Our share of the income from the lots we acquired of \$1.7 million was deferred by reducing our basis in those lots acquired. We recognized charges in connection with two Land Development Joint Ventures of \$6.0 million in fiscal 2018.

In the fourth quarter of fiscal 2019, we entered into a joint venture with an unrelated party to purchase and develop a parcel of land located in Houston, Texas. The joint venture expects to develop approximately 263 home sites on this land in multiple phases. We have a 50% interest in this joint venture. The joint venture intends to sell approximately 50% of the value of the home sites to each of the members of the joint venture. At October 31, 2019, we had an investment of \$5.9 million in this joint venture. The joint venture expects to secure third-party financing at a later date.

Home Building Joint Ventures

Our Home Building Joint Ventures are delivering homes in New York City and Jupiter, Florida. In fiscal 2019 and 2018, our Home Building Joint Ventures delivered 186 homes with a sales value of \$374.6 million, and 100 homes with a sales value of \$148.0 million, respectively.

SUBSEQUENT EVENT

In November 2019, one of our Home Building Joint Ventures refinanced its existing \$236.5 million construction loan with a \$76.6 million post-construction loan that matures November 2021. We and an affiliate of our partner provided certain guarantees under the loan agreement. We estimate that our maximum exposure under these guarantees, if the full amount of the loan commitment was borrowed, would be \$76.6 million without taking into account any recoveries from the underlying collateral or any reimbursement from our partner.

Rental Property Joint Ventures

As of October 31, 2019, our Rental Property Joint Ventures owned 25 for-rent apartment projects and a hotel, which are located in multiple metropolitan areas throughout the country. At October 31, 2019, these joint ventures had approximately 2,000 units that were occupied or ready for occupancy. 1,700 units in the lease-up stage, and 4,100 units in the design phase or under development. In addition, we either own or have under contract, approximately 10,900 units, of which 800 units are under active development; we intend to develop these units in joint ventures with unrelated parties in the future.

In fiscal 2019, we entered into five separate joint ventures with unrelated parties to develop luxury for-rent residential apartment projects located in Harrison, New York, Frisco, Texas, Atlanta, Georgia, Orange, California, and Dallas, Texas. Prior to the formation of these joint ventures, we acquired the properties and incurred approximately \$145.1 million of land and land development costs. Our partners acquired interests in these entities ranging from 63.5% to 75% for an aggregate amount of \$110.0 million and we recognized a gain on land sales of \$9.3 million in fiscal 2019. At October 31, 2019, we had an aggregate investment of \$48.8 million in these joint ventures. Concurrent with their formation, these joint ventures entered into construction loan agreements for an aggregate amount of \$340.1 million. At October 31, 2019, the joint ventures had \$39.3 million outstanding borrowings under these construction loan facilities.

In addition, in fiscal 2019, we entered into four separate joint ventures with unrelated parties to develop luxury for-rent residential apartment projects and student housing communities located in Boston, Massachusetts, San Diego, California, Tempe, Arizona and Miami, Florida. We contributed an aggregate of \$79.6 million for our initial ownership interests in these joint ventures, which ranged from 50% to 98%. Due to our controlling financial interest, our power to direct the activities that most significantly impact each joint venture's performance, and/or our obligation to absorb expected losses or receive benefits from these joint ventures, we consolidated these joint ventures at October 31, 2019. The carrying value of these joint ventures' assets totaling \$125.0 million are reflected in "Receivables, prepaid expenses, and other assets" in our Consolidated Balance Sheet as of October 31, 2019. Our partners' interests aggregating \$37.9 million in the joint ventures are reflected as a component of "Noncontrolling interest" in our Consolidated Balance Sheet as of October 31, 2019. These joint ventures intend to obtain additional equity investors and secure thirdparty financing at a later date. At such time, it is expected that these entities would no longer be consolidated.

In the second quarter of fiscal 2019, we entered into a joint venture with unrelated parties to develop, build, and operate single-family rental communities. As of October 31, 2019, we have committed to invest up to \$60.0 million in this joint venture, of which \$1.0 million has been invested.

In fiscal 2019, one of our Rental Property Joint Ventures, in which we had a 25% interest, sold its assets to an unrelated party for \$77.8 million. The joint venture had owned, developed, and operated a multifamily residential community in Phoenixville, Pennsylvania. In connection with the sale, the joint venture repaid its entire \$47.0 million loan. We received cash of \$7.4 million and recognized a gain of \$3.8 million, which is included in "Income from unconsolidated entities" in our Consolidated Statements of Operations and Comprehensive Income.

We have an investment in a joint venture in which we have a 50% interest that developed a luxury hotel in conjunction with a high-rise luxury condominium project in New York City developed by a related Home Building Joint Venture. The hotel commenced operations in February 2017. At October 31, 2019, we had an investment of \$21.0 million in this joint venture. In the fourth quarter of fiscal 2019, the joint venture refinanced its existing \$80.0 million, three-year term loan with a threeyear, \$120.0 million term loan, of which \$110.0 million was advanced to the joint venture at closing. The proceeds from the refinancing were distributed to the members.

In fiscal 2018, we entered into four joint ventures with unrelated parties to develop luxury for-rent residential apartment projects located in suburban Atlanta, Georgia; Belmont, Massachusetts; and Washington, D.C. Prior to the formation of these joint ventures, we acquired the properties and incurred approximately \$140.0 million of land and land development costs. Our partners acquired interests in these entities ranging from 50% to 75% for an aggregate amount of \$80.3 million. At October 31, 2019, we had an investment of \$65.6 million in these joint ventures. In fiscal 2018, several of these joint ventures entered into construction loan agreements for an aggregate amount of \$166.1 million to finance the development of these projects. At October 31, 2019, the joint ventures had \$156.1 million of outstanding borrowings under the construction loan facilities.

In addition, in fiscal 2018 we entered into a joint venture with an unrelated party to develop a luxury for-rent residential apartment project in a suburb of Boston, Massachusetts. We contributed cash of \$15.9 million for our initial 85% ownership interest in this joint venture. Due to our controlling financial interest, our power to direct the activities that most significantly impact the joint venture's performance, and our obligation to absorb expected losses or receive benefits from the joint venture, we consolidated this joint venture at October 31, 2019. The carrying value of the joint venture's assets totaling \$20.8 million are reflected in "Receivables, prepaid expenses, and other assets" in our Consolidated Balance Sheet at October 31, 2019. Our partner's 15% interest of \$3.1 million in the joint venture is reflected as a component of "Noncontrolling interest" in our Consolidated Balance Sheet as of October 31, 2019. The joint venture expects to admit an additional investor and secure thirdparty financing at a later date.

In fiscal 2018, three of our Rental Property Joint Ventures sold their assets to unrelated parties for \$477.5 million. These joint ventures had owned, developed, and operated multifamily rental properties located in suburban Washington, D.C. and Westborough, Massachusetts, and a student housing community in College Park, Maryland. In connection with these sales, the joint ventures' aggregate outstanding loan balance of \$239.6 million was repaid. From our investment in these joint ventures, we received cash of \$79.1 million and recognized gains from these sales of \$67.2 million in fiscal 2018, which is included in "Income from unconsolidated entities" in our Consolidated Statement of Operations and Comprehensive Income.

In fiscal 2017, we sold one-half of our 50% interest in two of our Rental Property Joint Ventures to an unrelated party. In connection with these sales, we, along with our partners, recapitalized the joint ventures and refinanced the existing \$166.3 million in construction loans with 10-year fixed rate loans totaling \$189.0 million. As a result of these transactions, we received cash of \$54.9 million and recognized gains of \$26.7 million in fiscal 2017, which is included in "Income from unconsolidated entities" in our Consolidated Statements of Operations and Comprehensive Income. At October 31, 2019, we had a 25% interest in each of these joint ventures.

In 1998, we formed the Trust to invest in commercial real estate opportunities. The Trust is effectively owned one-third by us; one-third by current and former members of our senior management; and one-third by an unrelated party. As of October 31, 2019, 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 \$1.0 million, \$2.0 million, and \$2.0 million in fiscal 2019, 2018 and 2017, respectively. In fiscal 2019 and 2018, we received distributions of \$3.9 million and \$27.7 million, respectively, from the Trust, of which the full amount was recognized as income and included in "Income from unconsolidated entities" in our fiscal 2019 and 2018 Consolidated Statements of Operations and Comprehensive Income. No distributions were received from the Trust in fiscal 2017.

SUBSEQUENT EVENTS

In November 2019, we entered into a joint venture with an unrelated party to develop a for-rent residential apartment project in Dallas, Texas. Prior to the formation of this joint venture, we acquired the property and incurred approximately \$19.0 million of land and land development costs. Our partner acquired a 50% interest in this entity for approximately \$9.2 million, of which \$7.7 million was distributed to us. Our initial investment is \$11.9 million. Concurrent with its formation, the joint venture entered into a \$42.0 million construction loan agreement to finance the development of this project. We and an affiliate of our partner provided certain guarantees under the construction loan agreement. We estimate that our maximum exposure under these guarantees, if the full amount of the loan commitment was borrowed, would be \$42.0 million without taking into account any recoveries from the underlying collateral or any reimbursement from our partner.

In December 2019, we sold all of our ownership interest in one of our Rental Property Joint Ventures to our partner for cash of \$16.8 million, net of closing costs. The joint venture had owned, developed. and operated multifamily residential apartments in northern New Jersey. In connection with the sale, the joint venture's existing \$76.0 million loan was assumed by our partner. We expect to recognize a gain of approximately \$10.0 million in the first guarter of fiscal 2019 from the sale.

In December 2019, we entered into a joint venture with an unrelated party to develop a for-rent student housing community in State College, Pennsylvania. Prior to the formation of this joint venture, we acquired the property and incurred approximately \$32.0 million of land and land development costs. Our partner acquired a 70% interest in this entity for approximately \$22.2 million, of which \$17.9 million was distributed to us. Our initial investment is \$12.9 million. Concurrent with its formation, the joint venture entered into a \$79.5 million construction loan agreement to finance the development of this project. We and an affiliate of our partner provided certain guarantees under the construction loan agreement. We estimate that our maximum exposure under these guarantees, if the full amount of the loan commitment was borrowed, would be \$79.5 million without taking into account any recoveries from the underlying collateral or any reimbursement from our partner.

Gibraltar Joint Ventures

We, through our wholly owned subsidiary, Gibraltar Capital and Asset Management, LLC ("Gibraltar"), have entered into eight ventures with an institutional investor to provide builders and developers with land banking and venture capital, two of which were formed in fiscal 2019. These ventures will finance builders' and developers' acquisition and development of land and home sites and pursue other complementary investment strategies. We are also a member in a separate venture with the same institutional investor, which purchased, from Gibraltar, certain foreclosed real estate owned and distressed loans in fiscal 2016. Our ownership interest in these ventures is approximately 25%. We may invest up to \$100.0 million in these ventures. As of October 31, 2019, we had an investment of \$20.5 million in these ventures.

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) carry cost guarantees, which cover costs such as interest, real estate taxes, and insurance; (iv) an environmental indemnity provided to the lender that holds the lender harmless from and against losses arising from the discharge of hazardous materials from the property and non-compliance with applicable environmental laws; 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, 2019, in the event we become legally obligated to perform under a guarantee of an 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, 2019, certain unconsolidated entities have loan commitments aggregating \$1.53 billion, of which, if the full amount of the debt obligations were borrowed, we estimate \$299.1 million to be our maximum exposure related solely to repayment and carry cost guarantees. At October 31, 2019, the unconsolidated entities had borrowed an aggregate of \$1.14 billion, of which we estimate \$239.6 million to be our maximum exposure related solely to repayment and carry cost guarantees. The terms of these guarantees generally range from 2 months to 9.7 years. These maximum exposure estimates do not take into account any recoveries from the underlying collateral or any reimbursement from our partners.

As of October 31, 2019, the estimated aggregate fair value of the guarantees provided by us related to debt and other obligations of certain unconsolidated entities was approximately \$5.6 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, 2019 and 2018, we determined that 18 and 11, respectively, of our joint ventures were VIEs under the guidance within ASC 810. For 13 and 10 of these VIEs as of October 31, 2019 and 2018. respectively, we concluded that we were not the primary beneficiary of these VIEs because the power to direct the activities of such VIEs that most significantly impact their performance was either shared by us and such VIEs' other partners or such activities were controlled by our partner. For VIEs where the power to direct significant activities is shared, 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.

