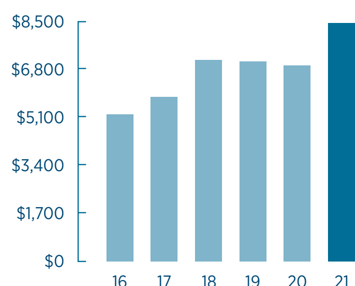
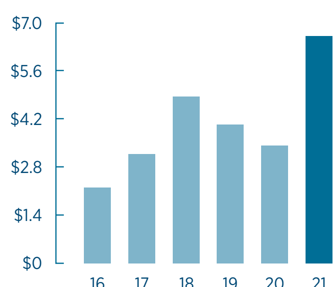
Toll Brothers
AMERICA'S LUXURY HOME BUILDER®
2021 ANNUAL REPORT

TOLL BROTHERS COMPANY OVERVIEW

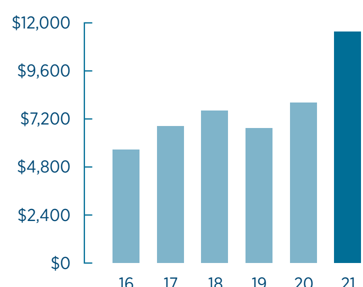
FINANCIAL SUMMARY



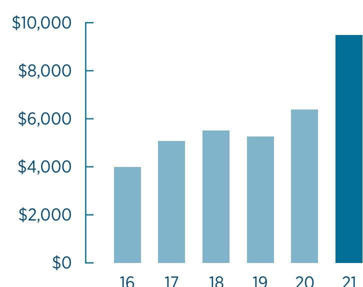
REVENUES
For Home Sales in FY ($ in millions)



EARNINGS PER SHARE
In FY ($)



CONTRACTS
In FY ($ in millions)



BACKLOG
At FYE ($ in millions)

INDUSTRY-LEADING COMPANY AND BRAND

America's Luxury Home Builder

Founded in 1967

NYSE-listed (TOL) since 1986

Fortune 500 Company

5th largest U.S. home builder by revenues

National Builder of the Year, *Builder* magazine

Two-time Builder of the Year, *Professional Builder* magazine

10th Year on FORTUNE magazine World's Most Admired Companies List*

LUXURY HOMES AND COMMUNITIES

National presence in over 60 markets in 24 states and Washington, DC

Selling from 340 communities

Delivered nearly 10,000 homes in FY 2021

Average delivered home price of $844,400; average price in backlog of $922,100

Control nearly 80,900 home sites

High-volume production of highly personalized homes

Build-to-order model: home buyers added an average of approximately $170,000 in lot premiums, structural and design options to their homes in FY 2021

35 Design Studio locations nationwide

Diverse Product Lines:

Luxury move-up homes

Millennial-focused affordable luxury homes

Active-adult and second homes

Master-planned communities; resort-style golf and country club living

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

FINANCIAL AND MANAGEMENT STRENGTH

Liquidity of $3.5 billion: $1.6 billion in cash and $1.8 billion available under our $1.9 billion, 24-bank, 5-year revolving credit facility

$650 million, 12-bank, 5-year term loan

Over $17 billion in corporate and joint venture financing transactions completed in the last 5 years

Debt-to-capital ratio of 40.2%; net debt-to-capital ratio† of 25.1%

Focus on driving return on equity through more capital-efficient land buying, product optimization, and other strategies

Seasoned executive management team: average 17-year tenure

Information for and as of FYE October 31, 2021, unless otherwise noted.

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† See "Reconciliation of Non-GAAP Measures" at the end of this report for more information on the calculation of the company's net debt-to-capital ratio.

DECEMBER 21, 2021

DEAR SHAREHOLDER

Over the past year, home has become more important than ever. Whether it is a young couple buying their first home, a growing family needing more space, a retiree in search of a warmer climate, or a professional who can now work from where they always dreamed of living versus where their job had tethered them, Americans are buying new homes at a tremendous pace as they reevaluate their priorities and redefine the way they view life, work, and home.

RECORD RESULTS

The home buying surge that began in the spring of 2020 has more recently settled into a strong and steady pattern of what we believe is long-term, sustainable and solid demand. This trend—driven by compelling demographics, low interest rates, over a decade of housing underproduction, ongoing migration spurred by the work-from-home phenomenon, and the new appreciation for home—continues to offer tremendous growth opportunities for Toll Brothers.

And our company is ready. In an environment of incredible demand, our strong land position, growing community count across over 60 markets in 24 states, and diverse array of luxury product offerings that serve everyone from first-time and move-up buyers to empty nesters and renters has positioned us to fulfill the needs and dreams of our broad range of customers. Then there is what really differentiates us and our luxury brand—what we define as "The Toll Brothers Advantage"—the prestigious locations of our communities, our distinctive architecture, the unrivaled choice we offer our buyers to personalize their homes, and our extraordinary customer service.

Driven by these pillars of our brand and our targeted growth strategy, we produced record revenues, earnings, and new home contracts in FY 2021. We generated home building revenues of $8.4 billion and delivered 9,986 homes, up 22% and 18%, respectively. Our net income of $833.6 million, and earnings per share of $6.63 per share (diluted) increased 87% and 95%, respectively. Our adjusted gross margin[1] improved to 25.0% from 23.5%. Our return on beginning equity rose 830 basis points to 17.1%, and we signed a record $11.5 billion of net new contracts, totaling 12,472 homes, up 44% and 26%, respectively—all compared to FY 2020.

We achieved these results despite the significant disruptions in global supply chains for materials, not just in the home building industry, but across nearly all industries, and the shortages in labor in virtually all markets. In fact, in many markets, we deliberately slowed our sales pace to better balance our home production and delivery time frames, and to capture price increases as demand outpaced supply.

Our FY 2021 results and our ongoing strategic expansion, both geographically and across product lines, provide a view into the bright future ahead for Toll Brothers in FY 2022. With a record FY 2021 year-end backlog value of $9.5 billion, or 10,302 homes, up 49% and 32%, respectively, versus FY 2020, we project 20% growth in revenues, 50% growth in earnings per share, and a return on beginning equity in excess of 20% in FY 2022.

DRIVING GROWTH

Toll Brothers offers the greatest product diversity in the homebuilding industry, which is helping fuel our growth. In addition to our well-established luxury and active adult (age 55+) product lines, we have been expanding our line of 'affordable luxury' upscale homes, efficiently designed to attract first-time, primarily millennial, buyers at a lower price point. This segment represented about 40% of our communities at FYE 2021. It is also noteworthy that nearly 30% of our deliveries in FY 2021 included at least one first-time buyer. Many of our buyers have enjoyed gains in the value of their existing homes and their investment portfolios, and are less sensitive to interest rate changes.

Broadening our price points and product offerings has enabled us to expand to a wider range of markets. Over the past three years we have entered nine new markets, primarily in the South and West, through five builder acquisitions and through direct land purchases.

In FY 2021, we acquired a local homebuilder to augment our operations in Las Vegas, Nevada, and also expanded into new markets by acquiring land in Spokane, Washington/Coeur d'Alene, Idaho, St. George, Utah, San Antonio, Texas, and Long Island, New York.

Our Toll Brothers Apartment Living (TBAL) division is now one of the premier rental apartment developers in the U.S. with expertise in urban and suburban rental communities and, through its Toll Brothers Campus Living platform, student housing as well. Since the start of FY 2020, TBAL has launched $2.3 billion of new development projects totaling approximately 6,550 units. Typically, TBAL operates in joint ventures, investing about 10% of each project's total cost, and receives development fees and promoted interest as projects are monetized through a sale at stabilization. In FY 2021, TBAL and its joint venture partners sold five stabilized projects that generated over $100 million of net cash and $75 million of income from unconsolidated entities for Toll Brothers. In FY 2021, TBAL also announced a strategic partnership with Equity Residential, one of the largest REITS in the U.S., to develop rental projects in select markets over the next several years.

INCREASING PROFITABILITY

With our brand and reputation as America's Luxury Home Builder, we believe our homes command a premium in the luxury market. Choice is more important than ever for our home buyers. We offer spectacular home designs that give buyers the ability to add home offices, fitness centers, multi-generational living suites, finished basements, loft spaces, indoor-outdoor lifestyle features, and more. Buyers can also personalize their home interiors by selecting appliances, lighting, flooring, fixtures, cabinets, smart home technologies, and many other items which are showcased in our model homes, our sales centers, and our 35 Toll Brothers Design Studios across the U.S. The average buyer added approximately $170,000, or 24% of the base price of their home, in lot premiums, structural, and design selections in FY 2021.

We are focused on optimizing our home designs and curating our Design Studio offerings to improve the speed, ease, and efficiency of construction, while continuing to offer the stunning floorplans and architectural details that are hallmarks of the Toll Brothers brand. We are also utilizing technology to streamline the building, marketing, and purchasing of our homes to ensure a seamless and efficient home building and home buying process.

IMPROVING CAPITAL EFFICIENCY

In FY 2021, we continued to pursue strategies to drive capital efficiency and return on equity by controlling a greater percentage of our land through options rather than ownership. We owned or controlled nearly 80,900 lots at FYE 2021 compared to 63,200 at FYE 2020. Our percentage of optioned versus owned lots at FYE 2021 was 55%, a significant increase from 43% one year earlier.

Our sound financial footing will also help us execute our strategy to drive growth, increase profitability, and improve capital efficiency. We ended FY 2021 with $3.45 billion of liquidity, including $1.64 billion of cash and $1.81 billion available under our $1.9 billion revolving bank credit facility, substantially all of which now matures in November 2026. At FYE 2021, our net debt-to-capital ratio[1] was 25.1%, compared to 33.3% one year ago. We generated over $1.3 billion in cash flow from operations in FY 2021, which enabled us to reduce debt by approximately $400 million, repurchase approximately $378 million of stock during the fiscal year, and pay total dividends of $77 million, or roughly $0.62 per share.

STRONG INDUSTRY FUNDAMENTALS

As we look to the future, we believe strong demographics and constrained housing supply will remain key drivers of the long-term demand for our new homes.

Every generation from millennial to baby boomer is spurring market demand. In addition, people continue to migrate from urban to suburban locales, catalyzed, in part, by accelerated growth in the western and southern regions of the U.S.

At a time when home has never been more important, chronic housing undersupply issues persist. According to a 2021 report from the National Association of Realtors, the new home industry has underproduced by up to 6.8 million homes between 2010 and 2020 when compared to the new

homes needed to keep up with the growth in household formations and to replace lost and obsolescent units. One result is that the average age of a home in the U.S. is now over 40 years old, according to the U.S. Census Bureau. This gives new homes a significant advantage in terms of their appeal, energy efficiency, technology, and floorplan designs that meet the needs of today's buyers.

We are well positioned for all of these trends with an expanded range of product lines and 340 selling communities in over 60 markets in 24 states at fiscal year-end.

MANAGING FOR THE FUTURE

In April 2021 we released our inaugural ESG Report (TollBrothers.com/ESG), setting a benchmark for our accomplishments on a range of environmental, social and governance matters. Since Toll Brothers was founded in 1967, we have taken seriously our responsibilities to the broader communities in which we build and to the environment. As an industry, home builders have an incredible opportunity to make a positive impact on our nation, both as developers bringing much-needed housing to a country with a tremendous housing shortage, and as major job creators as the nation's economy rebounds from the challenges caused by the pandemic. At the same time, we have strengthened our commitment to diversity and inclusion at Toll Brothers though targeted recruitment, training, and talent management programs, as well as other companywide initiatives.

In FY 2021, consistent with the management succession plan we put in place in 2019, we undertook a variety of leadership initiatives to plan for the future. Rob Parahus, who joined Toll Brothers in 1986 and previously served as Executive Vice President and Co-Chief Operating Officer, was promoted to President and Chief Operating Officer. Jim Boyd announced his retirement as Executive Vice President and Co-Chief Operating Officer after more than 30 years with the company. Stepping into Jim's and Rob's roles as Executive Vice Presidents are Karl Mistry and Seth Ring, who both joined Toll Brothers in 2004. They are proven leaders who will oversee our Eastern and Western regions, respectively.

As another extraordinary year comes to an end, we want to thank our shareholders, capital providers, and trade partners for their continued support. We thank our customers for putting their trust in us for one of the most important purchases of their lives. And we thank the Toll Brothers team for their determination, creativity, and commitment that have made this a record year, and give us confidence and enthusiasm for the future.

DOUGLAS C. YEARLEY, JR.
Chairman & Chief Executive Officer

ROBERT PARAHUS
President & Chief Operating Officer

ROBERT I. TOLL
Chairman Emeritus

[1] Adjusted Gross Margin and Net Debt to Capital are non-GAAP metrics. See "Reconciliation of Non-GAAP Measures" at the end of this report.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☑ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended October 31, 2021

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

For the transition period from __________ to __________

Commission file number 001-09186

TOLL BROTHERS, INC.

(Exact name of Registrant as specified in its charter)

Delaware			**23-2416878**
(State or other jurisdiction of incorporation or organization)			*(I.R.S. Employer Identification No.)*
1140 Virginia Drive	**Fort Washington**	**Pennsylvania**	**19034**
(Address of principal executive offices)			*(Zip Code)*

Registrant's telephone number, including area code

(215) 938-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (par value $.01)	**TOL**	**New York Stock Exchange**

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes ☐ No ☑

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑		Accelerated filer	☐
Non-accelerated filer ☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

As of April 30, 2021, the aggregate market value of our Common Stock held by non-affiliates (all persons other than executive officers and directors of Registrant) of the Registrant was approximately $7,177,356,000.

As of December 14, 2021, there were approximately 120,360,000 shares of our Common Stock outstanding.

Documents Incorporated by Reference: Portions of the proxy statement of Toll Brothers, Inc. with respect to the 2022 Annual Meeting of Stockholders, scheduled to be held on March 8, 2022, are incorporated by reference into Part III of this report.

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

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PART I

ITEM 1. BUSINESS

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

General

We design, build, market, sell, and arrange financing for an array of luxury residential single-family detached home, attached home, master-planned resort-style golf, and urban low-, mid-, and high-rise communities. This is done 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 and second-home buyers in the United States ("Traditional Home Building Product"), as well as urban and suburban renters under the brand names Toll Brothers Apartment Living® and Toll Brothers Campus Living®. We also design, build, market, and sell urban low-, mid-, and high-rise condominiums through Toll Brothers City Living® ("City Living"). At October 31, 2021, we were operating in 24 states, and in the District of Columbia.

In the five years ended October 31, 2021, we delivered 42,005 homes from 835 communities, including 9,986 homes from 497 communities in fiscal 2021. At October 31, 2021, we had 995 communities in various stages of planning, development or operations containing approximately 80,900 home sites that we owned or controlled through options.

Backlog consists of homes under contract but not yet delivered to our home buyers. We had a backlog of $9.50 billion (10,302 homes) at October 31, 2021; we expect to deliver over 90% of these homes in fiscal 2022.

We operate our own architectural, engineering, mortgage, title, land development, insurance, smart home technology, and landscaping subsidiaries. In addition, in certain regions we operate our own lumber distribution, house component assembly and component manufacturing operations.

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 urban and suburban for-rent apartment communities primarily through joint ventures. These projects are located in various metropolitan areas throughout the country and are being operated or developed, (or we expect will be developed) with partners under the brand names Toll Brothers Apartment Living® and Toll Brothers Campus Living®. At October 31, 2021, we or joint ventures in which we have an interest, controlled 59 land parcels as for-rent apartment projects containing approximately 19,500 planned units.

See "Investments in Unconsolidated Entities" below for more information relating to our joint ventures.

Our Communities and Homes

Our traditional home building communities are generally located in affluent suburban areas near major transit hubs and highways that provide access to employment and urban centers. They are generally located on land we have either acquired and developed or acquired fully approved and, in some cases, improved. Our City Living division is currently selling units out of urban mid- and high-rise communities in Hoboken and Jersey City, New Jersey and New York City, New York, and also has planned developments in New York City, New York; Northern New Jersey; Philadelphia, Pennsylvania; a suburb of Washington, D.C.; Los Angeles, California; and Seattle, Washington.