As of October 31, 2019, we have consolidated five Rental Property Joint Ventures. We had one consolidated Rental Property Joint Venture as of October 31, 2018. The carrying value of these joint ventures' assets totaled \$145.8 million and \$19.7 million as reflected in "Receivables, prepaid expenses, and other assets" in our Consolidated Balance Sheet as of October 31, 2019 and 2018. respectively. Our partners' interests aggregating \$41.0 million and \$2.8 million in the joint ventures are reflected as a component of "Noncontrolling interest" in our Consolidated Balance Sheet as of October 31, 2019 and 2018, respectively. These joint ventures were determined to be VIEs due to their current inability to finance their activities without additional subordinated financial support as well as our partners' inability to participate in the significant decisions of the joint venture and their lack of substantive kick-out rights. We further concluded that we are the primary beneficiary of these VIEs due to our controlling financial interest in such ventures as we have the power to direct the activities that most significantly impact the joint ventures' performance and the obligation to absorb expected losses or receive benefits from the joint ventures. The assets of these VIEs can only be used to settle the obligations of the VIEs. In addition, in certain of the joint ventures, in the event additional contributions are required to be funded to the joint ventures prior to the admission of any additional investor at a future date, we will fund 100% of such contributions, including our partner's pro rata share, which we expect would be funded through an interest-bearing loan.

At October 31, 2019 and 2018, our investments in our unconsolidated entities deemed to be VIEs, which are included in "Investments in unconsolidated entities" in our Consolidated Balance Sheets, totaled \$37.0 million and \$33.8 million, respectively. At October 31, 2019, the maximum exposure of loss to our investments in these entities was limited to our investments in the unconsolidated VIEs, except with regard to \$76.0 million of loan guarantees and \$8.3 million of additional commitments to fund the VIEs. Of our potential exposure for these loan guarantees, \$76.0 million is related to repayment and carry cost guarantees, of which \$76.0 million was borrowed at October 31, 2019. At October 31, 2018, the maximum exposure of loss to our investments in these entities was limited to our investments in the unconsolidated VIEs, except with regard to \$70.0 million of loan guarantees and \$10.8 million of additional commitments to fund the VIEs. Of our potential exposure for these loan guarantees, \$70.0 million is related to repayment and carry cost guarantees, of which \$70.0 million was borrowed at October 31, 2018.

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).

	Land velopment t Ventures	Home Building Joint Ventures		ental Property Joint Ventures	Gibraltar Joir Venture		Total
CONDENSED BALANCE SHEETS:			Oc	tober 31, 2019			
Cash and cash equivalents	\$ 23,669	\$ 38,115	\$	20,647	\$ 3,38	8	\$ 85,819
Inventory	247,866	313,991			17,36	9	579,226
Loan receivables, net					56,54	5	56,545
Rental properties				1,021,848			1,021,848
Rental properties under development				535,197			535,197
Real estate owned					12,26	7	12,267
Other assets	96,602	78,916		36,879	36	4	212,761
Total assets	\$ 368,137	\$ 431,022	\$	1,614,571	\$ 89,93	3	\$ 2,503,663
Debt, net of deferred financing costs	\$ 88,050	\$ 132,606	\$	1,006,201			\$ 1,226,857
Other liabilities	49,302	33,959		84,735	\$ 7,83	1	175,827
Members' equity	230,785	264,457		523,635	81,68	6	1,100,563
Noncontrolling interest					41	.6	416
Total liabilities and equity	\$ 368,137	\$ 431,022	\$	1,614,571	\$ 89,93	3	\$ 2,503,663
Company's net investment in unconsolidated entities (1)	\$ 110,306	\$ 60,512	\$	174,292	\$ 21,14	2	\$ 366,252
			Oc	tober 31, 2018			
Cash and cash equivalents	\$ 47,409	\$ 22,834	\$	23,750	\$ 8,46	9	\$ 102,462
Inventory	403,670	557,157			13,16	3	973,990
Loan receivables, net					40,06	5	40,065
Rental properties				808,785			808,785
Rental properties under development				437,586			437,586
Real estate owned					14,83	8	14,838
Other assets	93,322	49,723		21,917	1,06	7	166,029
Total assets	\$ 544,401	\$ 629,714	\$	1,292,038	\$ 77,60	2	\$ 2,543,755
Debt, net of deferred financing costs	\$ 125,557	\$ 284,959	\$	735,482	\$ -	_	\$ 1,145,998
Other liabilities	29,096	72,897		51,992	4,58	5	158,570
Members' equity	389,748	271,858		504,564	69,80	4	1,235,974
Noncontrolling interest					3,21	.3	3,213
Total liabilities and equity	\$ 544,401	\$ 629,714	\$	1,292,038	\$ 77,60	2	\$ 2,543,755
Company's net investment in unconsolidated entities (1)	\$ 176,593	\$ 65,936	\$	171,216	\$ 18,06	8	\$ 431,813

⁽¹⁾ Differences between our net investment in unconsolidated entities and our underlying equity in the net assets of the entities are primarily a result of impairments related to our investments in unconsolidated entities; interest capitalized on our investments; the estimated fair value of the guarantees provided to the joint ventures; unrealized gains on our retained joint venture interests; gains recognized from the sale of our ownership interests; and distributions from entities in excess of the carrying amount of our net investment.

	evelopment int Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Tota	al
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME:			year ended October 3			
Revenues	\$ 261,677	\$ 374,587	•	•	\$ 757,042	2
Cost of revenues	 247,070	333,008	68,502	13,234	661,814	4
Other expenses	4,662	15,389	58,928	1,880	80,859	9
Total expenses	 251,732	348,397	127,430	15,114	742,673	3
Gain on disposition of loans and REO				4,383	4,383	3
Income (loss) from operations	 9,945	26,190	(28,029)	10,646	18,752	2
Other income	3,079	6,144	16,651	12,793	38,667	7
Income (loss) before income taxes	 13,024	32,334	(11,378)	23,439	57,419	9
Income tax provision	193	457			650	0
Net income (loss) including earnings from noncontrolling interests	 12,831	31,877	(11,378)	23,439	56,769	9
Less: income attributable to noncontrolling interest				(9,593)	(9,593	3)
Net income (loss) attributable to controlling interest	\$ 12,831	\$ 31,877	\$ (11,378)	\$ 13,846	\$ 47,176	6
Company's equity (deficit) in earnings of unconsolidated entities (2)	\$ 6,160	\$ 17,004	\$ (824)	\$ 2,528	\$ 24,868	8
		For the	year ended October 3	31, 2018		
Revenues	\$ 351,397	\$ 148,002	\$ 121,276	\$ 19,592	\$ 640,267	7
Cost of revenues	 317,363	112,469	74,946	17,817	522,595	5
Other expenses	9,125	8,630	61,502	3,201	82,458	8
Total expenses	 326,488	121,099	136,448	21,018	605,053	3
Gain on disposition of loans and REO				53,192	53,192	2
Income (loss) from operations	24,909	26,903	(15,172)	51,766	88,406	6
Other income	5,939	2,134	222,744	1,937	232,754	4
Income before income taxes	30,848	29,037	207,572	53,703	321,160	0
Income tax provision	86	767			853	3
Net income including earnings from noncontrolling interests	 30,762	28,270	207,572	53,703	320,307	7
Less: income attributable to noncontrolling interest				(28,297)	(28,297	7)
Net income attributable to controlling interest	\$ 30,762	\$ 28,270	\$ 207,572	\$ 25,406	\$ 292,010	0
Company's equity in earnings of unconsolidated entities (2)	\$ 3,392	\$ 14,069	\$ 62,204	\$ 5,575	\$ 85,240	0
		For the	year ended October 3	31, 2017		
Revenues	\$ 288,440	\$ 475,260	\$ 115,519	\$ 10,090	\$ 889,309	9
Cost of revenues	 191,965	286,446	70,108	14,428	562,947	7
Other expenses	6,508	13,102	59,503	3,942	83,055	5
Total expenses	198,473	299,548	129,611	18,370	646,002	2
Gain on disposition of loans and REO				48,079	48,079	9
Income (loss) from operations	 89,967	175,712	(14,092)	39,799	291,386	6
Other income	4,723	7,317	1,556	432	14,028	8
Income (loss) before income taxes	 94,690	183,029	(12,536)	40,231	305,414	4
Income tax provision	94	7,473	95		7,662	2
Net income (loss) including earnings from noncontrolling interests	 94,596	175,556	(12,631)	40,231	297,752	2
Less: income attributable to noncontrolling interest	 			(20,439)	(20,439	9)
Net income (loss) attributable to controlling interest	94,596	175,556	(12,631)	19,792	277,313	3
Company's equity in earnings of unconsolidated entities (2)	\$ 13,007	\$ 77,339	\$ 21,458	\$ 4,262	\$ 116,066	ô

⁽²⁾ Differences between our equity in earnings of unconsolidated entities and the underlying net income (loss) of the entities are primarily a result of a basis difference of an acquired joint venture interest; distributions from entities in excess of the carrying amount of our net investment; recoveries of previously incurred charges; unrealized gains on our retained joint venture interests; and our share of the entities' profits related to home sites purchased by us which reduces our cost basis of the home sites acquired.

5. RECEIVABLES, PREPAID EXPENSES, AND OTHER ASSETS

Receivables, prepaid expenses, and other assets at October 31, 2019 and 2018, consisted of the following (amounts in thousands):

	2019	2018
Expected recoveries from insurance carriers and others	\$ 114,162	\$ 126,291
Improvement cost receivable	100,864	96,937
Escrow cash held by our captive title company	32,863	33,471
Properties held for rental apartment and commercial		
development	367,072	193,015
Prepaid expenses	26,041	23,065
Other	 74,439	77,999
	\$ 715,441	\$ 550,778

See Note 7. "Accrued Expenses." for additional information regarding the expected recoveries from insurance carriers and others.

As of October 31, 2019 and 2018, properties held for rental apartment and commercial development include \$145.8 million and \$19.7 million, respectively, of assets related to consolidated VIEs. See Note 4, "Investments in Unconsolidated Entities" for additional information regarding VIEs.

6. LOANS PAYABLE, SENIOR NOTES, AND MORTGAGE COMPANY LOAN FACILITY

Loans Pavable

At October 31, 2019 and 2018, loans payable consisted of the following (amounts in thousands):

	2019	2018
Senior unsecured term loan	\$ 800,000	\$ 500,000
Loans payable - other	314,577	188,115
Deferred issuance costs	(3,128)	(1,314)
	\$ 1,111,449	\$ 686,801

Senior Unsecured Term Loan

At October 31, 2019, we had a \$800.0 million, five-year senior unsecured term loan facility (the "Term Loan Facility") with a syndicate of banks. On November 1, 2018, we amended the Term Loan Facility to, among other things, (i) increase the size of the outstanding term loan from \$500.0 million to \$800.0 million; (ii) extend the maturity date from August 2021 to November 1, 2023 (which was subsequently extended to November 1, 2024), with no principal payments being required before the maturity date; (iii) provide an accordion feature under which we may, subject to certain conditions set forth in the agreement, increase the Term Loan Facility up to a maximum aggregate amount of \$1.0 billion; (iv) revise certain provisions to reduce the interest rate applicable on outstanding borrowings; and (v) modify certain provisions relating to existing financial maintenance and negative covenants. We subsequently amended the maturity date on October 31, 2019 to extend it to November 1, 2024. We and substantially all of our 100%-owned home building subsidiaries are guarantors under the Term Loan Facility.

Under the terms of the Term Loan Facility, at October 31, 2019, our maximum leverage ratio, as defined, may not exceed 1.75 to 1.00, and we are required to maintain a minimum tangible net worth, as defined, of no less than approximately \$2.70 billion. Under the terms of the Term Loan Facility, at October 31, 2019, our leverage ratio was approximately 0.50 to 1.00, and our tangible net worth was approximately \$5.02 billion. Based upon the limitations related to our repurchase of common stock in the Term Loan Facility, our ability to repurchase our common stock was limited to approximately \$3.53 billion as of October 31, 2019. In addition, our ability to pay cash dividends was limited to approximately \$2.32 billion as of October 31, 2019.

Under the Term Loan Facility, as amended, we may select interest rates equal to (i) London Interbank Offered Rate ("LIBOR") plus an applicable margin, (ii) the base rate (as defined in the agreement) plus an applicable margin, or (iii) the federal funds/Euro rate (as defined in the agreement) plus an applicable margin, in each case, based on our leverage ratio. At October 31, 2019, the interest rate on the Term Loan Facility was 3.11% per annum.

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 Revolving Credit Facility, as described below.

Revolving Credit Facility

We have a \$1.905 billion senior unsecured, five-year revolving credit facility (the "Revolving Credit Facility") with a syndicate of banks that is scheduled to expire on November 1, 2024. On October 31, 2019, we amended our Revolving Credit Facility to replace our existing \$1,295 billion revolving credit facility, which was scheduled to mature in May 2021. Under the amended terms, up to 100% of the commitment is available for letters of credit. The Revolving Credit Facility, as amended, has an accordion feature under which we may subject to certain conditions set forth in the agreement. increase the Revolving Credit Facility up to a maximum aggregate amount of \$2.5 billion. Prior to the amendment, the maximum aggregate amount of the accordion feature was \$2.0 billion. We may select interest rates for the Revolving 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, 2019, the interest rate on outstanding borrowings under the Revolving Credit Facility would have been 3.31% 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 Revolving Credit Facility may be used for general corporate purposes. We and substantially all of our 100%-owned home building subsidiaries are guarantors under the Revolving Credit Facility.

Under the terms of the Revolving Credit Facility, at October 31, 2019, 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 agreement) of no less than approximately \$2.70 billion. Under the terms of the Revolving Credit Facility, at October 31, 2019, our leverage ratio was approximately 0.50 to 1.00 and our tangible net worth was approximately \$5.02 billion. Based upon the limitations related to our repurchase of common stock in the Revolving Credit Facility, our ability to repurchase our common stock was limited to approximately \$3.53 billion as of October 31, 2019. In addition, under the provisions of the Revolving Credit Facility, our ability to pay cash dividends was limited to approximately \$2.32 billion as of October 31, 2019.

At October 31, 2019, we had no outstanding borrowings under the Revolving Credit Facility and had outstanding letters of credit of approximately \$177.9 million.

Loans Pavable - Other

"Loans payable - other" primarily represent purchase money mortgages on properties we acquired that the seller had financed and various revenue bonds that were issued by government entities on our behalf to finance community infrastructure and our manufacturing facilities. Information regarding our loans payable at October 31, 2019 and 2018, is included in the table below (\$ amounts in thousands):

	2019	2018
Aggregate loans payable at October 31	\$ 314,577	\$ 188,115
Weighted-average interest rate	4.49%	4.68%
Interest rate range	1.26% - 7.00%	1.15% - 7.87%
Loans secured by assets		
Carrying value of loans secured by assets	\$ 314,577	\$ 152,281
Carrying value of assets securing loans	\$ 850,381	\$ 467,164

The contractual maturities of "Loans payable – other" as of October 31, 2019, ranged from two months to 27 years.

Senior Notes

At October 31, 2019 and 2018, senior notes consisted of the following (amounts in thousands):

	2019	2018
4.00% Senior Notes due December 31, 2018	\$ _	\$ 350,000
6.75% Senior Notes due November 1, 2019	_	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	350,000
4.875% Senior Notes due March 15, 2027	450,000	450,000
4.35% Senior Notes due February 15, 2028	400,000	400,000
3.80% Senior Notes due November 1, 2029	400,000	_
Bond discounts, premiums, and deferred issuance		
costs, net	(9,978)	(8,501)
	\$ 2,659,898	\$ 2,861,375

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 Revolving 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. Each series of senior notes is 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 senior notes to be redeemed.

On October 31, 2019, we redeemed, prior to maturity, the \$250.0 million of then-outstanding principal amount of 6.75% Senior Notes due November 1, 2019, at par, plus accrued interest.

In September 2019, we issued \$400.0 million aggregate principal amount of 3.80% Senior Notes due 2029. The Company received \$396.4 million of net proceeds from the issuance of these senior notes.

On November 30, 2018, we redeemed, prior to maturity, the \$350.0 million of then-outstanding principal amount of 4.00% Senior Notes due December 31, 2018, at par, plus accrued interest.

In January 2018, we issued \$400.0 million aggregate principal amount of 4.350% Senior Notes due 2028. The Company received \$396.4 million of net proceeds from the issuance of these senior notes.

On September 15, 2017, we redeemed all \$287.5 million aggregate principal amount of the 0.5% Exchangeable Senior Notes for cash at a redemption price of 100% of their principal amount, plus accrued and unpaid interest. The 0.5% Exchangeable Senior Notes were 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 were exchanged, we would have issued approximately 5.9 million shares of our common stock. Shares issuable upon conversion of the 0.5% Exchangeable Senior Notes were included in the calculation of diluted earnings per share.

Mortgage Company Loan Facility

In October 2017, TBI Mortgage* Company ("TBI Mortgage"), our wholly owned mortgage subsidiary, entered into a mortgage warehousing agreement ("Warehousing Agreement") with a bank to finance the origination of mortgage loans by TBI Mortgage. The Warehousing Agreement is accounted for as a secured borrowing under ASC 860, "Transfers and Servicing." In December 2018, the Warehousing Agreement was amended to provide for loan purchases up to \$75.0 million, subject to certain sublimits. In addition, the Warehousing Agreement, as amended, provides for an accordion feature under which TBI Mortgage may request that the aggregate commitments under the Warehousing Agreement be increased to an amount up to \$150.0 million for a short period of time. Prior to the December 2018 amendment, the Warehousing Agreement was operating pursuant to the December 2017 amendment which had substantially similar terms to the December 2018 amendment. The Warehousing Agreement, as amended, expires on December 6, 2019, and borrowings thereunder bear interest at LIBOR plus 1.90% per annum. At October 31, 2019, the interest rate on the Warehousing Agreement was 3.68% per annum. In addition, we are subject to an under usage fee based on outstanding balances, as defined in the Warehousing Agreement. Borrowings under this facility are included in the fiscal 2020 maturities.

At each of October 31, 2019 and 2018, there was \$150.0 million outstanding under the Warehousing Agreement, which are included in liabilities in our Consolidated Balance Sheets. At October 31, 2019 and 2018, amounts outstanding under the agreement were collateralized by \$208.6 million and \$163.2 million, respectively, of mortgage loans held for sale, which are included in assets in our Consolidated Balance Sheets. As of October 31, 2019, there were no aggregate outstanding purchase price limitations reducing the amount available to TBI Mortgage. There are several restrictions on purchased loans under the 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.

SUBSEQUENT EVENT

In December 2019, TBI Mortgage amended the Warehousing Agreement to extend the expiration date to December 4, 2020 on substantially the same terms as the existing agreement.

General

As of October 31, 2019, the annual aggregate maturities of our loans and notes during each of the next five fiscal years are as follows (amounts in thousands):

	Amount
2020	\$ 234,096
2021	\$ 52,863
2022	\$ 437,818
2023	\$ 421,611
2024	 290,745

7. ACCRUED EXPENSES

Accrued expenses at October 31, 2019 and 2018, consisted of the following (amounts in thousands):

	2019	2018
Land, land development and construction	\$ 192,658	\$ 213,641
Compensation and employee benefits	183,592	159,374
Escrow liability	31,587	32,543
Self-insurance	193,405	168,012
Warranty	201,886	258,831
Deferred income	51,678	42,179
Interest	31,307	40,325
Commitments to unconsolidated entities	9,283	10,553
Other	 55,536	48,123
	\$ 950,932	\$ 973,581

At the time each home is closed and title and possession are transferred to the home buyer, we record an initial accrual for expected warranty costs on that home. Our initial accrual for expected warranty costs is based upon historical warranty claim experience. Adjustments to our warranty liabilities related to homes delivered in prior periods are recorded in the period in which a change in our estimate occurs. The table below provides a reconciliation of the changes in our warranty accrual during fiscal 2019, 2018, and 2017 as follows (amounts in thousands):

	2019	2018	2017
Balance, beginning of year	\$ 258,831	\$ 329,278	\$ 370,992
Additions - homes closed during			
the year	35,475	37,045	31,798
Addition - liabilities acquired	855		1,495
Increase in accruals for homes			
closed in prior years	6,023	6,162	6,226
Reclassification from			
other accruals			1,082
Charges incurred	(99,298)	(113,654)	(82,315)
Balance, end of year	\$ 201,886	\$ 258,831	\$ 329,278

Since fiscal 2014, we have received water intrusion claims from owners of homes built since 2002 in communities located in Pennsylvania and Delaware (which are in our Mid-Atlantic region). During fiscal 2019, we continued to receive water intrusion claims from homeowners in this region, mostly related to older homes, and we continue to perform review procedures to assess, among other things, the number of affected homes, whether repairs are likely to be required, and the extent of such repairs.

Our review process, conducted quarterly, includes an analysis of many factors applicable to these communities to determine whether a claim is likely to be received and the estimated costs to resolve any such claim, including; the closing dates of the homes; the number of claims received; our inspection of homes; an estimate of the number of homes we expect to repair; the type and cost of repairs that have been performed in each community; the estimated costs to remediate pending and future claims; the expected recovery from our insurance carriers and suppliers; and the previously recorded amounts related to these claims. We also monitor legal developments relating to these types of claims and review the volume, relative merits and adjudication of claims in litigation or arbitration.

As of October 31, 2019, our recorded aggregate estimated repair costs to be incurred for known and unknown water intrusion claims was \$324.4 million, which was unchanged from October 31, 2018, and our recorded aggregate expected recoveries from insurance carriers and suppliers were approximately \$152.6 million, which was also unchanged from October 31, 2018. Our recorded remaining estimated repair costs, which reflects a reduction for the aggregate amount expended to resolve claims, were approximately \$124.6 million at October 31, 2019 and \$177.6 million at October 31, 2018. Our recorded remaining expected recoveries from insurance carriers and suppliers were approximately \$97.9 million at October 31, 2019 and \$109.3 million at October 31, 2018. As noted above, our review process includes a number of estimates that are based on assumptions with uncertain outcomes, including, but not limited to, the number of homes to be repaired, the extent of repairs needed, the repair procedures employed, the cost of those repairs, outcomes of litigation or arbitrations, and expected recoveries from insurance carriers and suppliers. Due to the degree of judgment required in making these estimates and the inherent uncertainty in potential outcomes, it is reasonably possible that our actual costs and recoveries could differ from those recorded and such differences could be material. In addition, due to such uncertainty, we are unable to estimate the range of any such differences. With respect to our insurance receivables, disputes between homebuilders and carriers over coverage positions relating to construction defect claims are common, and resolution of claims with carriers involves the exchange of significant amounts of information and frequently involves legal action. While our primary insurance carrier has funded substantially all of the water intrusion claims that we have submitted to it to date, other insurance carriers have disputed coverage for the same claims under policies that are substantially the same. As a result, we entered arbitration proceedings during the third guarter of fiscal 2019 with these carriers. Based on the legal merits that support our pending insurance claims, review by legal counsel, our history of collecting significant amounts funded by our primary carrier under policies that are substantially the same, and the high credit ratings of our insurance carriers, we believe collection of our remaining recorded insurance receivables is probable. However, due to the complexity of the underlying claims and the variability of the other factors described above, it is reasonably possible that our actual insurance recoveries could materially differ from those recorded. Resolution of these known and unknown claims is expected to take several years.