At October 31, 2021, we were operating in the following major suburban and urban residential markets:

- Boston, Massachusetts, metropolitan area
- Fairfield, Hartford, and New Haven Counties, Connecticut
- Westchester and Dutchess Counties, New York
- New York City
- Long Island, New York
- Central and northern New Jersey

- Philadelphia, Pennsylvania, metropolitan area
- Lehigh Valley area of Pennsylvania
- Virginia and Maryland suburbs of Washington, D.C.
- Delaware
- Raleigh and Charlotte, North Carolina, metropolitan areas
- Nashville, Tennessee
- Charleston, Greenville, Hilton Head and Myrtle Beach, South Carolina
- Atlanta, Georgia, metropolitan area
- Southeast and southwest coasts and the Jacksonville, Orlando, and Tampa areas of Florida
- Detroit, Michigan, metropolitan area
- Chicago, Illinois, metropolitan area
- Dallas, Houston, Austin, and San Antonio, Texas, metropolitan areas
- Denver, Colorado, metropolitan area, Fort Collins and Colorado Springs, Colorado
- Phoenix, Arizona, metropolitan area
- Las Vegas and Reno, Nevada, metropolitan areas
- Boise, Idaho, metropolitan area
- Salt Lake City, Utah, metropolitan area and St. George/Southern Utah
- San Diego and Palm Springs, California,
- Los Angeles, California, metropolitan area, and Orange County
- San Francisco Bay, Sacramento, and San Jose areas of northern California
- Seattle and Spokane, Washington, metropolitan areas, and
- Portland, Oregon, metropolitan area.

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

Each of our detached home communities offers several home plans with the opportunity for home buyers to select various structural options and exterior styles. We design each community to fit existing land characteristics. We strive to achieve diversity among architectural styles within a community by offering a variety of house models and several exterior design options for each model, preserving existing trees, foliage and other natural features whenever feasible, and curving street layouts to allow relatively few homes to be seen from any vantage point. Our communities have attractive entrances with distinctive signage and landscaping. We believe that our added attention to detail gives each community a diversified neighborhood appearance that enhances home values.

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

We are continuously developing new designs to replace or augment existing ones to ensure that our homes reflect current consumer tastes. Increasingly, we are modifying designs and the number of options we provide in order to continue to offer our customers a curated experience while gaining efficiencies in the home building process, particularly in respect to our affordable luxury product. We use our own architectural staff and also engage unaffiliated architectural firms to develop new designs.

In our Traditional Home Building Product communities, a wide selection of options is available to home buyers for additional charges. The number and complexity of options in our Traditional Home Building Product typically increase with the size and

base sales price of our homes. Major options include home offices, fitness rooms, multi-generational living suites, finished basements, and spacious indoor/outdoor living areas. We also offer numerous interior fit-out options such as flooring, wall tile, plumbing, cabinets, fixtures, appliances, lighting, and home-automation and security technologies.

We market our high-quality homes to both upscale luxury and affordable luxury home buyers. Our luxury homes are marketed primarily to buyers who generally have previously owned a home and who are seeking to buy a larger or more desirable home — the so-called “move-up” market. Our affordable luxury homes are marketed primarily to more affluent first-time buyers. We believe our reputation as a builder of luxury homes in these markets enhances our competitive position with respect to the sale of our smaller, more moderately priced homes.

We continue to pursue growth initiatives by expanding our geographic footprint and by broadening our product lines and price points to appeal to buyers across the demographic spectrum. In addition to our traditional “move-up” home buyer, we are focusing on the “empty-nester” market, the millennial generation, and the affordable luxury buyer.

We market to the “empty-nester” market, which we believe has strong growth potential. We have developed a number of home designs with features such as single-story living and first-floor primary bedroom suites, as well as communities with recreational amenities, such as golf courses, marinas, pool complexes, country clubs, fitness and recreation centers that we believe appeal to this category of home buyer. We have integrated certain of these designs and features in some of our other home types and communities. As of October 31, 2021, we were selling from 54 age-restricted active-adult communities, in which at least one home occupant must be at least 55 years of age.

With the millennial generation in its prime family formation years, we also continue to focus on this group with our core suburban homes, affordable luxury offerings, urban condominiums and luxury rental apartment products.

Through our City Living brand, we have developed and are developing, on our own or through joint ventures with third parties, a number of high-density, low-, mid-, and high-rise urban luxury communities to serve affluent move-up families, empty-nesters, and young professionals who are seeking to live in or close to major cities.

A majority of our City Living communities are high-rise projects and take an extended period of time to construct. We generally start selling homes in these communities after construction has commenced. By the time construction has been completed, we typically have a significant number of homes under contract with buyers in backlog. Once construction has been completed, the homes in backlog in these communities are generally delivered quickly. Currently, we anticipate that the majority of our future communities in our City Living division will be developed through joint ventures with third parties.

We believe that the demographics supporting the luxury first-time, move-up, empty-nester, active-adult, affordable luxury and second-home upscale markets will provide us with an opportunity for growth in the future. We continue to believe that many of our communities are in desirable locations that are difficult to replace and that many of these communities have substantial embedded value that may be realized in the future.

At October 31, 2021, we were selling homes from 340 communities, compared to 317 communities at October 31, 2020, and 333 communities at October 31, 2019.

The following table summarizes certain information with respect to our operating communities at October 31, 2021:

	Total number of operating communities	Number of selling communities	Homes approved	Homes closed	Homes under contract but not closed (Backlog)	Home sites available
Traditional Home Building:						
North	93	64	11,442	6,158	1,724	3,560
Mid-Atlantic	53	38	5,805	3,067	1,053	1,685
South	110	84	13,144	5,260	2,470	5,414
Mountain	126	105	17,105	5,157	3,598	8,350
Pacific	71	47	7,462	2,866	1,444	3,152
Traditional Home Building	453	338	54,958	22,508	10,289	22,161
City Living	2	2	321	290	13	18
Total	455	340	55,279	22,798	10,302	22,179

At October 31, 2021, significant site improvements had not yet commenced on approximately 15,300 of the 22,179 available home sites. Of the 22,179 available home sites, approximately 4,600 were not yet owned by us but were controlled through options.

Of our 455 operating communities at October 31, 2021, a total of 340 communities were offering homes for sale; and the remaining operating communities primarily relate to communities that were sold out but not all homes had been completed and delivered. Of the 340 communities in which homes were being offered for sale at October 31, 2021, a total of 250 were detached home communities and 90 were attached home communities.

At October 31, 2021, we had 866 homes (exclusive of 432 model homes) under construction or completed but not under contract in our traditional communities, of which 458 were affordable luxury homes, 261 were luxury homes, and 147 were active-adult homes. At October 31, 2021, we had 14 homes (exclusive of model homes) under construction or completed but not under contract in two City Living communities that were wholly owned.

As a result of the breath of our products and geographic footprint, we have a wide range of base sales prices for our homes. The percentage of the 9,986 homes delivered in fiscal 2021 within the various ranges of base sales price was as follows:

Range of Base Sales Price	Percentage of Homes Delivered in Fiscal 2021
Less than $500,000	19%
$500,000 to $750,000	35%
$750,000 to $1,000,000	22%
$1,000,000 to 2,000,000	20%
More than $2,000,000	4%

Of the homes delivered in fiscal 2021, approximately 18% of our home buyers paid the full purchase price in cash; the remaining home buyers borrowed approximately 69% of the sales price of the home.

The table below provides the average value of options purchased by our home buyers, including lot premiums, and the value of the options as a percent of the base sales price of the homes purchased in fiscal 2021, 2020, and 2019:

	2021		2020		2019	
	Option value (in thousands)	Percent of base sales price	Option value (in thousands)	Percent of base sales price	Option value (in thousands)	Percent of base sales price
Overall	$ 168	23.9 %	$ 173	25.5 %	$ 178	24.4 %
Traditional Home Building Product						
Detached	$ 193	28.4 %	$ 198	28.8 %	$ 203	26.6 %
Attached	$ 105	15.3 %	$ 98	15.7 %	$ 99	18.8 %
City Living Product	$ 24	1.4 %	$ 47	3.8 %	$ 31	2.5 %

In general, the ability to purchase a premium lot or customize a home with structural options and interior finishes varies widely across our product lines, which may result in significant variation in the option value as a percentage of base sales price. For example, our attached homes and City Living condominiums do not offer the opportunity for buyers to add significant structural options to their homes and thus they have a smaller option value as a percentage of base sales price.

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

Acquisitions

As part of our strategy to continue expanding our geographic footprint and product offerings, in fiscal 2021, we acquired substantially all of the assets and operations of StoryBook Homes, LLC ("StoryBook"), a privately-held home builder serving the Las Vegas, Nevada market, for approximately $38.8 million in cash. The assets acquired were primarily inventory for future communities, including approximately 550 home sites owned or controlled through land purchase agreements.

In fiscal 2020, we acquired substantially all of the assets and operations of The Thrive Group, LLC ("Thrive"), an urban infill builder with operations in Atlanta, Georgia and Nashville, Tennessee. We also acquired substantially all of the assets and operations of Keller Homes, Inc. ("Keller"), a builder with operations is Colorado Springs, Colorado. The aggregate purchase price for these acquisitions was approximately $79.2 million in cash. The assets acquired were primarily inventory, including approximately 1,100 home sites owned or controlled through land purchase options.

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, were primarily inventory, including approximately 2,550 home sites owned or controlled through land purchase options.

Land Policy

Before entering into an agreement to purchase a land parcel, we complete extensive comparative studies and analyses that assist us in evaluating the acquisition. These analyses may include soil tests, environmental studies, an evaluation of necessary zoning and other governmental entitlements and extensive market research to evaluate which of our product offerings are appropriate for the market. In addition to purchasing land parcels outright, we are increasingly attempting to enter into option agreements and other arrangements to defer the acquisition of land until we are closer in time to delivering the completed home to our customer. We have also entered into several joint ventures with other builders, financial partners, or developers to develop land for the use of the joint venture participants or for sale to third parties. These structures are generally more capital efficient than outright land purchases that occur earlier in the entitlement and development process.

Our business is subject to many risks, including risks associated with obtaining the necessary approvals on a property and completing the land improvements on it. In order to reduce the financial risk associated with land acquisitions and holdings and to more efficiently manage our capital, where practicable, we enter into option agreements (also referred to herein as "land purchase contracts," "purchase agreements," or "options") to purchase land, on a non-recourse basis, thereby limiting our financial exposure to amounts expended in obtaining any necessary governmental approvals, the costs incurred in the planning and design of the community, and, in some cases, some or all of the cost of the option (the "deposit"). Option agreements enable us to obtain necessary governmental approvals before we acquire title to the land, and allow us to acquire lots over a specified period of time at pre-determined prices. The use of these agreements may increase our overall cost basis in the land that we eventually acquire, but reduces our risk by allowing us to obtain the necessary development approvals before acquiring the land or allowing us to forego or delay the acquisition to a later date. In prior periods, as approvals were obtained, the value of the purchase agreements and land generally increased; however, in any given time period, this may not happen. We have the ability to extend some of these purchase agreements for varying periods of time, in some cases by making an additional payment and, in other cases, without making any additional payment. Our purchase agreements are typically subject to numerous conditions, including, but not limited to, the ability to obtain necessary governmental approvals for the proposed community. In certain instances, our deposit under an agreement may be returned to us if all approvals are not obtained, although predevelopment costs usually will not be recoverable. We generally have the right to cancel any of our agreements to purchase land by forfeiture of some or all of the deposits we have made pursuant to the agreement.

During fiscal 2021 and 2020, we acquired control of approximately 27,700 and 12,400 home sites, respectively, net of options terminated and lots sold. At October 31, 2021, we controlled approximately 80,900 home sites, as compared to approximately 63,200 home sites at October 31, 2020. At October 31, 2021 and October 31, 2020, our percentage of optioned versus owned lots was 55% and 43%, respectively.

We are developing several parcels of land for master-planned communities in which we intend to build homes on a portion of the lots and sell the remaining lots to other builders. Two of these master-planned communities are being developed 100% by us, and the remaining communities are being developed through joint ventures with other builders or financial partners. At October 31, 2021, our Land Development Joint Ventures owned approximately 23,700 home sites. At October 31, 2021, we had agreed to acquire 190 home sites and expect to purchase approximately 5,800 additional home sites from several of our Land Development Joint Ventures over a number of years.

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

The following is a summary of home sites for future communities that we either owned or controlled through options or purchase agreements at October 31, 2021, as distinguished from our operating communities:

	Number of communities	Number of home sites
Traditional Home Building:		
North	59	4,542
Mid-Atlantic	154	12,996
South	132	12,119
Mountain	126	13,023
Pacific	62	5,016
Traditional Home Building	533	47,696
City Living	7	690
Total	540	48,386

Of the 48,386 planned home sites at October 31, 2021, we owned 8,245 and controlled 40,141 through options and purchase agreements.

At October 31, 2021, the aggregate purchase price of land parcels subject to option and purchase agreements in operating communities and future communities was approximately $4.45 billion (including $10.0 million of land to be acquired from joint ventures in which we have invested). Of the $4.45 billion of land purchase commitments, we paid or deposited $336.4 million. If we acquire all of these land parcels, we will be required to pay an additional $4.12 billion. The purchases of these land parcels are expected to occur over the next several years. We have additional land parcels under option that have been excluded from this aggregate purchase price because we do not believe that we will complete the purchase of these land parcels and no additional funds will be required from us to terminate these contracts. These option contracts have either been written off or written down to the estimated amount that we expect to recover when the contracts are terminated.

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

Community Development

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

We act as a general contractor for most of our projects. Subcontractors perform all home construction and land development work, generally under fixed-price contracts. We generally have multiple sources for the materials we purchase. Due to the current strong demand for homes, periodic supply chain disruptions and the constrained availability of certain building products, housing components and construction labor as a result of the pandemic and other factors, the production cycle in many of our markets has elongated. Due to these supply chain and other challenges, we are routinely monitoring our lot releases

and the pace of new orders to balance sales volume and production capacity. See "Risk Factors – General Risk Factors" in Item 1A and "Manufacturing/Distribution Facilities" in Item 2 of this Form 10-K.

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

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

Marketing and Sales

We believe that our marketing strategy for our Traditional Home Building Products has enhanced our reputation as a builder and developer of high quality luxury homes. We believe this reputation results in greater demand for all of our product types. We generally include attractive design features even in our less expensive homes, based on our belief that these enhancements improve our marketing and sales effort.

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

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

We expend great effort and cost in designing and merchandising our model homes, which play an important role in our marketing. Interior merchandising varies among the models and is carefully selected to reflect the lifestyles of prospective buyers.

Visitors to our website, www.TollBrothers.com, can obtain detailed information regarding our communities and homes across the country, take panoramic or video tours of our homes, and design their own homes based upon our available floor plans and options. We have increasingly focused our marketing efforts to the digital environment for media buying and have adopted a number of virtual tools and techniques to allow our sales personnel to engage in remote interactions with potential customers.

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

The second step in the sales process occurs when we sign a binding agreement of sale contract with the home buyer and the home buyer provides a larger cash down payment that is generally non-refundable. Cash down payments averaged approximately 7% of the total purchase price of a home at the end of fiscal year 2021. Between the time that the home buyer signs the non-binding deposit agreement and the binding agreement of sale, which typically takes about three weeks, the home buyer is required to complete a financial questionnaire that gives us the ability to evaluate whether the home buyer has the financial resources necessary to purchase the home. If we determine that the home buyer is not financially qualified, we will not enter into an agreement of sale with the home buyer. During fiscal 2021, 2020, and 2019, our customers signed net contracts for $11.54 billion (12,472 homes), $8.00 billion (9,932 homes), and $6.71 billion (8,075 homes), respectively. When we report net contracts signed, the number and value of contracts signed are reported net of all cancellations occurring during the reporting period, whether the cancelled contracts were originally signed in that reporting period or in a prior period. Additionally, all options selected during the reporting period are reported as sales in that reporting period regardless of when the original contract was signed. Only outstanding agreements of sale that have been signed by both the home buyer and us as of the end of the period for which we are reporting are reported as contracts and included in backlog.