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, 2019, 2018, and 2017 (\$ amounts in thousands):

		2019		2018		2017
	\$	%*	\$	%*	\$	%*
Federal tax provision at						
statutory rate	165,306	21.0	217,914	23.3	285,009	35.0
State tax provision, net of						
federal benefit	37,898	4.8	47,073	5.0	34,656	4.3
Domestic production						
activities deduction		_	(18,168)	(1.9)	(12,835)	(1.6)
Other permanent differences	188	_	(3,726)	(0.4)	(1,468)	(0.2)
Reversal of accrual for						
uncertain tax positions	(5,348)	(0.7)	(4,741)	(0.5)	(3,981)	(0.5)
Accrued interest on						
anticipated tax assessments	453	0.1	737	0.1	984	0.1
Increase in unrecognized tax						
benefits	2,153	0.3	1,122	0.1		_
Valuation allowance -						
reversed		_		_	(32,154)	(3.9)
Changes in tax law	(523)	(0.1)	(38,740)	(4.1)		_
Excess stock compensation						
benefit	(2,143)	(0.3)	(4,236)	(0.5)		_
Other	(821)	(0.1)	(11.470)	(1.2)	8,605	1.1
Income tax provision*	197,163	25.0	185,765	19.9	278,816	34.2

^{*}Due to rounding, amounts may not add.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law, which changed many longstanding foreign and domestic corporate and individual tax rules, as well as rules pertaining to the deductibility of employee compensation and benefits. The Tax Act, among other changes, reduced the corporate income tax rate from 35% to 21% and repealed the domestic production activities deduction effective for tax years beginning after December 31, 2017. For companies with a fiscal year that does not end on December 31, the change in law requires the application of a blended tax rate for the year of the change. Our blended tax rate for our fiscal year ending October 31, 2018 was 23.3%. Thereafter, the applicable statutory rate will be 21%. ASC 740, "Income Taxes" ("ASC 740"), requires all companies to reflect the effects of the new law in the period in which the law was enacted. Accordingly, we reduced the statutory tax rate applied to earnings from 35% in fiscal 2017 to 23.3% in fiscal 2018 and to 21% in fiscal 2019. In addition, we remeasured our net deferred tax liability for the tax law change, which resulted in an income tax benefit of \$35.5 million in fiscal 2018.

We are subject to state tax in the jurisdictions in which we operate. 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 that our rate for state income taxes, before federal benefit, will be 6.1% in fiscal 2019. Our state income tax rate, before federal benefit, was 6.6% and 6.5% in fiscal 2018 and 2017, respectively.

The following table provides information regarding the provision (benefit) for income taxes for each of the fiscal years ended October 31, 2019, 2018, and 2017 (amounts in thousands):

	2019	2018	2017
Federal	\$ 161,904	\$ 157,836	\$ 278,095
State	35,259	27,929	721
	\$ 197,163	\$ 185,765	\$ 278,816
Current	\$ 94,399	\$ 207,695	\$ 93,106
Deferred	102,764	 (21,930)	 185,710
	\$ 197,163	\$ 185,765	\$ 278,816

The components of income taxes payable at October 31, 2019 and 2018 are set forth below (amounts in thousands):

	2019	2018
Current	\$ 7,897	\$ 28,804
Deferred	95,074	2,155
	\$ 102,971	\$ 30,959

The following table provides a reconciliation of the change in the unrecognized tax benefits for the years ended October 31, 2019, 2018, and 2017 (amounts in thousands):

	2019	2018	2017
Balance, beginning of year	\$ 12,222	\$ 16,993	\$ 30,272
Increase in benefit as a result of tax positions taken in prior years	2,148	2,140	1,575
Increase in benefit as a result of tax positions taken in current year	1,126	949	431
Decrease in benefit as a result of settlements	(2,670)	(4,707)	(9,174)
Decrease in benefit as a result of			
lapse of statute of limitations	(4,929)	(3,153)	(6,111)
Balance, end of year	\$ 7,897	\$ 12,222	\$ 16,993

The statute of limitations has expired on our federal tax returns for fiscal years through 2015.

Our unrecognized tax benefits are included in the current portion of "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.

The amounts accrued for interest and penalties are included in the current portion of "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 fiscal years ended October 31, 2019, 2018, and 2017, and the amounts accrued for potential interest and penalties at October 31, 2019 and 2018 (amounts in thousands):

Expense recognized in the Consolidated Statements of Operations and Comprehensive Income	
Fiscal year	
2019	\$ 593
2018	\$ 1,152
2017	\$ 1,513
Accrued at:	
October 31, 2019	\$ 1,169
October 31, 2018	\$ 2,115

The components of net deferred tax assets and liabilities at October 31, 2019 and 2018 are set forth below (amounts in thousands):

	2019	2018
Deferred tax assets:		
Accrued expenses	\$ 54,162	\$ 54,531
Impairment charges	43,583	51,124
Inventory valuation differences	55,313	42,765
Stock-based compensation expense	23,928	27,949
Amounts related to unrecognized tax benefits	311	1,197
State tax, net operating loss carryforwards	67,718	73,288
Other	 18	125
Total assets	 245,033	250,979
Deferred tax liabilities:		
Capitalized interest	44,196	43,982
Deferred income	277,005	181,839
Expenses taken for tax purposes not for book	3,571	5,477
Depreciation	5,024	6,877
Deferred marketing	 10,311	14,959
Total liabilities	 340,107	 253,134
Net deferred tax liabilities	(95,074)	 (2,155)

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, 2019 and 2018, we determined that it was more-likely-than-not that our deferred tax assets would be realized. Accordingly, at October 31, 2019 and 2018, we did not have valuation allowances recorded against our federal or state deferred tax assets. During fiscal 2017, due to improved operating results, we reversed \$32.2 million of state deferred tax asset valuation allowances.

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.

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, 2019, we had 140.9 million shares of common stock issued and outstanding, 6.7 million shares of common stock reserved for outstanding stock options and restricted stock units. 7.7 million shares of common stock reserved for future stock option and award issuances, and 407,000 shares of common stock reserved for issuance under our employee stock purchase plan. As of October 31, 2019, no shares of preferred stock have been issued.

Cash Dividends

On February 21, 2017, our Board of Directors approved the initiation of quarterly cash dividends to shareholders. During the fiscal years ended October 31, 2019 and October 31, 2018, we declared and paid aggregate cash dividends of \$0.44 and \$0.41 per share, respectively, to our shareholders. Subsequent to October 31, 2019, we declared a quarterly cash dividend of \$0.11 per share which will be paid on January 24, 2020 to shareholders of record on the close of business on January 10, 2020.

Stock Repurchase Program

In each year since fiscal 2017, our Board of Directors has renewed its authorization to repurchase up to 20 million shares of our common stock in open market transactions, privately negotiated transactions (including accelerated share repurchases), issuer tender offers or other financial arrangements or transactions for general corporate purposes, including to obtain shares for the Company's equity award and other employee benefit plans. Most recently, on December 11, 2019, our Board of Directors authorized the repurchase of 20 million shares of our common stock and terminated, effective the same date, the existing authorization that had been in effect since December 12, 2018. The Board of Directors did not fix any expiration date for this repurchase program.

The following table provides information about the share repurchase programs for the fiscal years ended October 31, 2019, 2018, and 2017:

	2019	2018	2017
Number of shares purchased			
(in thousands)	6,619	12,108	7,694
Average price per share	\$ 35.28	\$ 41.56	\$ 37.81
Remaining authorization			
at October 31 (in thousands)	13,953	 10,989	 8,144

Subsequent to October 31, 2019, we repurchased approximately 3.6 million shares of our common stock at an average price of \$39.58 per share, substantially all of which were purchased under the repurchase program authorized by our Board of Directors on December 11, 2019.

Transfer Restriction

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. 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. On March 12, 2019, shareholders approved the Toll Brothers, Inc. 2019 Omnibus Incentive Plan (the "Omnibus Plan"), which, succeeded the Toll Brothers, Inc. Stock Incentive Plan for Employees (2014) and the Toll Brothers, Inc. Stock Incentive Plan for Non-Executive Directors (2016) with respect to prospective equity awards, and no additional equity awards may be granted under such prior plans. As a result, the Omnibus Plan is the sole plan that new equity awards may be granted to employees (including executive officers), directors and other eligible participants under the plan. The Omnibus Plan provides 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. The Omnibus Plan 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, 2019, 2018, and 2017, we had 7.7 million; 5.1 million; and 5.8 million shares, respectively, available for grant under the Omnibus Plan.

Prior to the adoption of the Omnibus Plan, the Company had granted equity awards under four separate stock incentive plans for employees, officers, and directors with respect to which equity awards remained outstanding as of October 31, 2019. No additional equity awards 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. Stock options and restricted stock units granted under these plans 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 2019, 2018, and 2017 (amounts in thousands):

	2019	2018	2017
Total stock-based compensation			
expense recognized	\$ 26,180	\$ 28,312	\$ 28,466
Income tax benefit recognized	\$ 6,749	\$ 7,902	\$ 11,125

At October 31, 2019, 2018, and 2017, the aggregate unamortized value of outstanding stock-based compensation awards was approximately \$18.7 million, \$20.9 million, and \$24.2 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. 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 ranges of assumptions noted in the following table. 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 ranges set forth below result 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, 2019, 2018, and 2017:

	2019	2018	2017
Expected volatility	28.61% - 31.34%	27.66% - 31.83%	29.93% - 41.05%
Weighted-average volatility	30.46%	30.33%	34.72%
Risk-free interest rate	2.65% - 2.76%	2.17% - 2.35%	1.96% - 2.52%
Expected life (years)	4.63 - 8.50	5.00 - 8.50	4.60 - 9.24
Dividends	1.36%	0.67%	none
Weighted-average fair value per			
share of options granted	\$ 10.22	\$ 16.09	\$ 12.16

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 2019, 2018 and 2017 was as follows (amounts in thousands):

	2019	2018	2017
Stock compensation expense			
recognized - options	\$ 5,181	\$ 7,497	\$ 10,337

At October 31, 2019, total compensation cost related to nonvested stock option awards not yet recognized was approximately \$4.7 million, and the weighted-average period over which we expect to recognize such compensation costs was approximately 1.2 years.

The following table summarizes stock option activity for our plans during each of the fiscal years ended October 31, 2019, 2018, and 2017 (amounts in thousands, except per share amounts):

			2019			2018			2017
		W	/eighted-		W	/eighted-		W	eighted-
			average			average			average
	Number		exercise	Number		exercise	Number		exercise
	of options		price	of options		price	of options		price
Balance, beginning	5,503	\$	28.84	6,120	\$	27.60	8,514	\$	26.36
Granted	344		32.42	210		47.84	595		31.61
Exercised	(1,044)		21.87	(797)		24.16	(2,863)		24.54
Canceled	(23)		34.47	(30)		33.08	(126)		32.10
Balance, ending	4,780	\$	30.59	5,503	\$	28.84	6,120	\$	27.60
Options exercisable,									
at October 31,	3,799	\$	29.52	4,231	\$	27.03	4,266	\$	25.42

The weighted average remaining contractual life (in years) for options outstanding and exercisable at October 31, 2019, was 4.8 and 4.0, 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, 2019, 2018, and 2017 (amounts in thousands):

	2019	2018	2017
Intrinsic value of options outstanding	\$ 45,551	\$ 30,477	\$ 112,886
Intrinsic value of options exercisable	\$ 39,350	\$ 29,010	\$ 87,978

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, 2019, 2018, and 2017, is provided below (amounts in thousands):

	2019	2018	2017
Intrinsic value of options exercised	\$ 16,491	\$ 18,165	\$ 32,951
Fair market value of options vested	\$ 7,723	\$ 10,007	\$ 10,897

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. In fiscal 2018, the net exercise method was not utilized to exercise options.

The following table provides information regarding the use of the net exercise method for fiscal 2019 and 2017:

	2019	2017
Options exercised	33,250	15,000
Shares withheld	 21,842	 14,472
Shares issued	11,408	528
Average fair market value per share withheld	\$ 33.03	\$ 32.98
Aggregate fair market value of shares withheld (in thousands)	\$ 721	\$ 477_

Performance-Based Restricted Stock Units:

In fiscal 2019, 2018, and 2017, 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 number of shares earned for Performance-Based RSUs are based on the attainment of certain operational performance metrics approved by the Executive Compensation Committee in the year of grant. The number of shares underlying the Performance-Based RSUs that may be issued to the recipients ranges from, 0% to 150% for grants awarded in fiscal 2019 and 0% to 110% for grants awarded in fiscal 2018 and prior, of the base award depending on actual achievement as compared to the target performance goals. Shares earned based on actual performance generally vest pro-rata over a four-year period provided the recipients continue to be employed by us 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 2019, 2018, and 2017:

		2019		2018		2017
Number of shares underlying						
Performance-Based RSUs to						
be issued		158,721		135,554		168,417
Aggregate number of						
Performance-Based RSUs						0.40.44=
outstanding at October 31		645,538		786,857		940,117
Closing price of our common stock on Valuation Date	¢	74.00	¢	47.04	ď	31.61
	\$	34.86	>	47.84	Ф	31.01
Aggregate grant date fair value of Performance-Based RSUs issued						
(in thousands)	\$	5.533	\$	6.485	\$	5,324
Performance-Based RSU expense	Ψ	3,333	Ψ	0,403	Ψ	3,321
recognized (in thousands)	\$	5.514	\$	6,949	\$	7,031
Unamortized value of	Ŧ	0,01	7	3,0 .0		,
Performance-Based RSUs at						
October 31 (in thousands)	\$	3,431	\$	3,824	\$	4,599

Shares earned with respect to Performance-Based RSUs issued in December 2012, 2013, and 2014 were delivered in fiscal 2017, 2018, and 2019, respectively. The recipients of these Performance-Based RSUs elected to use a portion of the shares underlying the Performance-Based RSUs to pay the required income withholding taxes on the payout. In fiscal 2019, the gross value of the payout was \$9.7 million (300,040 shares), the minimum income tax withholding was \$4.0 million (123,409 shares) and the net value of the shares delivered was \$5.7 million (176,631 shares). In fiscal 2018, the gross value of the payout was \$13.7 million (288,814 shares), the minimum income tax withholding was \$6.0 million (126,330 shares) and the net value of the shares delivered was \$7.7 million (162,484 shares). In fiscal 2017, the gross value of the payout was \$9.6 million (302,514 shares), the minimum income tax withholding was \$4.2 million (133,098 shares) and the net value of the shares delivered was \$5.4 million (169,416 shares).