Customer Mortgage Financing

We maintain relationships with a diversified group of mortgage financial institutions, many of which are among the largest in the industry. We believe that national, regional and community banks continue to recognize the long-term value in creating relationships with our affluent 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, better able to secure mortgages due to their typically lower loan-to-value ratios and attractive credit profiles, as compared to the average home buyer.

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

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

Fiscal year	Total Toll Brothers, Inc. settlements (a)	TBI Mortgage Company financed settlements* (b)	Gross capture rate (b/a)	Amount financed (in millions)
2021	9,986	4,364	43.7%	$ 2,160.8
2020	8,496	3,782	44.5%	$ 1,757.5
2019	8,107	3,259	40.2%	$ 1,572.1

* Amounts exclude brokered and referred loans, which amounted to approximately 5.6%, 4.7%, and 4.0% of our home closings in fiscal 2021, 2020, and 2019, respectively.

Prior to the actual closing of the home and funding of the mortgage, the home buyer may lock in an interest rate based upon the terms of the commitment. At the time of rate lock, our mortgage subsidiary agrees to sell the proposed mortgage loan to one of several third-party established mortgage financing institutions (“investors”) that are willing to honor the terms and conditions, including the interest rate, committed to the home buyer. We believe that these investors have adequate financial resources to honor their commitments to our mortgage subsidiary. Mortgage loans are sold to investors with limited recourse provisions derived from industry-standard representations and warranties in the relevant agreements. These representations and warranties primarily involve the absence of misrepresentations by the borrower or other parties, the appropriate underwriting of the loan, and in some cases, a required minimum number of payments to be made by the borrower. The Company generally does not retain any other continuing interest related to mortgage loans sold in the secondary market.

At October 31, 2021, our mortgage subsidiary was committed to fund $3.23 billion of mortgage loans. Of these commitments, $528.1 million, as well as $244.4 million of mortgage loans receivable, had “locked-in” interest rates as of October 31, 2021. Our mortgage subsidiary funds its commitments through a combination of its own capital, capital provided from us, its loan facility, and the sale of mortgage loans to various investors. Our mortgage subsidiary has commitments from investors to acquire all $772.5 million of these locked-in loans and receivables. Our home buyers have not locked in the interest rate on the remaining $2.71 billion of mortgage loan commitments as of October 31, 2021.

Backlog

We had a backlog of $9.50 billion (10,302 homes) at October 31, 2021; $6.37 billion (7,791 homes) at October 31, 2020; and $5.26 billion (6,266 homes) at October 31, 2019. Of the 10,302 homes in backlog at October 31, 2021, approximately 90% are expected to be delivered by October 31, 2022.

Competition

The home building business is highly competitive and fragmented. We compete with numerous home builders of varying sizes, ranging from local to national in scope, some of which have greater sales and financial resources than we do. Sales of existing homes also provide competition. We compete primarily on the basis of price, location, design, quality, service, and reputation. We believe our financial stability, relative to many other home builders in our industry, is a favorable competitive factor.

Seasonality

Our quarterly operating results typically fluctuate with the seasons. A significant portion of our agreements of sale are generally entered into with customers in the winter and spring months. Weather-related events can delay housing starts and closings and increase costs. See “Risk Factors – Risks Related to Our Business and Industry – Our quarterly operating results may fluctuate

due to the seasonal nature of our business" and "– Adverse weather conditions, natural disasters, and other conditions could disrupt the development of our communities, which could harm our sales and results of operation" in Item 1A of this Form 10-K.

Investments in Unconsolidated Entities

We have investments in joint ventures (i) to develop lots 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 hotels ("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"). At October 31, 2021, we had investments of $599.1 million in these unconsolidated entities and were committed to invest or advance up to an additional $248.0 million to these entities if they require additional funding.

In fiscal 2021, 2020, and 2019, we recognized income from the unconsolidated entities in which we had an investment of $74.0 million, $0.9 million, and $24.9 million, respectively. In addition, we earned construction and management fee income from these unconsolidated entities of $21.8 million in fiscal 2021, $17.6 million in fiscal 2020, and $21.8 million in fiscal 2019.

Land Development Joint Ventures

At October 31, 2021, we had investments in 12 Land Development Joint Ventures to develop land. Some of these Land Development Joint Ventures develop land for the sole use of the venture participants, including us, and others develop land for sale to the joint venture participants and to unrelated builders. At October 31, 2021, we had approximately $243.8 million invested in our Land Development Joint Ventures and funding commitments of $173.8 million to nine of the Land Development Joint Ventures which will be funded if additional investments in the ventures are required. At October 31, 2021, seven of these joint ventures had aggregate loan commitments of $422.4 million and outstanding borrowings against these commitments of $328.2 million. At October 31, 2021, our Land Development Joint Ventures owned approximately 23,700 home sites.

At October 31, 2021, we had agreed to acquire 190 home sites from two of our Land Development Joint Ventures for an aggregate purchase price of approximately $10.0 million. In addition, we expect to purchase approximately 5,800 additional home sites over a number of years from several of these joint ventures. The purchase prices of these home sites will be determined at a future date. We count lots in these joint ventures as optioned lots if we have a contractual right to acquire them.

Home Building Joint Ventures

At October 31, 2021, we had an aggregate $12.9 million of investments in our Home Building Joint Ventures to develop luxury for-sale homes. In fiscal 2021, the value of net contracts signed by our Home Building Joint Ventures was $81.8 million (29 homes), and they delivered $88.5 million (32 homes) of revenue.

Rental Property Joint Ventures

As part of our strategy to expand product lines, over the past several years, we acquired control of a number of land parcels to be developed as for-rent apartment projects, including several student housing sites. At October 31, 2021, we had an aggregate of $316.6 million of investments in 32 Rental Property Joint Ventures. At October 31, 2021, we or joint ventures in which we have an interest controlled 59 land parcels that are planned as for-rent apartment projects containing approximately 19,500 units. At October 31, 2021, joint ventures in which we had an interest had aggregate loan commitments of $2.35 billion and outstanding borrowings against these commitments of $1.34 billion. These projects are located in multiple metropolitan areas throughout the country and are being operated or developed (or we expect will be developed) with partners under the brand names Toll Brothers Apartment Living and Toll Brothers Campus Living.

In fiscal 2021, we announced a strategic partnership with Equity Residential, an NYSE-listed company focused on the acquisition, development and management of residential rental properties, to selectively acquire and develop sites for new rental apartment communities in metro Boston, MA; Atlanta, GA; Austin, TX; Denver, CO; Orange County/San Diego, CA; Seattle, WA; and Dallas-Fort Worth, TX. The strategic partnership has an initial term of three years. For selected projects, Equity Residential is expected to invest 75% of the equity and we are expected to invest the remaining 25% of the equity. It is expected that each project will also be financed with approximately 60% leverage. Equity Residential will have the option to acquire each property upon stabilization. The parties have targeted an initial minimum co-investment of $733.0 million in combined equity, or $1.83 billion in aggregate value, assuming 60% leverage. In connection with this strategic partnership, our apartment living division will act as the managing member of each project, overseeing approvals, design and construction for which we will receive development, construction management, and financing fees, as well as a promoted interest to be realized upon the sale of each property. We have agreed, with limited exceptions, to develop apartment projects exclusively with Equity

Residential in the designated metro markets. In connection with this strategic partnership, Equity Residential will receive fees for property management, leasing and marketing services, as well as construction oversight. In the fourth quarter of fiscal 2021, we entered into three joint ventures with Equity Residential under this arrangement. We also continue to evaluate potential strategic partnerships for our apartment projects in metro markets that are not designated to be developed exclusively with Equity Residential.

At October 31, 2021, we had approximately 3,200 units in for-rent apartment projects that were occupied or ready for occupancy, 1,500 units in the lease-up stage, 9,200 units in the design phase or under development, and 5,600 units in the planning stage. Of the 19,500 units at October 31, 2021, 11,000 were owned by joint ventures in which we have an interest, approximately 3,600 were owned by us, and 4,900 were under contract to be purchased by us.

Gibraltar Joint Ventures

Over the past three years, we, through Gibraltar, entered into several ventures with an institutional investor to provide financing and land banking to residential buildings and developers. We have an approximate 25% interest in these ventures. These ventures will finance builders' and developers' acquisition and development of land and home sites and pursue other complementary investment strategies. We may invest up to $100.0 million in these ventures. As of October 31, 2021, we had an investment of $25.8 million in these ventures.

Regulatory and Environmental Matters

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

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

We also are subject to a variety of local, state, and federal statutes, ordinances, rules, and regulations concerning protection of public health and the environment ("environmental laws"). The particular environmental laws that apply to any given community vary according to the location and environmental condition of the site and the present and former uses of the site. An increased regulatory focus on reducing greenhouse gas emissions has lead to legislative mandates in certain jurisdictions that require new homes to be more energy efficient than existing homes, or that mandate energy efficient features, such as solar panels, be included in new construction. Complying with these environmental laws may result in delays, may cause us to incur substantial compliance and other costs, and/or may prohibit or severely restrict development in certain environmentally sensitive regions or areas.

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

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

Insurance/Warranty

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

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

Human Capital Resources

At October 31, 2021, we employed approximately 5,100 persons full-time, as compared to approximately 4,500 employees at October 31, 2020. At October 31, 2021, less than 2% of our employees were covered by a collective bargaining agreement.

We believe our employees are among our most important resources and are critical to our continued success. We focus significant attention on attracting and retaining talented and experienced individuals to manage and support our operations, and our management team routinely reviews employee turnover rates at various levels of the organization. Management also reviews employee engagement and satisfaction surveys to monitor employee morale and receive feedback on a variety of issues. We pay our employees competitively and offer a broad range of company-paid benefits, which we believe are competitive with others in our industry.

We are committed to hiring, developing and supporting a diverse and inclusive workplace. Our management teams and all of our employees are expected to exhibit and promote honest, ethical and respectful conduct in the workplace. All of our employees must adhere to a code of conduct that sets standards for appropriate behavior and includes required annual training on preventing, identifying, reporting and stopping any type of unlawful discrimination.

In response to the COVID-19 pandemic, during fiscal 2020 we implemented enhanced safety protocols and procedures to protect our employees, our subcontractors and our customers. Many of these protocols have evolved and were continued throughout fiscal 2021 in accordance with regulations from federal, state and local government agencies and taking into consideration guidelines of the Centers for Disease Control and Prevention and other public health authorities. In addition, many of the modifications that we made to the way we conduct certain aspects of our business have become more permanent. For example, we continue to use and expand technologies that allow for virtual interactions in many aspects of our business, including customer facing activities. Many administrative and operational routines have been modified as a result of the pandemic as well, including with respect to providing our employees with greater flexibility to work remotely. Many of these modifications have been well received by our employees with minimal disruption to our operations. For a detailed discussion of the impact of the COVID-19 pandemic on our human capital resources, see “Risk Factors - Public health issues such as the COVID-19 pandemic have adversely affected, and could in the future adversely affect, our business or financial results” in “Item 1A” of this Form 10-K.

Available Information

We file annual, quarterly and current reports, proxy statements, and other information with the Securities and Exchange Commission (the “SEC”). These filings are available over the internet at the SEC’s website at http://www.sec.gov.

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

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

FORWARD-LOOKING STATEMENTS

Certain information included in this report or in other materials we have filed or will file with the SEC (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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," "likely," "will," and other words or phrases of similar meaning. Such statements may include, but are not limited to, information related to: the impact of COVID-19 on the U.S. economy, the markets in which we operate or may operate, and on our business; our strategic priorities; our land acquisition, land development and capital allocation priorities; market conditions; inflation rates; 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, including expected labor and material costs; 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; our ability to acquire land and pursue real estate opportunities; our ability to gain approvals and open new communities; our ability to market, construct and sell homes and properties; our ability to deliver homes from backlog; our ability to secure materials and subcontractors; our ability to produce the liquidity and capital necessary to conduct normal business operations or to expand and take advantage of opportunities; and the outcome of legal proceedings, investigations, and claims.

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. Many of the factors mentioned in "Item 1A - Risk Factors" below or in other reports or public statements made by us 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.

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. This can occur as a result of incorrect assumptions or as a consequence of known or unknown risks and uncertainties.

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

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

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

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

ITEM 1A. RISK FACTORS

Risks Related to Our Business and Industry

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

Demand for our homes and rental apartments is subject to fluctuations, often due to factors outside of our control, such as employment levels, consumer confidence and spending, housing demand, availability of financing for homebuyers, interest rates, availability and prices of new homes compared to existing inventory, and demographic trends. In a housing market downturn, our sales and results of operations will be adversely affected; we may have significant inventory impairments and other write-offs; our gross margins may decline significantly from historical levels; and we may incur substantial losses from operations. At any particular time, we cannot accurately predict whether housing market conditions will improve, deteriorate or continue as they exist at that time.

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

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

Significant inflation, higher interest rates or deflation could adversely affect our business and financial results.

Inflation can adversely affect us by increasing costs of land, materials and labor, and interest rates. All of these factors can have a negative impact on housing affordability. In a highly inflationary environment, we may be unable to raise the sales prices of our homes at or above the rate of inflation, which could reduce our profit margins. In addition, our cost of capital, labor and materials can increase, which could have an adverse impact on our business or financial results.

Alternatively, deflation could cause an overall decrease in spending and borrowing capacity, which could lead to deterioration in economic conditions and employment levels. Deflation could also cause the value of our inventories to decline or reduce the value of existing homes. These, or other factors that increase the risk of significant deflation, could have a negative impact on our business or financial results.

Our ability to execute on our business strategies is uncertain, and we may be unable to achieve our goals.

We cannot guarantee that (i) our strategies, which include expanding our geographic footprint, product lines and price points, and becoming a more capital and operationally efficient home builder, and any related initiatives or actions, will be successful or that they will generate growth, earnings or returns at any particular level or within any particular time frame; (ii) in the future we will achieve positive operational or financial results or results in any particular metric or measure equal to or better than those attained in the past; or (iii) we will perform in any period as well as other home builders. We also cannot provide any assurance that we will be able to maintain our strategies, and any related initiatives or actions, in the future and, due to unexpectedly favorable or unfavorable market conditions or other factors, we may determine that we need to adjust, refine or abandon all or portions of our strategies, and any related initiatives or actions, though we cannot guarantee that any such adjustments will be successful. The failure of any one or more of our present strategies, or any related initiatives or actions, or the failure of any adjustments that we may pursue or implement, would likely have an adverse effect on our ability to increase the value and profitability of our business; on our ability to operate our business in the ordinary course; on our overall liquidity; and on our consolidated financial statements, and the effect, in each case, could be material.

Negative publicity could negatively impact sales, which could cause our revenues or results of operations to decline.

Our business is dependent upon the appeal of the Toll Brothers brand, and its association with quality and luxury is integral to our success. Our strategy includes growing our business by expanding our luxury brand to new price points, product lines and geographies, including expansion of our affordable luxury products. If we are unable to maintain the position of the Toll Brothers brand, our business may be adversely affected by diminishing the distinctive appeal of the brand and tarnishing its image. This could result in lower sales and earnings.

In addition, unfavorable media or investor and analyst reports related to our industry, company, brand, marketing, personnel, operations, business performance, or prospects may affect our stock price and the performance of our business, regardless of its accuracy or inaccuracy. Furthermore, the speed at which negative publicity is disseminated has increased dramatically through the use of electronic communication, including social media outlets, websites and other digital platforms. Our success in maintaining and enhancing our brand depends on our ability to adapt to this rapidly changing media environment. Adverse publicity or negative commentary from any media outlets could damage our reputation and reduce the demand for our homes, which would adversely affect our business.

We can also be affected by poor relations with the residents of communities we develop because efforts made by us to resolve issues or disputes that may arise in connection with the operation or development of their communities, or in connection with the transition of a homeowners association, could be deemed unsatisfactory by the affected residents and subsequent actions by these residents could adversely affect sales or our reputation. In addition, we could decide or be required to make material expenditures related to the settlement of such issues or disputes, which could adversely affect the results of our operations.

A significant portion of our revenues and income from operations is generated from California in our Traditional Home Building segment.

A significant portion of our revenues and income from operations are concentrated in California. Factors beyond our control could have a material adverse effect on our revenues and/or income from operations generated in California. These factors include, but are not limited to: changes in the regulatory and fiscal environment; prolonged economic downturns; high levels of foreclosures; lack of affordability; a decline in foreign buyer demand; severe weather including drought; the risk of local governments imposing building moratoriums; natural disasters such as earthquakes and wild fires; environmental incidents; and declining population and/or growth rates and the related reduction in housing demand in this region. If home sale activity or sales prices decline in California, our costs may not decline at all or at the same rate and, as a result, our consolidated financial results may be adversely affected.

In the construction of a high-rise building, whether a for-sale or a for-rent property, we incur significant costs before we can begin construction, sell and deliver the units to our customers, or commence the collection of rent and recover our costs. We may be subject to delays in construction that could lead to higher costs that could adversely affect our operating results. Changing market conditions during the construction period could negatively impact sales prices and rents, which could adversely affect our operating results.

Before a high-rise building generates any revenues, we make significant expenditures to acquire land; to obtain permits, development approvals, and entitlements; and to construct the building. It generally takes several years for us to acquire the land and construct, market, and deliver units or lease units in a high-rise building. Completion times vary on a building-by-building basis depending on the complexity of the project, its stage of development when acquired, our relationship with any joint venture partners that may be involved in a project, and the regulatory and community issues involved. As a result of these potential delays in the completion of a building, we face the risk that demand for housing may decline during this period and we may be forced to sell or lease units at a loss or for prices that generate lower profit margins than we initially anticipated. Furthermore, if construction is delayed, we may face increased costs as a result of inflation or other causes and/or asset carrying costs (including interest on funds used to acquire the land and construct the building). These costs can be significant and can adversely affect our operating results. In addition, if values of the building or units decline, we may also be required to recognize material write-downs of the book value of the building in accordance with U.S. generally accepted accounting principles.

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

Our backlog reflects agreements of sale with our home buyers for homes that have not yet been delivered. We have received a deposit from our home buyer for each home reflected in our backlog, and generally we have the right to retain the deposit if the home buyer does not complete the purchase. In some cases, however, a home buyer may cancel the agreement of sale and receive a complete or partial refund of the deposit for reasons such as state and local law, the home buyer's inability to obtain mortgage financing, the home buyer's inability to sell their current home, or our inability to complete and deliver the home within the specified time. At October 31, 2021, we had 10,302 homes with a sales value of $9.50 billion in backlog. If economic conditions decline, if mortgage financing becomes less available, or if our homes become less attractive due to conditions at or in the vicinity of our communities, we could experience an increase in home buyers canceling their agreements of sale with us, which could have an adverse effect on our business and results of operations.

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

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

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

In the long term, our operations depend on our ability to obtain land at reasonable prices for the development of our residential communities. At October 31, 2021, we had approximately 80,900 home sites that we owned or controlled through options. In the future, changes in the general availability of land, competition for available land, availability of financing to acquire land,

zoning regulations that limit housing density, and other market conditions may hurt our ability to obtain land for new residential communities at prices that will allow us to make a reasonable profit. If the supply of land appropriate for the development of our residential communities becomes more limited because of these factors or for any other reason, the cost of land could increase and/or the number of homes that we are able to sell and build could be reduced.

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

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

We rely on subcontractors to construct our homes and on building supply companies to supply components for the construction of our homes. The failure of our subcontractors to properly construct our homes and adopt appropriate jobsite safety practices or defects in the components we obtain from building supply companies could have an adverse effect on us.

We engage subcontractors to perform the actual construction of our homes and purchase components used in the construction of our homes from building supply companies. Despite our quality control and jobsite safety efforts, we may discover that our subcontractors were engaging in improper construction or safety practices or that the components purchased from building supply companies are not performing as specified. The occurrence of such events could require us to repair homes in accordance with our standards and as required by law, or to respond to claims of improper oversight of construction sites. The cost of satisfying our legal obligations in these instances may be significant, and we may be unable to recover the cost of repair from subcontractors, suppliers and insurers. For example, we have incurred or expect to incur significant costs to repair 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 warranty charges.

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

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

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

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

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

Our mortgage subsidiary, TBI Mortgage Company, is subject to various state and federal statutes, rules, and regulations, including those that relate to licensing, lending operations, and other areas of mortgage origination and financing. The impact of

those statutes, rules, and regulations can increase our home buyers' cost of financing, increase our cost of doing business, and restrict our home buyers' access to some types of loans.

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

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

We record expenses and liabilities based on the estimated costs required to cover our self-insured liability under our insurance policies and estimated costs of potential claims and claim adjustment expenses that are above our coverage limits or that are not covered by our insurance policies. These estimated costs are based on an analysis of our historical claims and industry data, and include an estimate of claims incurred but not yet reported. The projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to our markets and the types of products 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.

Over the past several years, we have had a significant number of water intrusion claims related to homes we 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.

Our multi-unit buildings are subject to fluctuations in delivery volume due to their extended construction time, levels of pre-sales, and quick delivery of units once buildings are complete.

Our quarterly operating results will fluctuate depending on the timing of completion of construction of our multi-unit buildings, levels of pre-sales, and the relatively short delivery time of the pre-sold units once the building is completed. Depending on the number of multi-unit buildings that are completed in a quarter, our quarterly operating results may be uneven and may be marked by lower revenues and earnings in some quarters than in others.

Increases in taxes or government fees could increase our costs, and adverse changes in tax laws or their interpretation could reduce demand for our homes and negatively affect our operating results.

Increases in real estate taxes and other local government fees, such as fees imposed on developers to fund schools, open space, and road improvements, and/or provide low- and moderate-income housing, could increase our costs and have an adverse effect on our operations. In addition, increases in local real estate taxes could adversely affect our potential home buyers, who may consider those costs in determining whether to make a new home purchase and decide, as a result, not to purchase one of our homes.

Changes in tax laws could reduce or eliminate tax deductions or incentives for homeowners and could make housing less affordable or otherwise reduce the demand for housing, which in turn could reduce our sales and hurt our results of operations. Further, while we believe that our recorded tax balances are adequate, it is not possible to predict the effects of possible changes in the tax laws or changes in their interpretation and whether they could have a material adverse impact on our operating results. We have filed our tax returns in prior years based upon certain filing positions we believe are appropriate. If the Internal Revenue Service or state taxing authorities disagree with these filing positions, we may owe additional taxes, which could be material.

We are subject to extensive environmental regulations, which may cause us to incur additional operating expenses, subject us to longer construction cycle times, or result in material fines or harm to our reputation.

We are subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment, including those regulating the emission or discharge of materials into the environment, the management of storm water runoff at construction sites, the handling, use, storage and disposal of hazardous substances,

impacts to wetlands and other sensitive environments, and the remediation of contamination at properties that we own or develop. In addition, an increased regulatory focus on reducing greenhouse gas emissions has lead to legislative mandates in certain jurisdictions that require new homes to be more energy efficient than existing homes, or that mandate energy efficient features, such as solar panels, be included in new construction. The environmental regulations applicable to each community in which we operate vary greatly depending on the location of the community site, the site's environmental conditions and the present and former use of the site. Environmental regulations may cause delays, may cause us to incur substantial compliance, remediation or other costs, and can prohibit or severely restrict development and home building activity. In addition, noncompliance with these regulations could result in fines and penalties, obligations to remediate, permit revocations or other sanctions; and contamination or other environmental conditions at or in the vicinity of our developments, whether or not we were responsible for such conditions, may result in claims against us for personal injury, property damage or other losses.

From time to time, the United States Environmental Protection Agency and other federal or state agencies review home builders' compliance with environmental laws and may levy fines and penalties for failure to strictly comply with applicable environmental laws or impose additional requirements for future compliance as a result of past failures. Any such actions taken with respect to us may increase our costs or harm our reputation. Further, we expect that increasingly stringent requirements will be imposed on home builders in the future. Environmental regulations can also have an adverse impact on the availability and price of certain raw materials such as lumber. Our communities in California are especially susceptible to restrictive government regulations and environmental laws, particularly surrounding water usage, as well as residential building codes and zoning regulations designed to counteract climate change or otherwise enhance the sustainability of the environment. Any or all of these changes could increase our costs to develop homes and adversely affect our financial condition and results of operations.

Failure by our employees or representatives to comply with laws and regulations may harm us.

We are required to comply with laws and regulations that govern all aspects of our business including land acquisition, development, home construction, labor and employment, mortgage origination, title and escrow operations, sales, and warranty. It is possible that our employees or entities engaged by us, such as subcontractors, could intentionally or unintentionally violate some of these laws and regulations. Although we endeavor to take immediate action if we become aware of such violations, we may incur fines or penalties as a result of these actions and our reputation with governmental agencies and our customers could be damaged.

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

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

Currently, the strong demand for homes has caused multiple disruptions in our supply chain, and has resulted in shortages in certain building materials and tightness in the labor market. This has caused our construction cycle to lengthen and costs of building materials to increase. If shortages and cost increases in building materials and tightness in the labor market persist for a prolonged period of time, our profit margins and results of operations could be adversely impacted.

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

Our quarterly operating results may fluctuate due to the seasonal nature of our business.

Our quarterly operating results fluctuate with the seasons; normally, a significant portion of our agreements of sale are entered into with customers in the winter and spring months. Construction of one of our traditional homes typically proceeds after signing the agreement of sale with our customer and typically require 9 to 12 months to complete, although construction times can extend beyond 12 months in periods of high demand or when materials and labor shortages are widespread - conditions that characterize the current environment. In addition, weather-related problems may occur from time to time, delaying starts or closings or increasing costs and reducing profitability. In addition, delays in opening new communities or new sections of

existing communities could have an adverse impact on home sales and revenues. Expenses are not incurred and recognized evenly throughout the year. Because of these factors, our quarterly operating results may be uneven and may be marked by lower revenues and earnings in some quarters than in others.

We are implementing a new enterprise resource planning system, and challenges with the implementation of the system may impact our business and operations.

We are in the midst of a multi-year process of implementing a complex new enterprise resource planning system ("ERP"). The ERP implementation requires the integration of the new ERP with multiple new and existing information systems and business processes, and is designed to accurately maintain our books and records and provide information to our management teams important to the operation of the business. Our ERP implementation will continue to require ongoing investment. If the system as it currently stands or after necessary investments does not result in our ability to maintain accurate books and records, our financial condition, results of operations, and cash flows could be negatively impacted. Additionally, conversion from our old system to the ERP may cause inefficiencies until the ERP is stabilized and mature. The implementation of our ERP mandated new procedures and many new controls over financial reporting. These procedures and controls are not yet mature in their operation and not fully tested by our internal auditors. If we are unable to adequately implement and maintain procedures and controls relating to our ERP, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired and impact our assessment of the effectiveness of our internal controls over financial reporting.

Risks Related to Indebtedness and Financing

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

Our business and results of operations depend substantially on our ability to obtain financing, whether from bank borrowings or from financing in the public debt markets. Substantially all of our revolving credit facility, which provides for approximately $1.90 billion in committed borrowing capacity, and our $650.0 million term loan mature in November 2026. In addition, $2.00 billion of our senior notes become due and payable at various times from April 2023 through November 2029. We cannot be certain that we will be able to replace existing financing or find additional sources of financing in the future on favorable terms or at all.

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

Increases in interest rates can make it more difficult and/or expensive for us to obtain the funds we need to operate our business. The amount of interest we incur on our revolving bank credit facility and term loan (exclusive of the amount we have hedged with interest rate swap transactions as further described in Note 6 – "Loans Payable, Senior Notes, and Mortgage Company Loan Facility" in Item 15(a)1 of this Form 10-K) fluctuates based on changes in short-term interest rates and the amount of borrowings we incur. Increases in interest rates generally and/or any downgrade in the ratings that national rating agencies assign to our outstanding debt securities could increase the interest rates we must pay on any subsequent issuances of debt securities, and any such ratings downgrade could also make it more difficult for us to sell such debt securities.

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

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

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

Generally, when our mortgage subsidiary closes a mortgage for a home buyer at a previously locked-in rate, it already has an agreement in place with an investor to acquire the mortgage following the closing. Our mortgage loans are sold to investors

with limited recourse provisions derived from industry-standard representations and warranties in the relevant agreements. These representations and warranties primarily involve the absence of misrepresentations by the borrower or other parties, the appropriate underwriting of the loan and in some cases, a required minimum number of payments to be made by the borrower. We generally do not retain any other continuing interest related to mortgage loans sold in the secondary market. However, if these recourse provisions are not satisfied, the mortgage loans sold to investors could be returned to us. In addition, if the resale market for our mortgages decline or the underwriting standards of our investors become more stringent, our ability to sell future mortgage loans could be adversely affected and either we would have to commit our own funds to long-term investments in mortgage loans, which could, among other things, delay the time when we recognize revenues from home sales on our statements of operations, or our home buyers would be required to find an alternative source of financing. If our home buyers cannot obtain another source of financing in order to purchase our homes, our sales and results of operations could be adversely affected.

Risks Related to the COVID-19 Pandemic and Other External Factors

Public health issues such as the COVID-19 pandemic have adversely affected, and could in the future adversely affect, our business or financial results.

The United States and other countries have experienced, and may experience in the future, outbreaks of contagious diseases that affect public health and public perception of health risk. In connection with the outbreak of the global COVID-19 pandemic in 2020, the United States declared a national emergency in March 2020 and the World Health Organization and the U.S. Centers for Disease Control and Prevention recommended containment and mitigation measures. Numerous states and municipalities have also declared public health emergencies. Along with these declarations, extraordinary and wide-ranging actions have been taken by international, federal, state, and local public health and governmental authorities to mitigate the impact of COVID-19, including quarantines, stay-at-home orders and business closure mandates requiring that individuals substantially restrict daily activities and that businesses substantially modify, curtail or cease normal operations. Many of these measures are currently in place in, or are being contemplated by, many jurisdictions throughout the United States. Additional measures may be imposed by governmental authorities in the future as the country continues to experience periodic resurgences of the pandemic, especially the outbreak of new variants. Due to these restrictions, and in an effort to ensure the safety of our employees, customers, trade partners and the communities in which we operate, we have modified our business operations since the onset of the pandemic, which has resulted in, among other things, disruptions to our ability to deliver homes.

There is continuing significant uncertainty regarding the extent to which and how long COVID-19 and related government directives, actions and economic relief efforts will disrupt the U.S. economy and level of employment, capital markets, secondary mortgage markets, consumer confidence, demand for our homes and availability of mortgage loans to homebuyers. The extent to which COVID-19 impacts our operational and financial performance will depend on future developments, including the duration of the COVID-19 pandemic, the acceptance and effectiveness of vaccines, and the impact of COVID-19 and related containment and mitigation measures on our customers, trade partners and employees, all of which are highly uncertain, unpredictable and outside our control. If COVID-19 continues to have a significant negative impact on economic conditions over a prolonged period of time, our results of operations and financial condition could be materially adversely impacted.

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

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

General Risk Factors

Increased domestic or international instability could have an adverse effect on our operations.

Increased domestic or international instability could adversely impact the economy and significantly reduce the number of new contracts signed, increase the number of cancellations of existing contracts, and/or increase our operating expenses, which could adversely affect our business.

We could be adversely impacted by the loss of key management personnel or if we fail to attract qualified personnel.

Our future success depends, to a significant degree, on the efforts of our senior management and our ability to attract qualified personnel. Our operations could be adversely affected if key members of our senior management leave the Company or we cannot attract qualified personnel to manage our business.