Total Shareholder Return Restricted Stock Units:

In fiscal 2019, 2018, and 2017, the Executive Compensation Committee approved awards of relative total shareholder return performance-based restricted stock units ("TSR RSUs") relating to 48,710, 39,411 and 46,361 target shares, respectively, of our common stock to certain members of our senior management. Shares underlying the TSR RSUs granted are earned by comparing our total shareholder return during specified performance periods to the total shareholder returns of companies in a performance peer group as defined in the award document. The specified performance periods are as follows:

	Performance Period	Target Number of TSR RSUs issued
Fiscal 2019	November 1, 2018 to October 31, 2021	48,710
Fiscal 2018	November 1, 2017 to October 31, 2020	39,411
Fiscal 2017	November 1, 2016 to October 31, 2019	46,361

The TSR RSUs generally vest at the end of a 3-year period provided the recipients continue to be employed by us as specified in the award document. Based upon our ranking in the performance peer group, the recipient of the TSR RSUs may earn a total award ranging from 0% to 150% for awards granted in fiscal 2019 and 0% to 200% for awards granted in fiscal 2018 and prior, of the target number of TSR RSUs granted. In fiscal 2019, recipients of the fiscal 2017 TSR RSUs earned 0% of the target based on total shareholder return ranking in the performance peer group during the three-year period ending October 31, 2019. In fiscal 2018, recipients earned 76.81% of the 52,679 target TSR RSUs awarded in fiscal 2016 based upon our total shareholder return ranking in the performance peer group during the three-year period ended October 31, 2018. In fiscal 2017, recipients of earned 83.05% of the 57,230 target TSR RSUs awarded in fiscal 2016 based upon our total shareholder return ranking in the performance peer group during the two-year period ended October 31, 2017.

We estimated the fair value of the TSR RSUs at the grant date using a Monte Carlo simulation. The following table summarizes the assumptions used in the Monte Carlo simulation and the fair value per share of the TSR RSUs granted in fiscal 2019, 2018, and 2017:

	2019	2018	2017
Weighted-average volatility	29.06%	26.58%	26.91%
Risk-free interest rate	2.64%	1.92%	1.52%
Dividends	none	none	none
Weighted-average fair value per			
share of TSR RSUs	\$ 36.46	\$ 52.62	\$ 39.21

The length of each performance period was used as the expected term in the simulation for each respective tranche.

The following table provides information on expense recognized and the unamortized value of our TSR RSUs for fiscal 2019, 2018, and 2017 (amounts in thousands):

	2019	2018	2017
TSR RSUs expense recognized	\$ 1,673	\$ 2,502	\$ 3,400
Unamortized value of TSR RSUs			
at October 31	\$ 1,875	\$ 1,773	\$ 2,200

Our stock incentive plans permit us to withhold from the total number of shares that otherwise would be issued to a TSR RSU 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. The following table provides information regarding the number of shares withheld, the income tax withholding due, and the remaining shares issued to the recipients for fiscal 2019 and 2018:

	2019	2018
Number of shares withheld	16,643	13,974
Income tax withholdings due	\$ 537,902	\$ 470,364
Remaining shares issued to the recipients	23,817	33,553

Time-Based Restricted Stock Units:

In fiscal 2019, 2018, and 2017, we issued time-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 underlying 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 2019, 2018, and 2017:

	2019	2018	2017
Time-Based RSUs issued:			
Number of RSUs issued	449,380	296,790	377,564
Weighted average closing price per share of our common stock			
on date of issuance	\$ 33.04	\$ 47.84	\$ 31.61
Aggregate fair value of RSUs issued (in thousands)	\$ 14,848	\$ 14,198	\$ 11,935
Time-Based RSU			
expense recognized			
(in thousands)	\$ 13,627	\$ 11,193	\$ 7,572
	2019	2018	2017
At October 31:			
Aggregate number of Time-Based RSUs outstanding Cumulative unamortized value	1,137,936	850,853	673,224
of Time-Based RSUs (in thousands)	\$ 8,694	\$ 8,818	\$ 6,783

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. The following table provides information regarding the number of shares withheld, the income tax withholding due, and the remaining shares issued to the recipients for fiscal 2019, 2018, and 2017:

	2019	2018	2017
Number of shares withheld	29,681	23,289	20,400
Income tax withholdings due	\$ 1,042	\$ 1,145	\$ 664,300
Remaining shares issued to			
the recipients	82,795	58,552	52,757

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 dates subject to restrictions. The plan, which terminates in December 2027, provides that 500,000 shares be reserved for purchase. At October 31, 2019, 407,000 shares were available for issuance.

The following table provides information regarding our employee stock purchase plan for fiscal 2019, 2018. and 2017:

	2019	2018	2017
Shares issued	41,744	35,471	33,314
Average price per share	\$ 31.80	\$ 34.08	\$ 32.25
Compensation expense recognized			
(in thousands)	\$ 184	\$ 171	\$ 147

11. EARNINGS PER SHARE INFORMATION

Information pertaining to the calculation of earnings per share for each of the fiscal years ended October 31, 2019, 2018, and 2017, is as follows (amounts in thousands):

	2019	2018	2017
Numerator:			
Net income as reported	\$ 590,007	\$ 748,151	\$ 535,495
Plus: Interest and costs attributable to 0.5% Exchangeable Senior Notes, net of			
income tax benefit (a)			1,434
Numerator for diluted earnings			
per share	\$ 590,007	\$ 748,151	\$ 536,929
Denominator:			
Basic weighted-average shares	145,008	151,984	162,222
Common stock equivalents (b)	1,493	2,217	2,147
Shares attributable to 0.5% Exchangeable Senior Notes (a)			5,118
Diluted weighted-average shares	146,501	154,201	169,487
Other information:			
Weighted-average number of antidilutive options and restricted			
stock units (c)	1,156	813	1,966
Shares issued under stock incentive and employee stock			
purchase plans	1,394	 1,066	3,116
Shares issued under stock incentive and employee stock		1,066	,,,,,,

⁽a) On September 15, 2017, we redeemed these notes.

12. FAIR VALUE DISCLOSURES

Financial Instruments

A summary of assets and (liabilities) at October 31, 2019 and 2018, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (amounts in thousands):

- - - - -

	Fair Value					
	Fair value					
Financial Instrument	hierarchy	Octob	er 31, 2019	Oct	ober 31, 2018	
Residential Mortgage Loans Held for Sale	Level 2	\$	218,777	\$	170,731	
Forward Loan Commitments – Residential Mortgage Loans Held for Sale	Level 2	\$	298	\$	1,750	
Interest Rate Lock Commitments ("IRLCs")	Level 2	\$	964	\$	(4,366)	
Forward Loan Commitments - IRLCs	Level 2	\$	(964)	\$	4,366	

At October 31, 2019 and 2018, the carrying value of cash and cash equivalents and customer deposits held in escrow approximated fair value.

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 also 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):

Aggregate unpaid principal							
At October 31,		balance		Fair value		Excess	
2019	\$	216,280	\$	218,777	\$	2,497	
2018	\$	170,728	\$	170,731	\$	3	

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

⁽b) 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 our restricted stock units programs.

⁽c) 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.

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:

Three months ended:	Selling price per unit (\$ in thousands)	Sales pace per year (in units)	Discount rate
Fiscal 2019			
January 31	836 - 13,495	2 - 12	12.5% - 15.8%
April 30	372 - 1,915	2 - 19	12.0% - 26.0%
July 31	530 - 1,113	2 - 9	7.8% - 13%
October 31	478 - 857	2 - 5	13.8% - 14.5%
Fiscal 2018			
January 31	381 - 1,029	7 - 10	13.8% - 19.0%
April 30	485 - 522	10 - 16	16.9%
July 31 (1)	_	_	_
October 31	470 - 1,071	4 - 23	13.5% - 16.3%

⁽¹⁾ The impairment charges recognized were related to our decisions to sell lots in a bulk sale in certain communities rather than sell and construct homes as previously intended. The sale price per lot used in the fair value determination for these bulk sales ranged from \$10,000 to \$155,000.

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	comm	Fair value of nunities, net impairment charges		Impairment charges recognized			
Fiscal 2019:									
January 31	49	5	\$	37,282	\$	5,785			
April 30	64	6	\$	36,159		17,495			
July 31	69	3	\$	5,436		1,100			
October 31	71	7	\$	18,910		6,695			
					\$	31,075			
Fiscal 2018:									
January 31	64	5	\$	13,318	\$	3,736			
April 30	65	4	\$	21,811		13,325			
July 31	55	5	\$	43,063		9,065			
October 31	43	6	\$	24,692		4,025			
					\$	30,151			
Fiscal 2017:									
January 31	57	2	\$	8,372	\$	4,000			
April 30	46	6	\$	25,092		2,935			
July 31	53	4	\$	5,965		1,360			
October 31	51	1	\$	6,982		1,500			
					\$	9,795			

Debt

The table below provides, as of the dates indicated, the book value and estimated fair value of our debt at October 31, 2019 and 2018 (amounts in thousands):

			2019		2018
	Fair value hierarchy	Book value	Estimated fair value	Book value	Estimated fair value
Loans payable (a)	Level 2	\$ 1,114,577	\$ 1,112,040	\$ 688,115	\$ 687,974
Senior notes (b)	Level 1	2,669,876	2,823,043	2,869,876	2,779,270
Mortgage company loan					
facility (c)	Level 2	150,000	150,000	150,000	150,000
		\$3,934,453	\$ 4,085,083	\$ 3,707,991	\$ 3,617,244

⁽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

⁽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 \$14.1 million, \$12.6 million, and \$12.3 million for the fiscal years ended October 31, 2019, 2018, and 2017, 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 \$31.1 million and \$27.0 million at October 31, 2019 and 2018, 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. Such age was reduced from age 62 to age 58 in fiscal 2019. 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 2.61%, 4.06%, and 3.19% discount rate in our calculation of the present value of our projected benefit obligations at October 31, 2019, 2018, and 2017, 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, 2019, 2018 and 2017.

Information related to our retirement plans for each of the fiscal years ended October 31, 2019, 2018, and 2017, is as follows (amounts in thousands):

		2019		2018		2017
Plan costs:						
Service cost	\$	403	\$	568	\$	619
Interest cost		1,416		1,198		1,142
Amortization of prior service cost		506		936		969
Amortization of unrecognized						
losses				17		137
	\$	2,325	\$	2,719	\$	2,867
Projected benefit obligation:						
Beginning of year	\$	35,515	\$	38,222	\$	38,980
Plan amendments adopted						
during year		4,956				
Service cost		403		568		619
Interest cost		1,416		1,198		1,142
Benefit payments		(1,358)		(1,358)		(1,318)
Change in unrecognized gain/loss		4,138		(3,115)		(1,201)
Projected benefit obligation, end						
of year	\$	45,070	\$	35,515	\$	38,222
Unamortized prior service cost:						
Beginning of year	\$	870	\$	1,806	\$	2,775
Plan amendments adopted during						
year		4,965				
Amortization of prior service cost		(506)		(936)		(969)
Unamortized prior service cost,						
end of year	\$	5,320	\$	870	\$	1,806
Accumulated unrecognized gain						
(loss), October 31	\$	(2,567)	\$	1,571	\$	(1,560)
Accumulated benefit obligation,		45.050				=
October 31	\$	45,070	\$	35,515	\$	38,222
Accrued benefit obligation,	¢	4F 070	ď	75 515	đ	70 222
October 31	\$	45,070	\$	35,515	\$	38,222

The accrued benefit obligation is included in accrued expenses on our Consolidated Balance Sheets.

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, 2029 in the aggregate (in thousands):

Year ending October 31,	Amount
2020	\$ 1,687
2021	\$ 2,526
2022	\$ 2,785
2023	\$ 3,046
2024	\$ 3,077
November 1, 2024 - October 31, 2029	\$ 16,878

14. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Accumulated other comprehensive (loss) income was primarily related to employee retirement plans. The tables below provide, for the fiscal years ended October 31, 2019, 2018 and 2017, the components of accumulated other comprehensive (loss) income (amounts in thousands):

	2019	2018	2017
Balance, beginning of period	\$ 694	\$ (1,910)	\$ (3,336)
Other comprehensive (loss) income before reclassifications	(9,094)	3,115	1,201
Gross amounts reclassified from accumulated other comprehensive income	304	953	1,105
Income tax benefit (expense)	2,265	(1,142)	(880)
Other comprehensive (loss) income,			
net of tax	(6,525)	2,926	1,426
Adoption of ASU 2018-02	_	(322)	
Balance, end of period	\$ (5,831)	\$ 694	\$ (1,910)

During the first quarter of fiscal 2018, we elected to reclassify the stranded tax effects resulting from the Tax Act related to employee retirement plans from accumulated other comprehensive income to retained earnings. See Note 1, "Significant Accounting Polices," for additional information regarding the adoption of ASU 2018-02.

Reclassifications for the amortization of the employee retirement plans 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 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.

In March 2018, the Pennsylvania Attorney General informed the Company that it was conducting a review of our construction of stucco homes in Pennsylvania after January 1, 2005 and requested that we voluntarily produce documents and information. The Company has produced documents and information in response to this request and, in addition, has produced requested information and documents in response to a subpoena issued in the second quarter of fiscal 2019. Management cannot at this time predict the eventual scope or outcome of this matter.

Land Purchase Commitments

Generally, our 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 an 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 whether 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 nonrefundable 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, 2019 and 2018, is provided in the table below (amounts in thousands):

	2019	2018
Aggregate purchase commitments:		
Unrelated parties	\$ 2,349,900	\$ 2,404,660
Unconsolidated entities that the Company has		
investments in	10,826	128,235
Total	\$ 2,360,726	\$ 2,532,895
Deposits against aggregate purchase commitments	\$ 168,778	\$ 168,421
Credits to be received from unconsolidated entities		79,168
Additional cash required to acquire land	2,191,948	 2,285,306
Total	\$ 2,360,726	\$ 2,532,895
Amount of additional cash required to acquire land		
included in accrued expenses	\$ 14,620	\$ 40,103

In addition, we expect to purchase approximately 2,500 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, 2019, we also had purchase commitments to acquire land for apartment developments of approximately \$280.2 million, of which we had outstanding deposits in the amount of \$13.7 million.

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, 2019, 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, 2019, we had outstanding surety bonds amounting to \$777.2 million, primarily related to our obligations to governmental entities to construct improvements in our communities. We estimate that \$402.6 million of work remains on these improvements. We have an additional \$179.7 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, 2019, we had outstanding letters of credit of \$177.9 million under our Revolving 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 do not believe that it is probable that any outstanding letters of credit will be drawn upon.

Backlog

At October 31, 2019, we had agreements of sale outstanding to deliver 6,266 homes with an aggregate sales value of \$5.26 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, 2019 and 2018, is provided in the table below (amounts in thousands):

	2019	2018
Aggregate mortgage loan commitments:		
IRLCs	\$ 565,634	\$ 614,255
Non-IRLCs	 1,364,972	1,329,674
Total	\$ 1,930,606	\$ 1,943,929
Investor commitments to purchase:		
IRLCs	\$ 565,634	\$ 614,255
Mortgage loans receivable	208,591	163,208
Total	\$ 774,225	\$ 777,463

Lease Commitments

We lease certain facilities, equipment, and properties held for rental apartment operation or development under non-cancelable operating leases which, in the case of the rental properties, are 99year leases. Rental expenses incurred by us under these operating leases were (amounts in thousands):

Year ending October 31,	 Amount
2019	\$ 20,180
2018	\$ 15,783
2017	\$ 14,505

At October 31, 2019, future minimum rent payments under our operating leases were (amounts in thousands):

Year ending October 31,	Amount
2020	\$ 15,430
2021	12,576
2022	10,082
2023	7,800
2024	6,691
Thereafter	218,221
	\$ 270,800

16. OTHER INCOME - NET

The table below provides the components of "Other income - net" for the years ended October 31, 2019. 2018. and 2017 (amounts in thousands):

	2019	2018	2017
Interest income	\$ 19,017	\$ 8,570	\$ 5,988
Income from ancillary businesses	F7 F60	25 602	10.074
	53,568	25,692	18,934
Management fee income from home building unconsolidated			
entities, net	9,948	11,740	12,902
Retained customer deposits	_	8,937	5,801
Income from land sales	_	6,331	8,621
Other	(1,031)	1,190	 (1,184)
Total other income - net	\$ 81,502	\$ 62,460	\$ 51,062

As a result of our adoption of ASC 606 as of November 1, 2018, revenues and cost of revenues from land sales are presented as separate components on our Consolidated Statement of Operations and Comprehensive Income. In addition, retained customer deposits are presented in home sales revenues on our Consolidated Statement of Operations and Comprehensive Income. Because we elected to apply the modified retrospective method of adoption, prior periods have not been restated to reflect these changes in presentation. See Note 1, "Significant Accounting Policies - Recent Accounting Pronouncements" for additional information regarding the impact of the adoption of ASC 606.

Management fee income from home building unconsolidated entities presented above primarily represents fees earned by our City Living and Traditional Home Building operations. In addition, in fiscal 2019, 2018 and 2017, our apartment living operations earned fees from unconsolidated entities of \$11.9 million, \$7.5 million, and \$6.2 million, respectively. Fees earned by our apartment living operations are included in income from ancillary businesses above.

Income from ancillary businesses is generated by our mortgage, title, landscaping, security monitoring, Gibraltar, apartment living, and golf course and country club operations. The table below provides revenues and expenses for these ancillary businesses for the years ended October 31, 2019, 2018, and 2017 (amounts in thousands):

	2019	2018	2017
Revenues	\$ 150,114	\$ 158,051	\$ 134,116
Expenses	\$ 132,823	\$ 132,359	\$ 115,182
Other income	\$ 36,277		

In fiscal 2019, we sold seven of our golf club properties to third parties for \$64.3 million and we recognized a gain of \$35.1 million during the year ended October 31, 2019 as a result of these sales.

In fiscal 2018, we recognized a \$10.7 million gain from a bulk sale of security monitoring accounts by our home control solutions business, which is included in income from ancillary businesses above. In addition, in fiscal 2018, we recognized a \$3.5 million write-down of a commercial property operated by Toll Brothers Apartment Living, which is included in income from ancillary businesses above.

The table below provides revenues and expenses recognized from land sales for the years ended October 31, 2018, and 2017 (amounts in thousands):

	2018	2017
Revenue	\$ 134,327	\$ 284,928
Expense	127,996	281,030
Deferred gains recognized		4,723
	\$ 6,331	\$ 8,621

Land sale revenues for the year ended October 31, 2018 included \$80.3 million related to sale transactions with four Rental Property Joint Ventures in which we have interests ranging from 25% to 50%. On one of these transactions, we recognized a gain of \$1.0 million in fiscal 2018. In addition, due to our continued involvement in the joint venture primarily through guarantees provided on the joint venture's debt, we deferred \$3.8 million of the gain realized on this sale. We will recognize the deferred gain into income as the guarantees provided expire.

Land sale revenues for the year ended October 31, 2017 included \$257.8 million related to sale transactions with two Home Building Joint Ventures and a Rental Property Joint Venture in which we have interests ranging from 20% to 25%. No gain or loss was realized on the sales related to the Home Building Joint Ventures.

The deferred gains recognized in the fiscal 2017 period relate to the sale of a property in fiscal 2015 to a Home Building Joint Venture in which we had a 25% interest. Due to our continued involvement in this unconsolidated entity through our ownership interest and guarantees provided on the entity's debt, we deferred the \$9.3 million gain realized on the sale. We recognized the gain as units were sold to the ultimate home buyers, which is included in deferred gains recognized above. In the fourth quarter of fiscal 2017, we purchased the remaining inventory from this Home Building Joint Venture. The remaining unamortized deferred gain was used to reduce the basis of the inventory acquired.

See Note 4, "Investments in Unconsolidated Entities," for more information on these transactions.

17. INFORMATION ON SEGMENTS

The table below summarizes revenue and income (loss) before income taxes for our segments for each of the fiscal years ended October 31, 2019, 2018, and 2017 (amounts in thousands):

		Revenue		Income (loss) before income taxes						
	2019	2018	2017	2019	2018	2017				
Traditional Hom	ne Building:									
North	\$ 923,299	\$ 975,648	\$ 775,540	\$ 55,897	\$ 56,530	\$ 50,393				
Mid-Atlantic	1,112,817	1,141,130	1,030,269	64,739	90,573	105,740				
South	1,244,571	1,045,395	923,953	117,533	110,304	112,809				
West	1,418,041	1,451,353	1,151,697	170,389	213,269	153,188				
California	2,129,461	2,208,733	1,550,494	452,350	494,247	345,138				
Traditional										
Home										
Building	6,828,189	6,822,259	5,431,953	860,908	964,923	767,268				
City Living	253,189	320,999	383,105	70,133	78,149	193,852				
Corporate and										
other	(999)			(143,871)	(109,156)	(146,809)				
Total home										
sales revenue	7,080,379	7,143,258	5,815,058	787,170	933,916	814,311				
Land sales										
revenue	143,587					- <u></u> -				
Total revenue	\$ 7,223,966	\$ 7,143,258	\$ 5,815,058	\$ 787,170	\$ 933,916	\$ 814,311				

"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 our Rental Property Joint Ventures and Gibraltar Joint Ventures.

Total assets for each of our segments at October 31, 2019 and 2018, are shown in the table below (amounts in thousands):

	2019	2018
Traditional Home Building:		
North	\$ 917,506	\$ 970,854
Mid-Atlantic	1,177,387	1,130,417
South	1,412,563	1,237,744
West	2,057,389	1,580,199
California	 2,339,677	2,733,956
Traditional Home Building	7,904,522	7,653,170
City Living	529,507	516,238
Corporate and other	2,394,109	2,075,182
	\$ 10,828,138	\$ 10,244,590

"Corporate and other" is comprised principally of cash and cash equivalents, restricted cash, income tax receivable, investments in our Rental Property Joint Ventures, expected recoveries from insurance carriers and suppliers, our Gibraltar investments and operations, manufacturing facilities, and our mortgage and title subsidiaries.