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

We use information technology and other computer resources to carry out important operational and marketing activities as well as maintain our business records, including information provided by our customers. Many of these resources are provided to us and/or maintained on our behalf by third-party service providers pursuant to agreements that specify certain security and service level standards. Our ability to conduct our business may be impaired if these resources are compromised, degraded, damaged or fail, whether due to a virus or other harmful circumstance, intentional breach or disruption of our information technology resources by a third party, natural disaster, hardware or software corruption, failure or error (including a failure of security controls incorporated into or applied to such hardware or software), telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions (including the failure to follow our security protocols), or lost connectivity to our networked resources. A significant and extended disruption in the functioning of these resources could impair our operations, damage our reputation, and cause us to lose customers, sales and revenue.

In addition, breaches of our data security systems, including by cyber-attacks, could result in the unintended public disclosure or the misappropriation of our proprietary information or personal and confidential information, about our employees, consumers who view our homes, home buyers, mortgage loan applicants and business partners, requiring us to incur significant expense to address and resolve these kinds of issues. The release of confidential information may lead to identity theft and related fraud, litigation or other proceedings against us by affected individuals and/or business partners and/or by regulators, and the outcome of such proceedings, which could include penalties or fines, could have a material and adverse effect on our reputation, business, financial condition and results of operations. Depending on its nature, a particular breach or series of breaches of our systems may result in the unauthorized use, appropriation or loss of confidential or proprietary information on a one-time or continuing basis, which may not be detected for a period of time. In addition, the costs of maintaining adequate protection against such threats, as they develop in the future (or as legal requirements related to data security increase) could be material.

In 2019, certain of our loan applicants experienced identity theft that we determined had occurred through the unauthorized access of one of our third-party service provider's information systems, and, in the first quarter of fiscal 2020, we were the direct target of an external cyber-attack that temporarily disrupted access to certain of our systems and may have resulted in the compromise of some proprietary internal data. Neither of these incidents has individually or in the aggregate resulted in any material liability to us, any material damage to our reputation, or any material disruption to our operations. However, as a result of a widespread increase in the frequency and number of cyber-attacks, we expect that we will continue to be the target of additional and increasingly sophisticated cyber-attacks and data security breaches, and the safeguards we have designed to help prevent these incidents from occurring may not be successful. Any further increase in the frequency or scope of cyber-attacks may exacerbate these data security risks. If we experience additional cyber-attacks or data security breaches in the future, we could suffer material liabilities, our reputation could be materially damaged, and our operations could be materially disrupted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Headquarters

Our corporate office, which we lease from an unrelated party, contains approximately 163,000 square feet and is located in Fort Washington, Pennsylvania.

Manufacturing/Distribution Facilities

We own a manufacturing facility of approximately 225,000 square feet located in Morrisville, Pennsylvania and a manufacturing facility totaling approximately 150,000 square feet located in Emporia, Virginia. We also lease, from unrelated parties, a facility of approximately 56,000 square feet located in Fairless Hills, Pennsylvania and two facilities of approximately 38,000 square feet, on a combined basis, located in Westfield, Massachusetts. In addition, we own a 34,000-square foot manufacturing, warehouse, and office facility in Culpepper, Virginia. At these facilities, our Toll Integrated Systems subsidiary manufactures open wall panels, roof and floor trusses, and certain interior and exterior millwork to supply a portion of our construction needs. These facilities supply components used in our North, Mid-Atlantic, and portions of our South geographic regions. These operations also permit us to purchase wholesale lumber, sheathing, windows, doors, certain other interior and

exterior millwork, and other building materials to supply to our communities. We believe that increased efficiencies, cost savings, quality control and productivity result from the operation of these plants and from the wholesale purchase of materials.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various claims and litigation arising principally in the ordinary course of business. We believe that adequate provision for resolution of all current claims and pending litigation has been made 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.

We previously disclosed that the Pennsylvania Attorney General was conducting a review of our construction of stucco homes in Pennsylvania after January 1, 2005 and had requested that we voluntarily produce documents and information. The Company complied with the Attorney General's request by producing information and documents in response to a subpoena issued in the second quarter of fiscal 2019. Because the Attorney General has requested no further information from the Company, we do not expect to include this disclosure in future filings unless a material development occurs.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Shares of our common stock are listed on the New York Stock Exchange ("NYSE") under the symbol "TOL". At December 14, 2021, there were approximately 452 record holders of our common stock.

Issuer Purchases of Equity Securities

During the three months ended October 31, 2021, we repurchased the following shares of our common stock:

Period	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of a publicly announced plan or program (b)	Maximum number of shares that may yet be purchased under the plan or program (b)
	(in thousands)		(in thousands)	(in thousands)
August 1, 2021 to August 31, 2021	95	$ 64.03	95	14,203
September 1, 2021 to September 30, 2021	925	$ 60.96	925	13,278
October 1, 2021 to October 31, 2021	715	$ 56.99	715	12,563
Total	1,735		1,735	

(a) Our stock incentive plans permit us to withhold from the total number of shares that otherwise would be issued to a performance based restricted stock unit recipient or 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 recipient. During the three months ended October 31, 2021, we withheld 2,033 of the shares subject to performance based restricted stock units and restricted stock units to cover approximately $121,000 of income tax withholdings and we issued the remaining 5,245 shares to the recipients. The shares withheld are not included in the total number of shares purchased in the table above.

Our stock incentive plans also permit participants to exercise non-qualified stock options using a "net exercise" method. In a net exercise, we generally withhold from the total number of shares that otherwise would be issued to the participant 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 income tax withholdings, and remit the remaining shares to the participant. During the three-month period ended October 31, 2021, the net exercise method was not employed to exercise options.

(b) On March 10, 2020, our Board of Directors authorized the repurchase of 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. This authorization terminated, effective March 10, 2020, the prior authorization that had been in effect since December 10, 2019. The Board of Directors did not fix any expiration date for the share repurchase program currently in place.

Our revolving credit agreement and term loan agreement each require us to maintain a minimum tangible net worth (as defined in the respective agreements), which limit the amount of share repurchases we may make. Based upon these provisions, our ability to repurchase our common stock was limited to approximately $3.87 billion as of October 31, 2021.

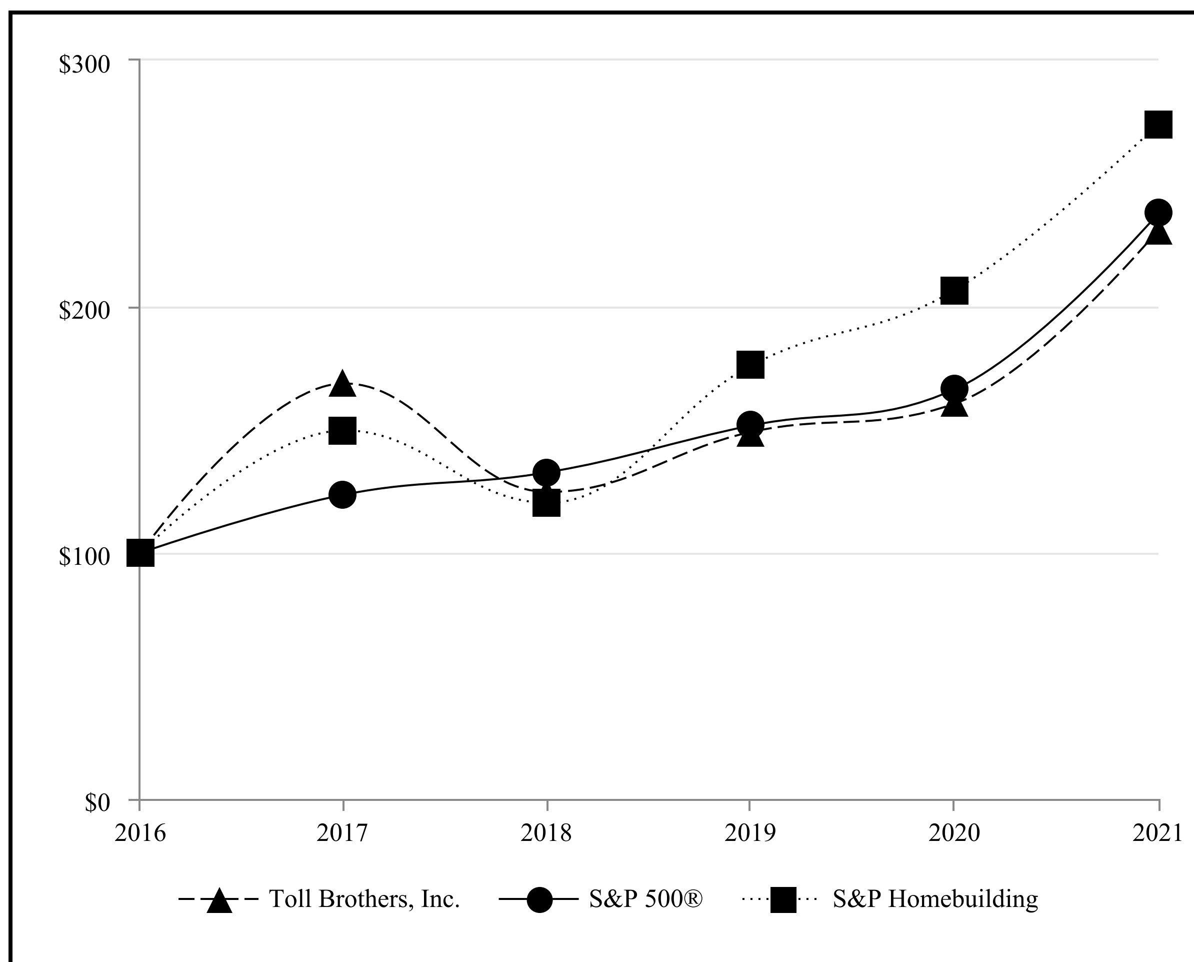
Dividends

During fiscal 2021, we paid aggregate cash dividends of $0.62 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, and the amount of any such dividend, 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, 2021, under the provisions of our revolving credit agreement and term loan agreement, we could have paid up to approximately $3.02 billion of cash dividends.

Stockholder Return Performance Graph

The following graph and chart compares the five-year cumulative total return (assuming that an investment of $100 was made on October 31, 2016, and that dividends were reinvested) from October 31, 2016 to October 31, 2021, 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:	2016	2017	2018	2019	2020	2021
Toll Brothers, Inc.	**$ 100.00**	**$ 168.81**	**$ 124.73**	**$ 149.12**	**$ 160.62**	**$ 231.21**
S&P 500®	**$ 100.00**	**$ 123.63**	**$ 132.71**	**$ 151.73**	**$ 166.46**	**$ 237.90**
S&P Homebuilding Index	**$ 100.00**	**$ 149.74**	**$ 120.33**	**$ 176.18**	**$ 206.79**	**$ 274.26**

ITEM 6. [RESERVED]

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

This discussion and analysis is based on, should be read together with, and is qualified in its entirety by, the Consolidated Financial Statements and Notes thereto 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").

OVERVIEW

Our Business

We design, build, market, sell, and arrange financing for an array of luxury residential single-family detached, attached, 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, 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, 2021, we were operating in 24 states, and in the District of Columbia.

In the five years ended October 31, 2021, we delivered 42,005 homes from 835 communities, including 9,986 homes from 497 communities in fiscal 2021. At October 31, 2021, we had 995 communities in various stages of planning, development or operations containing approximately 80,900 home sites that we owned or controlled through options.

We operate our own architectural, engineering, mortgage, title, land development, insurance, smart home technology, and landscaping subsidiaries. In addition, in certain regions we operate our own lumber distribution, house component assembly and component manufacturing operations.

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 have investments in various unconsolidated entities, including our Land Development Joint Ventures, Home Building Joint Ventures, Rental Property Joint Ventures and Gibraltar Joint Ventures.

Financial Highlights

In fiscal 2021, we recognized $8.43 billion of home sales revenues and net income of $833.6 million, as compared to $6.94 billion of revenues and net income of $446.6 million in fiscal 2020.

In fiscal 2021 and 2020, the value of net contracts signed was $11.54 billion (12,472 homes) and $8.00 billion (9,932 homes), respectively. The value of our backlog at October 31, 2021 was $9.50 billion (10,302 homes), as compared to our backlog at October 31, 2020 of $6.37 billion (7,791 homes).

At October 31, 2021, we had $1.64 billion of cash and cash equivalents and approximately $1.81 billion available for borrowing under our $1.905 billion revolving credit facility (the "Revolving Credit Facility"), substantially all of which matures in November 2026. At October 31, 2021, we had no outstanding borrowings under the Revolving Credit Facility and had outstanding letters of credit of approximately $94.5 million.

At October 31, 2021, our total equity and our debt to total capitalization ratio were $5.34 billion and 0.40 to 1.00, respectively.

Acquisitions

As part of our strategy to expand our geographic footprint and product offerings, in fiscal 2021, we acquired substantially all of the assets and operations of StoryBook Homes, LLC ("StoryBook"), a privately-held home builder serving the Las Vegas, Nevada market, for approximately $38.8 million in cash. The assets acquired were primarily inventory for future communities, including approximately 550 home sites owned or controlled through land purchase agreements.

Our Business Environment and Current Outlook

During fiscal year 2021, we continued to experience very strong demand for our homes as the overall housing market remained robust. During the year, we signed 12,472 net contracts with a value of $11.54 billion, up 26% in units and 44% in dollars compared to fiscal 2020. The strength in demand continued in our fourth quarter, as we signed net contracts of 2,957 homes and $3.00 billion, down 13% in homes compared to a very strong fourth quarter of fiscal 2020, and up 10% in dollars compared to the same period. Signed contracts, in both units and dollars, were the second highest totals for any quarter in our history (behind only the fourth quarter of fiscal 2020). In response to the strong demand and in an effort to drive profitability and manage growth, we continued to raise prices in substantially all of our communities during the fourth quarter. We have also limited lot releases in some of our communities in order to better align sales with our production capacity. We continue to attribute the strong demand for new homes to a number of factors, including a supply-demand imbalance resulting from over a decade of underproduction of new homes, low mortgage rates, a tight supply of resale homes, favorable demographics, and a renewed appreciation for the importance of home. We believe many of these factors will continue to support demand in the foreseeable future.

Our backlog at October 31, 2021 was 10,302 homes and $9.50 billion, up 32% in units and 49% in dollars, as compared to our backlog at October 31, 2020. This was our highest year-end backlog in both units and dollars. We, like many other home builders, are currently experiencing shortages for certain building materials and tightness in labor markets for a number of reasons, including the strong demand environment and disruptions to global supply chains caused by the pandemic and other factors. These disruptions have extended our build times (the time it takes from contract signing to delivery of the completed home) by up to eight weeks as compared to our more typical build time of 9 to 12 months. We continue to work with our suppliers and trade partners to resolve these issues, but we do not expect material or labor conditions to significantly improve in the near term. Continued supply chain disruptions and labor and material shortages could further elongate delivery times and increase cost pressures.

Although housing market demand has remained strong over the past year and as we enter fiscal 2022, future economic conditions and the demand for homes are subject to continued uncertainty due to many factors, including the impacts of inflation, supply chain disruptions and labor shortages, the ongoing impact of the pandemic and government directives, actions and economic relief efforts related thereto, and the further impact of these actions on the economy, mortgage rates and markets, employment levels, consumer confidence, and financial markets, among other things. The potential effect of these factors on our future operational and financial performance is highly uncertain, unpredictable and outside our control. As a result, our past performance may not be indicative of future results.

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 may have 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 build and deliver a home after a home buyer signs an agreement of sale. 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 enables us to obtain necessary governmental approvals before acquiring title to the land; generally commencing construction of a detached home only after executing an agreement of sale and receiving a substantial down payment from the buyer; and using subcontractors to perform home construction and land development work on a fixed-price basis.