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

	Land controlled for future mmunities	and owned for future ommunities	co	Operating ommunities	Total
Balances at October 31, 2019					
Traditional Home Building:					
North	\$ 24,575	\$ 64,129	\$	764,015	\$ 852,719
Mid-Atlantic	53,375	96,634		964,188	1,114,197
South	15,622	134,697		1,056,384	1,206,703
West	25,340	34,165		1,924,387	1,983,892
California	64,017	 353,186		1,842,935	 2,260,138
Traditional Home Building	182,929	682,811		6,551,909	7,417,649
City Living		185,391		270,008	455,399
	\$ 182,929	\$ 868,202	\$	6,821,917	\$ 7,873,048
Balances at October 31, 2018					
Traditional Home Building:					
North	\$ 17,414	\$ 99,383	\$	803,692	\$ 920,489
Mid-Atlantic	48,553	123,218		906,990	1,078,761
South	12,305	95,309		957,321	1,064,935
West	22,905	109,671		1,419,989	1,552,565
California	32,441	391,221		2,146,370	2,570,032
Traditional Home Building	133,618	818,802		6,234,362	7,186,782
City Living	6,367	97,814		307,256	 411,437
	\$ 139,985	\$ 916,616	\$	6,541,618	\$ 7,598,219

The amounts we have provided for inventory impairment charges and the expensing of costs that we believed not to be recoverable for each of our segments, for the years ended October 31, 2019, 2018, and 2017, are shown in the table below (amounts in thousands):

	2019	2018	2017
Traditional Home Building:			
North	\$ 17,488	\$ 19,698	\$ 6,528
Mid-Atlantic	8,514	9,818	6,905
South	9,457	3,802	1,184
West	1,074	907	106
California	 1,027	147	43
Traditional Home Building	37,560	34,372	14,766
City Living	4,800	15	28
Corporate and other		769	
	\$ 42,360	\$ 35,156	\$ 14,794

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

		Investn unconso enti	olid	ated	Equity in earnings (losses) from unconsolidated entities							
	At October 31,				Year ended October 31,							
		2019	2018		2019		2018		2017			
Traditional Home Building:												
Mid-Atlantic	\$	8,525	\$	7,823			\$	(4,000)	\$	(2,000)		
South		91,956		84,610	\$	19,098		12,263		9,185		
West								(63)		2,529		
California		9,825		84,160		(37)		2,404		7,509		
Traditional Home												
Building		110,306		176,593		19,061		10,604		17,223		
City Living		60,512		65,936		4,103		6,857		73,123		
Corporate and other		195,434		189,284		1,704		67,779		25,720		
	\$	366,252	\$	431,813	\$	24,868	\$	85,240	\$	116,066		

[&]quot;Corporate and other" is comprised of our investments in the Rental Property Joint Ventures and the Gibraltar Joint Ventures.

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, 2019, 2018 and 2017 (amounts in thousands):

		2019	2018		2017		
Cash flow information:							
Interest paid, net of amount capitalized	\$	35,422	\$ 20,812	\$	21,578		
Income tax payments	\$	141,681	\$ 215,092	\$	119,852		
Income tax refunds	\$	4,344	\$ 3,101	\$	2,776		
Noncash activity:							
Cost of inventory acquired through seller financing, municipal bonds, or accrued liabilities, net	\$	213,824	\$ 185,633	\$	61,877		
Financed portion of land sale				\$	625		
(Increase) decrease in inventory for capitalized interest, our share of earnings,							
and allocation of basis difference in land purchased from unconsolidated entities	\$	(5,300)	\$ (1,320)	\$	11,760		
Reclassification from inventory to property, construction, and office equipment, net due to the adoption of ASC 606	\$	104,807					
Net decrease in inventory and retained earnings due to the adoption of ASC 606	\$	8,989					
Net increase in accrued expenses and decrease in retained earnings due to the adoption of ASC 606	\$	6,541					
Net decrease in investment in unconsolidated entities and retained earnings due to the adoption of ASC 606	\$	2,457					
Cost of inventory acquired through foreclosure			\$ 4,609				
Reclassification of deferred income from inventory to accrued liabilities				\$	3,520		
Cancellation of treasury stock	\$	895,517					
Non-controlling interest	\$	38,134	\$ 2,801				
Reclassification of inventory to property, construction, and office equipment				\$	8,990		
Decrease (increase) in unrecognized gain in defined benefit plans	\$	4,138	\$ (3,115)	\$	(1,201)		
Defined benefit plan amendment	\$	4,956					
Deferred tax decrease related to stock-based compensation activity included in additional paid-in capital				\$	5,232		
Income tax benefit (expense) recognized in total comprehensive income	\$	2,265	\$ (1,141)	\$	(880)		
Transfer of other assets to inventory, net	\$	7,100	\$ 16,763				
Transfer of inventory to investment in unconsolidated entities				\$	72,757		
Transfer of investment in unconsolidated entities to inventory				\$	14,328		
Transfer of other assets to investment in unconsolidated entities, net	\$	44,139	\$ 60,971	\$	1,308		
Reclassification of deferred income from accrued expenses to investment in unconsolidated entities			\$ 5,995				
Increase in investments in unconsolidated entities for change in the fair value of debt guarantees	\$	928	\$ 623	\$	130		
Miscellaneous (decreases) increases to investments in unconsolidated entities	\$	(1,876)	\$ 1,776	\$	5,117		
Business Acquisitions:				•	,		
Fair value of assets purchased	\$	177 [16		¢	00.465		
Liabilities assumed	⊅ \$	173,516		\$	88,465		
		11,143		\$	5,377		
Cash paid	\$	162,373		\$	83,088		
			At October 31,				
		2019	2018		2017		
Cash, cash equivalents, and restricted cash							
Cash and cash equivalents	\$	1,286,014	, , , , , ,	\$	712,829		
Restricted cash and cash held by our captive title company included in receivables, prepaid expenses, and other assets		33,629	34,215		48,405		
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	\$	1,319,643	\$ 1,216,410	\$	761,234		

19. SUMMARY CONSOLIDATED QUARTERLY FINANCIAL DATA (UNAUDITED)

The table below provides summary income statement data for each quarter of fiscal 2019 and 2018 (amounts in thousands, except per share data):

Fiscal 2019: July 31 April 30 January 31 Revenue: Frevenue: \$ 1,756,970 \$ 1,712,057 \$ 13,139,308 \$ 1,319,3		Three Months Ended,									
Revenue: Home sales \$ 2,292,044 \$ 1,756,970 \$ 1,712,057 \$ 1,319,308 Land sales \$ 86,956 \$ 8,721 \$ 4,037 \$ 43,873 Gross profit: \$ 80,956 \$ 355,215 \$ 337,710 \$ 277,063 Land sales \$ 658 \$ 2,489 \$ 1,116 \$ 9,620 Income before income taxes \$ 272,649 \$ 186,916 \$ 176,159 \$ 151,446 Net income \$ 202,315 \$ 146,318 \$ 129,324 \$ 112,050 Earnings per share (a) \$ 1.41 \$ 1.00 \$ 0.88 \$ 0.76 Diluted \$ 1.41 \$ 1.00 \$ 0.88 \$ 0.76 Weighted-average number of shares \$ 141,909 144,750 146,622 146,751 Diluted \$ 143,567 146,275 148,129 148,032 Fiscal 2018: Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 306,473 \$ 253,097 \$ 152,748 \$ 131,598		October 31			July 31		April 30		January 31		
Home sales	Fiscal 2019:										
Land sales \$ 86,956 \$ 8,721 \$ 4,037 \$ 43,873 Gross profit: Home sales \$ 431,477 \$ 355,215 \$ 337,710 \$ 277,063 Land sales \$ 658 \$ 2,489 \$ 1,116 \$ 9,620 Income before income taxes \$ 272,649 \$ 186,916 \$ 176,159 \$ 151,446 Net income \$ 202,315 \$ 146,318 \$ 129,324 \$ 112,050 Earnings per share (a) \$ 1.43 \$ 1.01 \$ 0.88 \$ 0.76 Diluted \$ 1.41 \$ 1.00 \$ 0.87 \$ 0.76 Weighted-average number of shares \$ 141,909 \$ 144,750 \$ 146,622 \$ 146,751 Diluted \$ 143,567 \$ 146,275 \$ 148,129 \$ 148,032 Fiscal 2018: Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 131,598 Net income \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Basic \$ 2.1	Revenue:										
Gross profit: Home sales \$ 431,477 \$ 355,215 \$ 337,710 \$ 277,063 Land sales \$ 658 \$ 2,489 \$ 1,116 \$ 9,620 Income before income taxes \$ 272,649 \$ 186,916 \$ 176,159 \$ 151,446 Net income \$ 202,315 \$ 146,318 \$ 129,324 \$ 112,050 Earnings per share (a) \$ 1.43 \$ 1.01 \$ 0.88 \$ 0.76 Diluted \$ 1.41 \$ 1.00 \$ 0.87 \$ 0.76 Weighted-average number of shares Basic 141,909 144,750 146,622 146,751 Diluted 143,567 146,275 148,129 148,032 Fiscal 2018: Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1,25,731 \$ 0.85 \$ 0.83 Basic \$	Home sales	\$	2,292,044	\$	1,756,970	\$	1,712,057	\$	1,319,308		
Home sales	Land sales	\$	86,956	\$	8,721	\$	4,037	\$	43,873		
Land sales \$ 658 \$ 2,489 \$ 1,116 \$ 9,620 Income before income taxes \$ 272,649 \$ 186,916 \$ 176,159 \$ 151,446 Net income \$ 202,315 \$ 146,318 \$ 129,324 \$ 112,050 Earnings per share (a) \$ 1.43 \$ 1.01 \$ 0.88 \$ 0.76 Diluted \$ 1.41 \$ 1.00 \$ 0.87 \$ 0.76 Weighted-average number of shares Basic 141,909 144,750 146,622 146,751 148,032 Fiscal 2018: Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 131,598 Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Basic \$ 2.10 \$ 1.28 0.73 \$ 0.85 Diluted \$ 2.30 \$ 1.28 0.73 0.83 Weighted-average number of shares <td>Gross profit:</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Gross profit:										
Net income before income taxes	Home sales	\$	431,477	\$	355,215	\$	337,710	\$	277,063		
Net income \$ 202,315 \$ 146,318 \$ 129,324 \$ 112,050 Earnings per share (a) \$ 1.43 \$ 1.01 \$ 0.88 \$ 0.76 Diluted \$ 1.41 \$ 1.00 \$ 0.87 \$ 0.76 Weighted-average number of shares \$ 141,909 \$ 144,750 \$ 146,622 \$ 148,032 Basic \$ 143,567 \$ 146,275 \$ 148,129 \$ 148,032 Fiscal 2018: Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 132,107 Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.10 \$ 1.28 \$ 0.72 \$ 0.83 Weighted-average number of shares \$ 148,066 151,257 152,731 155,882	Land sales	\$	658	\$	2,489	\$	1,116	\$	9,620		
Earnings per share (a) Basic \$ 1.43 \$ 1.01 \$ 0.88 \$ 0.76 Diluted \$ 1.41 \$ 1.00 \$ 0.87 \$ 0.76 Weighted-average number of shares \$ 141,909 \$ 144,750 \$ 146,622 \$ 146,751 Diluted \$ 143,567 \$ 146,275 \$ 148,129 \$ 148,032 Fiscal 2018: Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 131,598 Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.26 \$ 0.72 \$ 0.83 Weighted-average number of shares \$ 148,066 151,257 152,731 155,882	Income before income taxes	\$	272,649	\$	186,916	\$	176,159	\$	151,446		
Basic \$ 1.43 \$ 1.01 \$ 0.88 \$ 0.76 Diluted \$ 1.41 \$ 1.00 \$ 0.87 \$ 0.76 Weighted-average number of shares \$ 141,909 \$ 144,750 \$ 146,622 \$ 148,032 Basic \$ 143,567 \$ 146,275 \$ 148,129 \$ 148,032 Fiscal 2018: Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 131,598 Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.28 \$ 0.72 \$ 0.83 Weighted-average number of shares \$ 148,066 \$ 151,257 \$ 152,731 \$ 155,882	Net income	\$	202,315	\$	146,318	\$	129,324	\$	112,050		
Diluted \$ 1.41 \$ 1.00 \$ 0.87 \$ 0.76 Weighted-average number of shares 141,909 144,750 146,622 146,751 Diluted 143,567 146,275 148,129 148,032 Fiscal 2018: Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 131,598 Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 1.28 \$ 0.73 0.85 Weighted-average number of shares \$ 148,066 151,257 152,731 155,882	Earnings per share (a)										
Weighted-average number of shares Basic 141,909 144,750 146,622 146,751 Diluted 143,567 146,275 148,129 148,032 Fiscal 2018: Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 131,598 Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.26 \$ 0.72 \$ 0.83 Weighted-average number of shares \$ 148,066 151,257 152,731 155,882	Basic	\$	1.43	\$	1.01	\$	0.88	\$	0.76		
Basic Diluted 141,909 144,750 146,622 146,751 Piscal 2018: Value 1,913,353 1,599,199 1,175,468 Gross profit 524,487 403,734 301,042 240,988 Income before income taxes 396,473 253,097 152,748 131,598 Net income 310,976 193,258 111,810 132,107 Earnings per share (a) 2.10 1.28 0.73 0.85 Diluted 2.08 1.26 0.72 0.83 Weighted-average number of shares 148,066 151,257 152,731 155,882	Diluted	\$	1.41	\$	1.00	\$	0.87	\$	0.76		
Diluted 143,567 146,275 148,129 148,032 Fiscal 2018: Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 131,598 Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) Basic \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.26 \$ 0.72 \$ 0.83 Weighted-average number of shares \$ 148,066 151,257 152,731 155,882	Weighted-average number of shares										
Fiscal 2018: Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 131,598 Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.26 \$ 0.72 \$ 0.83 Weighted-average number of shares \$ 148,066 151,257 152,731 155,882	Basic		141,909		144,750		146,622		146,751		
Revenue \$ 2,455,238 \$ 1,913,353 \$ 1,599,199 \$ 1,175,468 Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 131,598 Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.26 \$ 0.72 \$ 0.83 Weighted-average number of shares \$ 148,066 151,257 152,731 155,882	Diluted		143,567		146,275		148,129		148,032		
Gross profit \$ 524,487 \$ 403,734 \$ 301,042 \$ 240,988 Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 131,598 Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.26 \$ 0.72 \$ 0.83 Weighted-average number of shares \$ 148,066 151,257 152,731 155,882	Fiscal 2018:										
Income before income taxes \$ 396,473 \$ 253,097 \$ 152,748 \$ 131,598 Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.26 \$ 0.72 \$ 0.83 Weighted-average number of shares \$ 148,066 151,257 152,731 155,882	Revenue	\$	2,455,238	\$	1,913,353	\$	1,599,199	\$	1,175,468		
Net income \$ 310,976 \$ 193,258 \$ 111,810 \$ 132,107 Earnings per share (a) \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.26 \$ 0.72 \$ 0.83 Weighted-average number of shares \$ 148,066 \$ 151,257 \$ 152,731 \$ 155,882	Gross profit	\$	524,487	\$	403,734	\$	301,042	\$	240,988		
Earnings per share (a) Basic \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.26 \$ 0.72 \$ 0.83 Weighted-average number of shares Basic 148,066 151,257 152,731 155,882	Income before income taxes	\$	396,473	\$	253,097	\$	152,748	\$	131,598		
Basic \$ 2.10 \$ 1.28 \$ 0.73 \$ 0.85 Diluted \$ 2.08 \$ 1.26 \$ 0.72 \$ 0.83 Weighted-average number of shares \$ 148,066 \$ 151,257 \$ 152,731 \$ 155,882	Net income	\$	310,976	\$	193,258	\$	111,810	\$	132,107		
Diluted \$ 2.08 \$ 1.26 \$ 0.72 \$ 0.83 Weighted-average number of shares Basic 148,066 151,257 152,731 155,882	Earnings per share (a)										
Weighted-average number of shares Basic 148,066 151,257 152,731 155,882	Basic	\$	2.10	\$	1.28	\$	0.73	\$	0.85		
Basic 148,066 151,257 152,731 155,882	Diluted	\$	2.08	\$	1.26	\$	0.72	\$	0.83		
,,,,	Weighted-average number of shares										
Diluted 149,603 153,173 155,129 158,897	Basic		148,066		151,257	152,731			155,882		
	Diluted		149,603	_	153,173		155,129		158,897		