During fiscal 2021 and 2020, we acquired control of approximately 27,700 and 12,400 home sites, respectively, net of options terminated and home sites sold. At October 31, 2021, we controlled approximately 80,900 home sites, as compared to approximately 63,200 home sites at October 31, 2020, and approximately 59,200 home sites at October 31, 2019. In addition, at

October 31, 2021, we expect to purchase approximately 5,800 additional home sites from several Land Development Joint Ventures in which we have an interest, at prices not yet determined.

Of the approximately 80,900 total home sites that we owned or controlled through options at October 31, 2021, we owned approximately 36,100 and controlled approximately 44,800 through options. Of the 80,900 home sites, approximately 17,200 were substantially improved.

In addition, at October 31, 2021, our Land Development Joint Ventures owned approximately 23,700 home sites (including 190 home sites included in the 44,800 controlled through options).

At October 31, 2021, we were selling from 340 communities, compared to 317 communities at October 31, 2020, and 333 communities at October 31, 2019.

Customer Mortgage Financing

We maintain relationships with a diversified group of mortgage financial institutions, many of which are among the largest in the industry. We believe that national, regional and community banks continue to recognize the long-term value in creating relationships with 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, 2021, we or joint ventures in which we have an interest, controlled 59 land parcels that are planned as for-rent apartment projects containing approximately 19,500 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 2021, we announced a strategic partnership with Equity Residential, to selectively acquire and develop sites for new rental apartment communities in metro Boston, MA; Atlanta, GA; Austin, TX; Denver, CO; Orange County/San Diego, CA; Seattle, WA; and Dallas-Fort Worth, TX. The strategic partnership has an initial term of three years. For selected projects, Equity Residential is expected to invest 75% of the equity and we are expected to invest the remaining 25% of the equity. It is expected that each project will also be financed with approximately 60% leverage. Equity Residential will have the option to acquire each property upon stabilization. The parties have targeted an initial minimum co-investment of $733.0 million in combined equity, or $1.83 billion in aggregate value, assuming 60% leverage. In the fourth quarter of fiscal 2021, we entered into three joint ventures with Equity Residential under this arrangement. We also continue to evaluate potential strategic partnerships for our apartment projects in metro markets that are not designated to be developed exclusively with Equity Residential.

In fiscal 2021, five of our Rental Property Joint Ventures sold their assets to unrelated parties, resulting in an aggregate gain of $177.6 million recognized by the joint ventures. From our investments in these joint ventures, we received cash and recognized an aggregate gain of $74.8 million in fiscal 2021. In fiscal 2020, 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. We recognized a gain of $10.7 million in fiscal 2020 from this sale. 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, 2021, we had approximately 3,200 units in for-rent apartment projects that were occupied or ready for occupancy, 1,500 units in the lease-up stage, 9,200 units in the design phase or under development, and 5,600 units in the planning stage. Of the 19,500 units at October 31, 2021, 11,000 were owned by joint ventures in which we have an interest; approximately 3,600 were owned by us; and 4,900 were under contract to be purchased by us.

Contracts and Backlog

The aggregate value of net sales contracts signed increased 44% in fiscal 2021, as compared to fiscal 2020. The value of net sales contracts signed was $11.54 billion (12,472 homes) in fiscal 2021 and $8.00 billion (9,932 homes) in fiscal 2020. The increase in the aggregate value of net contracts signed in fiscal 2021, as compared to fiscal 2020, was due to a 26% increase in the number of net contracts signed and a 15% increase in the average value of each contract signed. The increase in the number of net contracts signed in fiscal 2021, as compared to fiscal 2020, reflects an overall increase in demand in the housing market, including a resurgence in demand for our homes that began at the outset of our fiscal 2020 third quarter. We attribute the increase in demand to a number of factors, including low interest rates, a continued undersupply of homes, favorable

demographics, and consumers' increased focus on the importance of home. The increase in average price of net contracts signed in fiscal 2021, as compared to fiscal 2020, was principally due to price increases in many of our markets, partially offset by a shift in mix to lower price product types.

The value of our backlog at October 31, 2021, 2020, and 2019 was $9.50 billion (10,302 homes), $6.37 billion (7,791 homes), and $5.26 billion (6,266 homes), respectively. Approximately 90% of the homes in backlog at October 31, 2021 are expected to be delivered by October 31, 2022. The 49% increase in the value of homes in backlog at October 31, 2021, as compared to October 31, 2020, was due to an increase in the value of net contracts signed and higher home sales revenues in fiscal 2021, as compared to fiscal 2020.

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

CRITICAL ACCOUNTING ESTIMATES

U.S. generally accepted accounting principles ("GAAP") require us to make estimates and assumptions that affect our reported amounts in the consolidated financial statements and accompanying notes. Our estimates are based on (i) currently known facts and circumstances, (ii) prior experience, (iii) assessments of probability, (iv) forecasted financial information, and (v) assumptions that management believes to be reasonable but that are inherently uncertain and unpredictable. We use our best judgment when measuring these estimates, and if warranted, use external advice. On an ongoing basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. In times of economic disruption when uncertainty regarding future economic conditions is heightened, these estimates and assumptions are subject to greater variability.

For a discussion of all our significant accounting policies, including our critical accounting policies, refer to Note 1,"Significant Accounting Policies" of the Consolidated Financial Statements. We believe that the accounting estimates and assumptions described below involve significant subjectivity and judgment, and changes to such estimates or assumptions could have a material impact on our financial condition or operating results. Therefore, we consider an understanding of the variability and judgment required in making these estimates and assumptions to be critical in fully understanding and evaluating our reported financial results.

We believe the following critical accounting estimates 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 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. 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. During the year ended October 31, 2021, we utilized a discount rate of approximately 14% in our valuations. The discount rate used in determining each asset's fair value reflects inherent risks associated with the related estimated cash flows, as well as current risk-free rates available in the market and estimated market risk premiums. 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. Any impairment is charged to cost of home sales revenues in the period in which the impairment is determined.

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, alternative land uses 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 or commitment to build or fund certain dedicated workforce and affordable housing units. 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 have not made any material changes in the accounting methodology we use to assess possible impairments during the past three fiscal years.

We recognized 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, 2021, 2020, and 2019, as shown in the table below (amounts in thousands):

	2021	2020	2019
Land controlled for future communities	$ 5,620	$ 23,539	$ 11,285
Land owned for future communities	19,805	31,669	—
Operating communities	1,110	675	31,075
	$ 26,535	$ 55,883	$ 42,360

Cost of Revenue Recognition

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 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 expected 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.

We rely on certain estimates to determine our construction and land development costs. Construction and land costs are comprised of direct and allocated costs, including estimated future costs. In determining these costs, we compile community budgets that are based on a variety of assumptions, including future construction schedules and costs to be incurred. Actual results can differ from budgeted amounts for various reasons, including construction delays, labor or material shortages, slower absorptions, increases in costs that have not yet been committed, changes in governmental requirements, or other unanticipated issues encountered during construction and development and other factors beyond our control. To address uncertainty in these budgets, we assess, update and revise community budgets on a regular basis, utilizing the most current information available to estimate home construction and land costs.

We have not made any material changes in the methodology used in developing and revising community budgets over the past three fiscal years.

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 related to product type, geographic location and other community specific factors. 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. We have not made any material changes in our methodology or significant assumptions used to establish our warranty reserves during the past three fiscal years.

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, severity 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.

We have not made any material changes in our methodology used to establish our self-insurance reserves during the past three fiscal years. Over the past three fiscal years adjustments to our estimates have not been material.

Investments in Unconsolidated Entities

We evaluate our investments in unconsolidated entities for indicators of impairment on a quarterly basis. 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 estimated fair value. The amount of impairment recognized is the excess of the investment's carrying amount over its estimated fair value.

The evaluation of our investments in unconsolidated entities for other-than-temporary impairment entails a detailed cash flow analysis using many estimates, including but not limited to: (1) projected future distributions from the unconsolidated entities,

(2) discount rates applied to the future distributions and (3) various other factors. For our unconsolidated entities that develop for-sale homes and condominiums these other factors include those that are similar to how we evaluate our inventory for impairment as described above, such as expected sales pace, expected sales price, and costs incurred and anticipated. For our unconsolidated entities that own, develop and manage for-rent residential apartments, these other factors may include rental trends, expected future expenses and cap rates. Our assumptions on the projected future distributions from unconsolidated entities are also dependent on market conditions, sufficiency of financing and capital and competition.

We believe our assumptions on discount rates require significant judgment because the selection of the discount rate may significantly impact the estimated fair value of our investments in unconsolidated entities. A higher discount rate reduces the estimated fair value of our investments in unconsolidated entities, while a lower discount rate increases the estimated fair value of our investments in unconsolidated entities. During the year ended October 31, 2021, we utilized discount rates ranging from 9% to 15% in our valuations. Because of changes in economic conditions, actual results could differ materially from management's assumptions and may require material valuation adjustments to our investments in unconsolidated entities to be recorded in the future.

RESULTS OF OPERATIONS

The following table compares certain items in our Consolidated Statements of Operations and Comprehensive Income and other supplemental information for fiscal 2021 and 2020 ($ 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,		
	2021	2020	% Change
Revenues:			
Home sales	$ 8,431.7	$ 6,937.4	22 %
Land sales and other	358.6	140.3	
	8,790.4	7,077.7	24 %
Cost of revenues:			
Home sales	6,538.5	5,534.1	18 %
Land sales and other	309.0	125.9	
	6,847.5	5,660.0	21 %
Selling, general and administrative	922.0	867.4	6 %
Income from operations	1,020.9	550.3	86 %
Other:			
Income from unconsolidated entities	74.0	0.9	NM
Other income - net	40.6	35.7	14 %
Expenses related to early retirement of debt	(35.2)	—	NM
Income before income taxes	1,100.3	586.9	87 %
Income tax provision	266.7	140.3	90 %
Net income	$ 833.6	$ 446.6	87 %
Supplemental information:			
Home sales cost of revenues as a percentage of home sales revenues	77.5 %	79.8 %	
Land sales and other cost of revenues as a percentage of land sales and other revenues	86.2 %	89.7 %	
SG&A as a percentage of home sales revenues	10.9 %	12.5 %	
Effective tax rate	24.2 %	23.9 %	
Deliveries – units	9,986	8,496	18 %
Deliveries – average sales price (in ‘000s)	$ 844.4	$ 816.5	3 %
Net contracts signed – value	$11,539.9	$ 7,995.1	44 %
Net contracts signed – units	12,472	9,932	26 %
Net contracts signed – average sales price (in ‘000s)	$ 925.3	$ 805.0	15 %

	At October 31,		
	2021	2020	% Change
Backlog – value	$ 9,499.1	$ 6,374.6	49 %
Backlog – units	10,302	7,791	32 %
Backlog – average sales price (in ‘000s)	$ 922.1	$ 818.2	13 %

Note: Amounts may not add due to rounding.

NM - Not Meaningful

A discussion and analysis regarding Results of Operations and Analysis of Financial Condition for the year ended October 31, 2020, as compared to the year ended October 31, 2019, is included in Part II, Item 7, “MD&A” to our Annual Report on Form 10-K for the fiscal year ended October 31, 2020, filed with the SEC on December 22, 2020.

FISCAL 2021 COMPARED TO FISCAL 2020

Home Sales Revenues and Home Sales Cost of Revenues

The increase in home sales revenues in fiscal 2021, as compared to fiscal 2020, was attributable to an 18% increase in the number of homes delivered and a 3% increase in the average price of the homes delivered. The increase in the number of homes delivered in fiscal 2021, as compared to fiscal 2020, is principally due to an increase in the number of homes in backlog at October 31, 2020, as compared to the number of homes in backlog at October 31, 2019, as a result of increased demand for our homes partially offset by lower backlog conversion in fiscal 2021. In addition, restrictions and related impacts on economic activity from the COVID-19 pandemic adversely impacted our ability to construct and deliver homes in certain markets in the second half of fiscal 2020, including New Jersey, New York City, metro Seattle and California. The increase in the average delivered home price was mainly due to sales price increases, partially offset by a shift in mix to lower price product types.

Home sales cost of revenues, as a percentage of homes sales revenues, in fiscal 2021 was 77.5%, as compared to 79.8% in fiscal 2020. The decrease in fiscal 2021 was principally due to a shift in the mix of revenues to higher margin products/areas, higher sales prices outpacing cost increases, lower inventory impairment charges and lower interest expense as a percentage of home sales revenues. Interest cost in fiscal 2021 was $187.2 million or 2.2% of home sales revenues, as compared to $174.4 million or 2.6% of home sales revenues in fiscal 2020. We recognized inventory impairments and write-offs of $26.5 million or 0.3% of home sales revenues and $55.9 million or 0.8% of home sales revenues in fiscal 2021 and fiscal 2020, respectively.

Land Sales and Other Revenues and Land Sales and Other Cost of Revenues

Our revenues from land sales and other 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; (3) bulk land sales to third parties of land we have decided no longer meets our development criteria: and (4) sales of commercial and retail properties generally located at our City Living buildings. Land sales to joint ventures in which we retain an interest are generally sold at our land basis and therefore little to no gross margin is earned on these sales.

In fiscal 2021, we sold a parking garage and retail space associated with our Hoboken, New Jersey condominium projects for $82.4 million and we recognized gains of $38.3 million. In addition, we sold ten land parcels to newly formed Rental Property Joint Ventures in which we have an interest for $227.8 million. No gains were recognized on these land sales to joint ventures. During fiscal 2020, we sold six land parcels to newly formed Rental Property Joint Ventures in which we retained an interest for approximately $74.1 million. Minimal gains were recognized on these land sales to joint ventures.

Selling, General and Administrative Expenses (“SG&A”)

SG&A spending increased by $54.6 million in fiscal 2021, as compared to fiscal 2020. As a percentage of home sales revenues, SG&A was 10.9% and 12.5% in fiscal 2021 and 2020, respectively. The dollar increase in SG&A was due primarily to higher commissions and insurance costs incurred due to the 22% increase in home sales revenues, increased compensation costs due to a higher number of employees and normal compensation increases, partially offset by lower sales and marketing expenses being incurred in a high demand environment. The decrease in SG&A as a percentage of revenues was due to a 22% increase in revenues partially offset by a 6% increase in SG&A spending in fiscal 2021, as compared to fiscal 2020.

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. For our Rental Property Joint Ventures specifically, these entities typically generate operating losses until the related property reaches stabilization. For the fiscal years 2021 and 2020, our earnings related to the Rental Property Joint Ventures include approximately $18.1 million and $1.1 million of our share of net operating losses incurred by these joint ventures, respectively, of which approximately $17.8 million and $11.3 million was our share of the depreciation expense recognized by these joint ventures, respectively.

The increase in income from unconsolidated entities from $0.9 million in fiscal 2020 to $74.0 million in fiscal 2021, was due mainly to $74.8 million of gains recognized in the fiscal 2021 period related to property sales by five of our Rental Property

Joint Ventures, a $6.0 million gain recognized in the fiscal 2021 period related to asset sales of commercial properties by one of our Land Development Joint Ventures, increased earnings at two of our Land Development Joint Ventures due to lot sales and a decrease in other than temporary impairment charges recognized. These increases are partially offset by a $10.7 million gain recognized in the fiscal 2020 period from the sale of our investment in one of our Rental Property Joint Ventures to our joint venture partner and lower income from a Home Building Joint Venture and Land Development Joint Venture which are delivering their final lots/units.

Other Income - Net

The table below provides the components of "Other Income – net" for the years ended October 31, 2021 and 2020 (amounts in thousands):

	2021	2020
Income from ancillary businesses	$ 36,711	$ 25,540
Management fee income from Home Building Joint Ventures, net	1,646	3,636
Other	2,257	6,517
Total other income – net	$ 40,614	$ 35,693

The increase in income from ancillary businesses in fiscal 2021, as compared to fiscal 2020, was principally due to higher income from our mortgage and title operations due to increased volume, as well as lower losses incurred in our apartment living operations. These increases were partially offset by gains of $13.0 million recognized in fiscal 2020 from the sale of golf club properties with no similar sales in fiscal 2021, coupled with losses generated from our City Living commercial operations. In fiscal 2021 and 2020, our apartment living operations incurred $28.3 million and $28.6 million of expenses, respectively, offset by $20.2 million and $14.0 million of management fee income, respectively.