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

DIVIDENDS

During fiscal 2019, we paid aggregate cash dividends of \$0.44 per share to our shareholders. 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 revolving credit agreement and term loan agreement each require us to maintain a minimum tangible net worth (as defined in the respective agreement), which restricts the amount of dividends we may pay. At October 31, 2019, under the most restrictive provisions of our revolving credit agreement and term loan agreement, we could have paid up to approximately \$2.32 billion of cash dividends.

NET DEBT-TO-CAPITAL RATIO RECONCILIATION

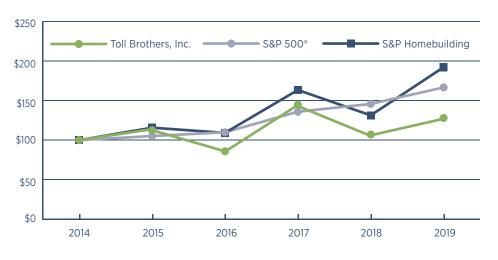
(Amounts in thousands except percentages):

	October 31,		
		2019	
Loans payable	\$	1,111,449	
Senior notes		2,659,898	
Mortgage company loan facility		150,000	
Total debt		3,921,347	
Total stockholders' equity		5,071,816	
Total capital	\$	8,993,163	
Ratio of debt-to-capital		43.6%	
Total debt	\$	3,921,347	
Less: Mortgage company loan facility		(150,000)	
Cash and cash equivalents		(1,286,014)	
Total net debt		2,485,333	
Total stockholders' equity		5,071,816	
Total net capital	\$	7,557,149	
Net debt-to-capital ratio		32.9%	

STOCK 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, 2014, and that dividends were reinvested) from October 31, 2014 to October 31, 2019, 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:	2014	2015	2016	2017	2018	2019
Toll Brothers, Inc.	100.00	112.58	85.88	144.98	107.12	128.07
S&P 500®	100.00	105.20	109.94	135.93	145.91	166.81
S&P Homebuilding	100.00	115.76	109.22	163.54	131.42	192.42

CORPORATE DIRECTORS AND OFFICERS

Board of Directors

Robert I. Toll

Chairman Emeritus of the Board

Douglas C. Yearley, Jr.* (29) Chairman of the Board and Chief Executive Officer

Edward G. Boehne

Retired President — Federal Reserve Bank of Philadelphia

Richard J. Braemer

Senior Counsel — Ballard Spahr LLP, Attorneys at Law

Christine N. Garvey

Retired Global Head of Corporate Real Estate Services — Deutsche Bank AG

Karen H. Grimes

Retired Partner, Senior Managing Director, and Equity Portfolio Manager — Wellington Management Company

Carl B. Marbach

Retired President — Greater Marbach Airlines, Inc., an aviation services and consulting company

John A. McLean

Senior Managing Director — New York Life Investment Management

Stephen A. Novick

Senior Advisor — Chasbro Investments

Wendell E. Pritchett

Provost, Presidential Professor of Law and Education — University of Pennsylvania

Paul E. Shapiro

Chairman — Q Capital Holdings LLC, a life settlement company

Executive Vice Presidents and Co-Chief Operating Officers

James W. Boyd* (26)

Senior Vice Presidents

Todd Callahan (7) Land Acquisitions Frederick N. Cooper (26) Finance, International Development and Investor Relations

John Critikos (6) Chief Information Officer Robert Parahus* (33)

Joseph R. DeSanto (16)

David Ernst (7)

Land Acquisitions Michael J. Grubb (16)

Chief Accounting Officer

Chief Financial Officer

Martin P. Connor* (11)

John Jakominich (22) Land Acquisitions

Benjamin D. Jogodnik (24) Mergers & Acquisitions

Daniel J. Kennedy (25)

Chief Audit Officer

Division Presidents

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David Bauer (15)

Kevin Brown (11)

Craig Cherry (21)

Brock Fanning (11)

David E. Kelly (15)

John Dean (8)

RM Jones (1)

Brandon Cooper (16)

Wendy Marlett (1) Chief Marketing Officer Jov N. Roman (3)

Chief Human Resources Officer

Gregg L. Ziegler (17)

Treasurer

Home Building Operations

Regional Presidents

Kevin D. Duermit (32) John G. Mangano (32) Karl Mistry (15) Thomas J. Murray (25) Seth J. Ring (16)

Toll Brothers City Living®

Thomas R. Mulvey (15)

President

David H. Von Spreckelsen (16)

Group President

Group Presidents

Eric C. Anderson (23) Mark G. Bailev (19) Robert L. Flaherty (22) Christopher G. Gaffney (23) Gary M. Mayo (22)

Kelley Moldstad (8) Robert D. Moore (6) Gregory S. Netro (19)

Robert G. Paul (18)

James Fitzpatrick (18) Brad Hare (16) Scott James (2)

Division Presidents

John S. Lannamann (18) Alexander Martin (9) Steven R. Merten (15) Richard M. Nelson (21) Nicholas Norvilas (8)

Fredrick Pfister (14) Jeremiah Portlock (8)

Jaime Pou (2)

Christopher Ryan (1) Andrew J. Semon (17)

Thomas Sharp (1)

Susan Stanley (3)

Subsidiary and Affiliate Operations

Toll Brothers Apartment Living Toll Brothers Campus Living®

Charles L. Elliott (8)

President

Toll Brothers Hospitality Group

John J. DePaul (2)

President

Land Development Operations

Robert N. McCarron (27)

Executive Vice President

ESE Consultants. Inc.

Mark S. Mayhew (6) SR. VP/Managing Director

TBI Mortgage® Company

Steve Audet (3) President

TBI Smart Home Solutions

Felicia Ratka (19) President

Toll Architecture, Inc.

Jed Gibson (26)

President

Toll Integrated Systems

Keith Fell (11) Director of Manufacturing

Toll Landscape, LLC

Mark Culichia (22)

President

Westminster Title Company, Inc.

William T. Unkel (15) President

Gibraltar Real Estate Capital

Roger A. Brush (26)

President

Michael L. LaPat (20) Chief Financial Officer

^{*}Executive Officer of the Company Director and employee listing as of 1/1/20. () Years of service with Toll Brothers.

CORPORATE INFORMATION

Corporate Office

Toll Brothers, Inc. 250 Gibraltar Road Horsham, Pennsylvania 19044 215-938-8000 | TollBrothers.com

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC 6201 15th Avenue Brooklyn, New York 11219 1-800-937-5449 | astfinancial.com

Independent Auditors

Ernst & Young LLP — Philadelphia, Pennsylvania

Employees

As of October 31, 2019, we had approximately 5,100 full-time employees.

Stockholders

As of December 19, 2019, we had 536 stockholders of record.

Stock Listing

Our common stock is traded on the New York Stock Exchange (symbol "TOL").

Certifications

Our Chief Executive Officer and Chief Financial Officer have filed their certifications as required by the SEC regarding the quality of our public disclosures for each of the periods ended during our fiscal year ended October 31, 2019. Further, our Chief Executive Officer has certified to the New York Stock Exchange ("NYSE") that he is not aware of any violation by our Company of NYSE corporate governance listing standards, as required by Section 303A.12(a) of the NYSE Listed Company Manual.

Demographic and Other Data

Sources consulted for data included in this annual report include, Bloomberg Business Week, Bloomberg L.P., Citigroup, Claritas, The Conference Board, Fannie Mae, Federal Home Loan Mortgage Corporation, Federal Housing Finance Board, Federal Reserve Bank, Federal Reserve Board, Fitch Ratings, Forbes, Fortune, Harvard Institute of Economic Research, Institutional Investor Magazine, John Burns Real Estate Consulting, Joint Center for Housing Studies of Harvard University, J.P. Morgan Securities, Moody's Economy.com, Moody's Investor Service, Mortgage Bankers Association, National Association of Home Builders, National Association of Realtors,® Office of Federal Housing Enterprises Oversight, S&P Corelogic Case-Shiller U.S. National Home Price NSA Index, Standard & Poor's, Thomson Reuters Corporation, Urban Land Institute Terwilliger Center for Housing, U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, U.S. Department of Labor, The Wall Street Journal, YAHOO! Finance.

Investor Relations Information Requests

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other Company information are available without charge either on or through our website, TollBrothers.com, or upon request from the following individuals at our Corporate Office:

 $\begin{tabular}{l} \textbf{Frederick N. Cooper}, Senior\ \textit{Vice President} - \textit{Finance, International Development and Investor Relations} \end{tabular}$

fcooper@tollbrothers.com | 215-938-8312

Our Board of Directors has an audit and risk committee, an executive compensation committee, a nominating and corporate governance committee, and a public debt and equity securities committee. Each of these committees has a formal charter. We also have Corporate Governance Guidelines, a Code of Ethics for Members of the Board of Directors, and a Code of Ethics and Business Conduct which applies to all officers and employees. Copies of these charters, guidelines, and codes can be obtained on our website and are also available upon request from the individuals listed above.

Production Notes

Front Cover Photo:

The Valen | Toll Brothers at Viridian | Arlington, TX

Photography by:

Ray Barbour, Ron Blunt, Joshua Caldwell, Curt Clayton, Tim Fisher, Roberto Gonzalez, Eric Lucero, Tim Marek, Shawn May, Christopher Mayer, Chantelle Renee, Diana Sell, Bill Taylor, Trevor Tondro, William Wright

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