Management fee income from home building unconsolidated entities presented above includes fees earned by our City Living and Traditional Home Building operations. The decrease in fiscal 2021, as compared to fiscal 2020, was primarily related to the decrease in the number of communities. Fees earned by our apartment living operations are included in income from ancillary businesses.

The decrease in "Other" in fiscal 2021, as compared to fiscal 2020, was principally due to lower interest income earned.

Expenses Related to Early Retirement of Debt

In fiscal 2021, we redeemed, prior to maturity, all $250.0 million aggregate principal amount of our then-outstanding 5.625% Senior Notes due 2024. In connection with this redemption, we incurred a pre-tax charge of $34.2 million, inclusive of the write-off of unamortized deferred financing costs, which is recorded in our Consolidated Statement of Operations and Comprehensive Income. No similar charges were incurred in fiscal 2020.

Income Before Income Taxes

In fiscal 2021, we reported income before income taxes of $1.10 billion or 12.5% of revenues, as compared to $586.9 million, or 8.3% of revenues in fiscal 2020.

Income Tax Provision

We recognized a $266.7 million income tax provision in fiscal 2021. Based upon the federal statutory rate of 21.0% for fiscal 2021, our federal tax provision would have been $231.1 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 $50.2 million and $8.4 million of other permanent differences, offset, in part, by a $24.3 million benefit of federal energy efficient home credits; a benefit of $4.7 million from excess tax benefits related to stock-based compensation; and the reversal of $1.0 million of previously accrued tax provisions on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations.

We recognized a $140.3 million income tax provision in fiscal 2020. Based upon the federal statutory rate of 21.0% for fiscal 2020, our federal tax provision would have been $123.2 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 $25.8 million and $4.8 million of other permanent differences, offset, in part, by a $11.5 million benefit of federal energy efficient home credits; a benefit of $3.3 million from excess tax benefits related to stock-based compensation; and the reversal of $1.7 million of previously accrued tax provisions on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations.

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.

Our cash flows from operations generally provide us with a significant source of liquidity. Our cash flows provided by operating activities, supplemented with our short-term borrowings and long-term debt, have been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our operations. Our primary uses of cash include inventory additions in the form of land acquisitions and deposits to obtain control of land, land development, working capital to fund day to day operations, and investments in existing and future unconsolidated joint ventures. We may also use cash to fund capital expenditures such as investments in our information technology systems. From time to time we use some or all of the remaining available cash flow to repay debt, and to fund share repurchases and dividends on our common stock. We believe our sources of cash and liquidity will continue to be adequate to fund operations, finance our strategic operating initiatives, repay debt, fund our share repurchases and pay dividends for the foreseeable future.

At October 31, 2021, we had $1.64 billion of cash and cash equivalents on hand and approximately $1.81 billion available for borrowing under our Revolving Credit Facility.

Short-term Liquidity and Capital Resources

For at least the next twelve months, we expect our principal demand for funds will be for inventory additions in the form of land acquisition, deposits to control land and land development, operating expenses, including our general and administrative expenses, investments and funding of capital improvements, investments in existing and future unconsolidated joint ventures, debt repayment, common stock repurchases, and dividend payments. Demand for funds include interest and principal payments on current and future debt financing, including the $409.9 million principal payment on our 5.875% Senior Notes due February 15, 2022, which we repaid at par, plus accrued interest, on November 15, 2021. We expect to meet our short-term liquidity requirements primarily through our cash and cash equivalents on hand and net cash flows provided by operations. Additional sources of funds include distributions from our unconsolidated joint ventures, borrowing capacity under our revolving credit facility and our mortgage company loan facility, and borrowings from banks and other lenders.

We believe we will have sufficient liquidity available to fund our business needs, commitments and contractual obligations in a timely manner for the next twelve months. We may, however, seek additional financing to fund future growth or refinance our existing indebtedness through the debt capital markets, but we cannot be assured that such financing will be available on favorable terms, or at all.

Long-term Liquidity and Capital Resources

Beyond the next twelve months, our principal demands for funds will be for the payments of the principal amount of our long-term debt as it becomes due or matures, land purchases and inventory additions needed to grow our business, long-term capital investments and investments in unconsolidated joint ventures, common stock repurchases, and dividend payments.

Over the longer term, to the extent the sources of capital described above are insufficient to meet our needs, we may also conduct additional public offerings of our securities, refinance debt or dispose of certain assets to fund our operating activities, debt service, dividends and common stock repurchases. We expect these resources will be adequate to fund our ongoing operating activities as well as providing capital for investment in future land purchases and related development activities and future joint ventures.

Material Cash Requirements

We are a party to many contractual obligations involving commitments to make payments to third parties. These obligations impact our short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on the Consolidated Balance Sheet as of October 31, 2021, while others are considered future commitments. Our contractual obligations primarily consist of long-term debt and related interest payments, payments due on our Mortgage Company Loan Facility, purchase obligations related to expected acquisition of land under purchase agreements and land development agreements (many of which are secured by letters of credit or surety bonds), operating leases, and obligations under our deferred compensation plan, supplemental executive retirement plans, and 401(k) savings plans. We also enter into certain short-term lease commitments, commitments to fund our existing or future unconsolidated joint ventures, letters of credit and other purchase obligations in the normal course of business. For more information regarding our primary obligations, refer to Note 6, “Loans Payable, Senior Notes, and Mortgage Company Loan Facility,” and Note 15, “Commitments and Contingencies,” to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for amounts outstanding as of October 31, 2021, related to debt and commitments and contingencies, respectively.

We also operate through a number of joint ventures and have undertaken various commitments as a result of those arrangements. At October 31, 2021, we had investments in these entities of $599.1 million, and were committed to invest or advance up to an additional $248.0 million to these entities if they require additional funding. We expect to purchase approximately 5,800 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 joint ventures in which we have investments generally finance their activities with a combination of partner equity and debt financing. In some instances, we and our joint venture partner have guaranteed debt of 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 these situations where we have joint and several guarantees with our joint venture partner, we generally seek to implement 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, we are not always successful. In addition, if the joint venture partner does not have adequate financial resources to meet its obligations under such a reimbursement agreement, we may be liable for more than our proportionate share. We believe that as of October 31, 2021, 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, 2021, we had guaranteed the debt of certain unconsolidated entities with loan commitments aggregating $2.20 billion, of which, if the full amount of the debt obligations were borrowed, we estimate $418.8 million to be our maximum exposure related to repayment and carry cost guarantees. At October 31, 2021, the unconsolidated entities had borrowed an aggregate of $1.09 billion, of which we estimate $222.0 million to be our maximum exposure related to repayment and carry cost guarantees. These maximum exposure estimates do not take into account any estimates related to the environmental or “bad boy acts” indemnifications provided to the lenders or 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.

Debt Service Requirements

Our financing strategy is to ensure liquidity and access to capital markets, to maintain a balanced profile of debt maturities, and to manage our exposure to floating interest rate volatility.

Outside of the normal course of operations, one of our principal liquidity needs is the payment of principal and interest on outstanding indebtedness. We are required by the terms of certain loan documents to meet certain covenants, such as financial ratios and reporting requirements. As of October 31, 2021, we were in compliance with all such covenants and requirements on our term loan, credit facility and other loans payable. Refer to Note 6, “Loans Payable, Senior Notes, and Mortgage Company Loan Facility” in the Notes to the Consolidated Financial Statements in Item 15(a)1 of this Form 10-K for additional information.

Operating Activities

Cash provided by operating activities during fiscal 2021 was $1.30 billion. Cash provided by operating activities was generated primarily from $833.6 million of net income plus $23.2 million of stock-based compensation, $76.3 million of depreciation and amortization, $26.5 million of inventory impairments and write-offs, and a net deferred tax benefit of $11.8 million; an increase of $214.8 million in accounts payable and accrued expenses; an increase of $165.6 million in net customer deposits; and a decrease of $135.8 million in receivables, prepaid assets, and other assets. This activity was offset, in part, by an increase of $196.2 million in inventory; an increase of $18.6 million in mortgage loans held for sale; and a $38.7 million gain from the sale of assets.

Cash provided by operating activities during fiscal 2020 was $1.01 billion. Cash provided by operating activities was generated primarily from $446.6 million of net income plus $24.3 million of stock-based compensation, $68.9 million of depreciation and amortization, $55.9 million of inventory impairments and write-offs, and a net deferred tax benefit of $97.8 million; a $352.9 million decrease in inventory; an increase of $71.8 million in accounts payable and accrued expenses; and an increase of $70.4 million in net customer deposits. This activity was offset, in part, by an increase of $176.3 million in receivables, prepaid assets, and other assets and an increase of $9.5 million in mortgage loans held for sale.

Investing Activities

Cash used in investing activities during fiscal 2021 was $4.2 million, primarily related to $221.9 million used to fund investments in unconsolidated entities and $66.9 million for the purchase of property and equipment. This activity was offset, in part, by $203.5 million of cash received as returns on our investments in unconsolidated entities and proceeds of $80.4 million of cash received from sales of certain commercial properties.

Cash used in investing activities during fiscal 2020 was $177.8 million, primarily related to $109.6 million for the purchase of property and equipment; $71.7 million used to fund investments in unconsolidated entities; and $60.3 million used to acquire Thrive. This activity was offset, in part, by $49.2 million of cash received as returns on our investments in unconsolidated entities, foreclosed real estate, and distressed loans and proceeds of $15.6 million of cash received from sales of a golf club property.

Financing Activities

We used $1.01 billion of cash from financing activities in fiscal 2021, primarily for the repurchase of $378.3 million of our common stock; repayments of $267.0 million of other loans payable, net of new borrowings; $294.2 million of redemption of senior notes, and payment of $76.6 million of dividends on our common stock, offset, in part, by the proceeds of $10.5 million from our stock-based benefit plans.

We used $753.3 million of cash from financing activities in fiscal 2020, primarily for the repurchase of $634.1 million of our common stock; repayments of $85.8 million of other loans payable, net of new borrowings; and payment of $56.6 million of dividends on our common stock, offset, in part, by the proceeds of $24.9 million from our stock-based benefit plans.

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.

SUPPLEMENTAL GUARANTOR INFORMATION

At October 31, 2021, our 100%-owned subsidiary, Toll Brothers Finance Corp. (the "Subsidiary Issuer"), had issued and outstanding $2.41 billion aggregate principal amount of senior notes maturing on various dates between February 15, 2022 and November 1, 2029 (the "Senior Notes"), although all $409.9 million in outstanding principal amount of Senior Notes due February 15, 2022 was repaid subsequent to October 31, 2021. For further information regarding the Senior Notes, see Note 6 to our Consolidated Financial Statements under the caption "Senior Notes."

The obligations of the Subsidiary Issuer to pay principal, premiums, if any, and interest are guaranteed jointly and severally on a senior basis by us and substantially all of our 100%-owned home building subsidiaries (the "Guarantor Subsidiaries" and, together with us, the "Guarantors"). The guarantees are full and unconditional, and the Subsidiary Issuer and each of the Guarantor Subsidiaries are consolidated subsidiaries of Toll Brothers, Inc. Our non-home building subsidiaries and several of our home building subsidiaries (together, the "Non-Guarantor Subsidiaries") do not guarantee the Senior Notes. The Subsidiary Issuer generates no operating revenues and does not have any independent operations other than the financing of our other subsidiaries by lending the proceeds of its public debt offerings, including the Senior Notes. Our home building operations are conducted almost entirely through the Guarantor Subsidiaries. Accordingly, the Subsidiary Issuer's cash flow and ability to service the Senior Notes is dependent upon the earnings of the Company's subsidiaries and the distribution of those earnings to the Subsidiary Issuer, whether by dividends, loans or otherwise. Holders of the Senior Notes have a direct claim only against the Subsidiary Issuer and the Guarantors. The obligations of the Guarantors under their guarantees will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference or similar laws affecting the rights of creditors generally) under applicable law.

The indentures under which the Senior Notes were issued provide that any of our subsidiaries that provide a guarantee of our obligations under the Revolving Credit Facility will guarantee the Senior Notes. The indentures further provide that any Guarantor Subsidiary may be released from its guarantee so long as (i) no default or event of default exists or would result from release of such guarantee; (ii) the Guarantor Subsidiary being released has consolidated net worth of less than 5% of the Company's consolidated net worth as of the end of our most recent fiscal quarter; (iii) the Guarantor Subsidiaries released from their guarantees in any fiscal year comprise in the aggregate less than 10% (or 15% if and to the extent necessary to permit the cure of a default) of our consolidated net worth as of the end of our most recent fiscal quarter; (iv) such release would not have a material adverse effect on ours and our subsidiaries' home building business; and (v) the Guarantor Subsidiary is released from its guaranty under the Revolving Credit Facility. If there are no guarantors under the Revolving Credit Facility, all Guarantor Subsidiaries under the indentures will be released from their guarantees.

The following summarized financial information is presented for Toll Brothers, Inc., the Subsidiary Issuer, and the Guarantor Subsidiaries on a combined basis after intercompany transactions and balances have been eliminated among Toll Brothers, Inc., the Subsidiary Issuer and the Guarantor Subsidiaries, as well as their investment in, and equity in earnings from the Non-Guarantor Subsidiaries.

Summarized Balance Sheet Data (amounts in millions)

		October 31, 2021
Assets		
Cash	$	1,471.3
Inventory	$	7,758.6
Amount due from Non-Guarantor Subsidiaries	$	573.3
Total assets	$	10,475.8
Liabilities & Stockholders' Equity		
Loans payable	$	910.0
Senior notes	$	2,404.0
Total liabilities	$	5,534.2
Stockholders' equity	$	4,941.6

Summarized Statement of Operations Data (amounts in millions)

		For the year ended October 31, 2021
Revenues	$	8,534.9
Cost of revenues	$	6,603.4
Selling, general and administrative	$	919.3
Income before income taxes	$	972.6
Net income	$	736.9

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 as follows:

Eastern Region:

- The **North** region: Connecticut, Delaware, Illinois, Massachusetts, Michigan, New Jersey, New York and Pennsylvania;
- The **Mid-Atlantic** region: Georgia, Maryland, North Carolina, Tennessee and Virginia;
- The **South** region: Florida, South Carolina and Texas;

Western Region:

- The **Mountain** region: Arizona, Colorado, Idaho, Nevada and Utah; and
- The **Pacific** region: California, Oregon and Washington.

Our geographic reporting segments are consistent with how our chief operating decision makers are assessing operating performance and allocating capital. The following tables summarize information related to revenues, net contracts signed, and income (loss) before income taxes by segment for fiscal years 2021 and 2020. Information related to backlog and assets by segment at October 31, 2021 and 2020, has also been provided.

Units Delivered and Revenues:

	Fiscal 2021 Compared to Fiscal 2020								
	Revenues ($ in millions)			Units Delivered			Average Delivered Price ($ in thousands)		
	2021	2020	% Change	2021	2020	% Change	2021	2020	% Change
Traditional Home Building:									
North	$1,645.7	$1,364.8	21 %	2,273	2,010	13 %	$ 724.0	$ 679.0	7 %
Mid-Atlantic	1,072.3	845.6	27 %	1,400	1,271	10 %	765.9	665.3	15 %
South	1,183.3	1,041.2	14 %	1,783	1,566	14 %	663.7	664.9	— %
Mountain	2,003.0	1,535.8	30 %	2,732	2,219	23 %	733.2	692.1	6 %
Pacific	2,156.1	2,029.9	6 %	1,566	1,334	17 %	1,376.8	1,521.7	(10)%
Traditional Home Building	8,060.4	6,817.3	18 %	9,754	8,400	16 %	826.4	811.6	2 %
City Living	370.8	120.9	207 %	232	96	142 %	1,598.3	1,259.4	27 %
Other	0.5	(0.8)							
Total home sales revenue	8,431.7	$6,937.4	22 %	9,986	8,496	18 %	$ 844.4	$ 816.5	3 %
Land sales and other revenue	358.6	140.3							
Total revenue	$8,790.3	$7,077.7							

Net Contracts Signed:

	Fiscal 2021 Compared to Fiscal 2020								
	Net Contract Value ($ in millions)			Net Contracted Units			Average Contracted Price ($ in thousands)		
	2021	2020	% Change	2021	2020	% Change	2021	2020	% Change
Traditional Home Building:									
North	$ 1,741.4	$1,552.4	12 %	2,091	2,174	(4)%	$ 832.8	$ 714.1	17 %
Mid-Atlantic	1,306.1	1,075.3	21 %	1,463	1,473	(1)%	892.8	730.0	22 %
South	2,109.6	1,320.1	60 %	2,765	2,006	38 %	763.0	658.1	16 %
Mountain	3,341.4	2,008.2	66 %	4,031	2,802	44 %	828.9	716.7	16 %
Pacific	2,781.7	1,929.6	44 %	1,966	1,404	40 %	1,414.9	1,374.4	3 %
Traditional Home Building	11,280.2	7,885.6	43 %	12,316	9,859	25 %	915.9	799.8	15 %
City Living	259.7	109.5	137 %	156	73	114 %	1,664.7	1,500.0	11 %
Total	$ 11,539.9	$7,995.1	44 %	12,472	9,932	26 %	$ 925.3	$ 805.0	15 %

Backlog at October 31:

	October 31, 2021 Compared to October 31, 2020								
	Backlog Value ($ in millions)			Backlog Units			Average Backlog Price ($ in thousands)		
	2021	2020	% Change	2021	2020	% Change	2021	2020	% Change
Traditional Home Building:									
North	$1,465.9	$1,369.1	7 %	1,724	1,906	(10)%	$ 850.3	$ 718.3	18 %
Mid-Atlantic	1,004.5	770.4	30 %	1,053	990	6 %	954.0	778.2	23 %
South	1,965.2	1,038.4	89 %	2,470	1,488	66 %	795.6	697.9	14 %
Mountain	3,021.9	1,670.7	81 %	3,598	2,274	58 %	839.9	734.7	14 %
Pacific	2,013.3	1,387.1	45 %	1,444	1,044	38 %	1,394.3	1,328.6	5 %
Traditional Home Building	9,470.8	6,235.7	52 %	10,289	7,702	34 %	920.5	809.6	14 %
City Living	28.3	138.9	(80)%	13	89	(85)%	2,173.0	1,560.3	39 %
Total	$9,499.1	$6,374.6	49 %	10,302	7,791	32 %	$ 922.1	$ 818.2	13 %

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

	2021	2020	% Change
Traditional Home Building:			
North	$ 154.3	$ 57.8	167 %
Mid-Atlantic	129.0	50.6	155 %
South	153.8	108.4	42 %
Mountain	276.4	167.7	65 %
Pacific	384.0	352.8	9 %
Traditional Home Building	1,097.5	737.3	49 %
City Living	157.7	29.7	431 %
Corporate and other	(154.9)	(180.1)	14 %
Total	$ 1,100.3	$ 586.9	87 %

"Corporate and other" is comprised principally of general corporate expenses such as our executive offices; 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, and income from our Rental Property Joint Ventures and Gibraltar Joint Ventures.

Total Assets ($ amounts in millions):

	At October 31,	
	2021	2020
Traditional Home Building:		
North	$ 1,357.2	$ 1,427.5
Mid-Atlantic	976.9	918.6
South	1,421.6	1,177.0
Mountain	2,397.5	1,961.3
Pacific	2,175.0	2,226.7
Traditional Home Building	8,328.2	7,711.1
City Living	333.0	539.8
Corporate and other	2,876.7	2,814.8
Total	$ 11,537.9	$ 11,065.7

"Corporate and other" is comprised principally of cash and cash equivalents, restricted cash, income taxes receivable, properties held for rental apartments, 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.

A discussion and analysis regarding our Segments' Results of Operations and Analysis of Financial Condition for the year ended October 31, 2020, as compared to the year ended October 31, 2019 is included in Part II, Item 7, "MD&A" to our Annual Report on Form 10-K for the fiscal year ended October 31, 2020, filed with the SEC on December 22, 2020.

FISCAL 2021 COMPARED TO FISCAL 2020

Traditional Home Building

North

	Year ended October 31,		
	2021	2020	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 1,645.7	$ 1,364.8	21 %
Units delivered	2,273	2,010	13 %
Average delivered price ($ in thousands)	$ 724.0	$ 679.0	7 %
Net Contracts Signed:			
Net contract value ($ in millions)	$ 1,741.4	$ 1,552.4	12 %
Net contracted units	2,091	2,174	(4)%
Average contracted price ($ in thousands)	$ 832.8	$ 714.1	17 %
Home sales cost of revenues as a percentage of home sales revenues	82.9 %	86.3 %	
Income before income taxes ($ in millions)	$ 154.3	$ 57.8	167 %
Number of selling communities at October 31,	64	70	(9)%

The increase in the number of homes delivered in fiscal 2021 was mainly due to an increase in the number of homes in backlog at October 31, 2020, as compared to the number of homes in backlog at October 31, 2019. The increase in the average price of homes delivered in fiscal 2021 was principally due to sales price increases.

The decrease in the number of net contracts signed in fiscal 2021, as compared to fiscal 2020, was principally due to a decrease in the average number of selling communities, offset, in part, by an increase in demand in fiscal 2021. The increase in the average value of each contract signed in fiscal 2021, as compared to fiscal 2020, was mainly due to shifts in the number of contracts signed to more expensive areas and/or products and price increases.

The increase in income before income taxes in fiscal 2021 was principally attributable to higher earnings from increased revenues and lower home sales cost of revenues, as a percentage of home sales revenues. The decrease in home sales cost of revenues, as a percentage of home sales revenues in fiscal 2021 was primarily due to a shift in product mix/areas to higher-margin areas, sales price increases and lower inventory impairment charges.

Inventory impairment charges were $12.2 million in fiscal 2021, as compared to $28.4 million in fiscal 2020. During the fourth quarter of fiscal 2021, we decided to sell the remaining lots in two communities, one in Connecticut and one in Illinois, in bulk sales. Based on our current estimates of bulk sale prices for these communities, we recognized impairment charges of $8.7 related to these communities. In the fourth quarter of fiscal 2020, we changed our strategy with respect to our land in the Delaware beach markets and the Chicago market. As a result, the carrying values of our land and communities were written down to their estimated fair values, which resulted in a charge to income before income taxes of $18.0 million in fiscal 2020 related to this land. In addition, in the fourth quarter of fiscal 2020, due to a loss in lot density at one community located in New Jersey, the carrying value was written down to its estimated fair value, which resulted in a charge to income of $6.4 million.

Mid-Atlantic

	Year ended October 31,		
	2021	2020	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 1,072.3	$ 845.6	27 %
Units delivered	1,400	1,271	10 %
Average delivered price ($ in thousands)	$ 765.9	$ 665.3	15 %
Net Contracts Signed:			
Net contract value ($ in millions)	$ 1,306.1	$ 1,075.3	21 %
Net contracted units	1,463	1,473	(1)%
Average contracted price ($ in thousands)	$ 892.8	$ 730.0	22 %
Home sales cost of revenues as a percentage of home sales revenues	79.9 %	83.6 %	
Income (loss) before income taxes ($ in millions)	$ 129.0	$ 50.6	155 %
Number of selling communities at October 31,	38	39	(3)%

The increase in the number of homes delivered in fiscal 2021, as compared to fiscal 2020, was mainly due to an increase in the number of homes in backlog at October 31, 2020, as compared to the number of homes in backlog at October 31, 2019, partially offset by lower backlog conversion in fiscal 2021. The increase in the average delivered price in fiscal 2021 was primarily due a shift in the number of homes delivered to more expensive areas and/or products, as well as sales price increases.

The decrease in the number of net contracts signed in fiscal 2021, as compared to fiscal 2020, was principally due to a decrease in the average number of selling communities, offset, in part, by an increase in demand. The increase in the average value of each contract signed in fiscal 2021 was primarily due to shifts in the number of contracts signed to more expensive areas and/or products, as well as sales price increases in fiscal 2021.

The increase in income before income taxes in fiscal 2021, as compared to fiscal 2020, was mainly due to higher earnings from increased revenues, coupled with lower home sales costs of revenues, as a percentage of home sale revenues. The decrease in home sales costs of revenues, as a percentage of home sale revenues, in fiscal 2021 was primarily due to a shift in product mix/areas to higher-margin areas, lower interest costs as a percentage of home sales revenue and reduced inventory impairment charges. A $6.0 million gain recognized from an asset sale of a commercial property by one of our Land Development Joint Ventures was also recognized during fiscal 2021 with no similar gain in fiscal 2020.

Inventory impairment charges were $10.9 million and $17.9 million in fiscal 2021 and 2020, respectively. In the third quarter of fiscal 2021, we decided to sell the remaining lots in one community located in Maryland in a bulk sale. As a result, we wrote down the carrying value of inventory in this community to its estimated fair value. This resulted in an impairment charge of $10.1 million in fiscal 2021 related to this community. In the second quarter of fiscal 2020, following the onset of the COVID-19 pandemic, we terminated a land purchase agreement in Virginia and wrote-off the deposits and soft costs incurred. In addition, in the third quarter of fiscal 2020, we decided to sell the remaining lots in one community located in Maryland in a bulk sale. As a result, we wrote down the carrying value of inventory in this community to its estimated fair value, resulting in an impairment charge of $13.5 million in fiscal 2020 .

South

	Year ended October 31,		
	2021	2020	% Change
Units Delivered and Home Sale Revenues:			
Home sales revenues ($ in millions)	$ 1,183.3	$ 1,041.2	14 %
Units delivered	1,783	1,566	14 %
Average delivered price ($ in thousands)	$ 663.7	$ 664.9	— %
Net Contracts Signed:			
Net contract value ($ in millions)	$ 2,109.6	$ 1,320.1	60 %
Net contracted units	2,765	2,006	38 %
Average contracted price ($ in thousands)	$ 763.0	$ 658.1	16 %
Home sales cost of revenues as a percentage of home sales revenues	76.7 %	79.9 %	
Income before income taxes ($ in millions)	$ 153.8	$ 108.4	42 %
Number of selling communities at October 31,	84	67	25 %

The increase in the number of homes delivered in fiscal 2021, as compared to fiscal 2020, was mainly due to an increase in the number of homes in backlog at October 31, 2020, as compared to the number of homes in backlog at October 31, 2019, partially offset by lower backlog conversion in fiscal 2021.

The increase in the number of net contracts signed in fiscal 2021, as compared to fiscal 2020, was principally due to an increase in demand from our homes and an increase in the average number of selling communities in fiscal 2021, offset by our limiting of lot releases in certain communities. The increases in the average value of each contract signed in the fiscal 2021 periods were primarily due to sales price increases in fiscal 2021 and a shift in the number of contracts signed to more expensive areas and/or products.

The increase in income before income taxes in fiscal 2021, as compared to fiscal 2020, was principally due to higher earnings from increased home sales revenues and lower home sales costs of revenues, as a percentage of home sales revenues, offset, in part, by higher SG&A costs due to increased sales volume. The decrease in home sales cost of revenues, as a percentage of home sales revenues, was mainly due to a shift in product mix/areas to higher-margin areas, lower interest costs as a percentage of home sales revenue and lower inventory impairment changes in fiscal 2021, as compared to fiscal 2020. Inventory impairment charges were $0.7 million and $2.9 million in fiscal 2021 and 2020, respectively.

Mountain

	Year ended October 31,		
	2021	2020	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 2,003.0	$ 1,535.8	30 %
Units delivered	2,732	2,219	23 %
Average delivered price ($ in thousands)	$ 733.2	$ 692.1	6 %
Net Contracts Signed:			
Net contract value ($ in millions)	$ 3,341.4	$ 2,008.2	66 %
Net contracted units	4,031	2,802	44 %
Average contracted price ($ in thousands)	$ 828.9	$ 716.7	16 %
Home sales cost of revenues as a percentage of home sales revenues	77.2 %	79.2 %	
Income before income taxes ($ in millions)	$ 276.4	$ 167.7	65 %
Number of selling communities at October 31,	105	94	12 %

The increase in the number of homes delivered in fiscal 2021, as compared to fiscal 2020, was mainly due to an increase in the number of homes in backlog at October 31, 2020, as compared to the number of homes in backlog at October 31, 2019,

partially offset by lower backlog conversion in fiscal 2021. The increase in the average price of homes delivered in fiscal 2021 was primarily due to a shift in the number of homes delivered to more expensive areas and/or products and sales price increases.

The increase in the number of net contracts signed in fiscal 2021, as compared to fiscal 2020, was principally due to increased demand for our homes and an increase in the average number of selling communities. The increases in the average value of each contract signed in fiscal 2021 was mainly due to shifts in the number of contracts signed to more expensive areas and/or products and price increases.

The increase in income before income taxes in fiscal 2021, as compared to fiscal 2020, was mainly due to higher earnings from increased revenues coupled with lower home sales cost of revenues, as a percentage of home sales revenues, offset in part by higher SG&A costs due to increased volume. The decrease in home sales cost of revenues, as a percentage of home sales revenues, was primarily due to a shift in product mix/areas to higher-margin areas.

Pacific

	Year ended October 31,		
	2021	2020	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 2,156.1	$ 2,029.9	6 %
Units delivered	1,566	1,334	17 %
Average delivered price ($ in thousands)	$ 1,376.8	$ 1,521.7	(10)%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 2,781.7	$ 1,929.6	44 %
Net contracted units	1,966	1,404	40 %
Average contracted price ($ in thousands)	$ 1,414.9	$ 1,374.4	3 %
Home sales cost of revenues as a percentage of home sales revenues	75.3 %	75.2 %	
Income before income taxes ($ in millions)	384.0	352.8	9 %
Number of selling communities at October 31,	47	44	7 %

The increase in the number of homes delivered in fiscal 2021, as compared to fiscal 2020, was mainly due to an increase in the number of homes in backlog at October 31, 2020, as compared to the number of homes in backlog at October 31, 2019, coupled with higher backlog conversion in fiscal 2021. The decrease in the average price of homes delivered in fiscal 2021 was primarily due to a shift in the number of homes delivered to less expensive areas and/or products.

The increase in the number of net contracts signed in fiscal 2021, as compared to fiscal 2020, was principally due to an increase in demand, as well as an increase in the number of selling communities. The increase in the average value of each contract signed in fiscal 2021 was mainly due to price increases, partially offset by a shift in the number of contracts signed in less expensive areas.

The increase in income before income taxes in fiscal 2021, as compared to fiscal 2020, was primarily due to higher earnings from increased revenues, lower SG&A costs and lower inventory impairment charges. Inventory impairment charges were $1.3 million and $6.0 million in fiscal 2021 and 2020, respectively. The fiscal 2020 impairment charge relates primarily to a land purchase agreement where we no longer expected to purchase the land and, accordingly, wrote-off soft costs incurred.

City Living

	Year ended October 31,		
	2021	2020	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 370.8	$ 120.9	207 %
Units delivered	232	96	142 %
Average delivered price ($ in thousands)	$ 1,598.3	$ 1,259.4	27 %
Net Contracts Signed:			
Net contract value ($ in millions)	$ 259.7	$ 109.5	137 %
Net contracted units	156	73	114 %
Average contracted price ($ in thousands)	$ 1,664.7	$ 1,500.0	11 %
Home sales cost of revenues as a percentage of home sales revenues	61.0 %	61.7 %	
Income before income taxes ($ in millions)	$ 157.7	$ 29.7	431 %
Number of selling communities at October 31,	2	3	(33)%

The increase in the number of homes delivered in fiscal 2021, as compared to fiscal 2020, was mainly attributable to the low number of deliveries in fiscal 2020 due to the impacts of the COVID-19 pandemic, in particular in New York City and northern New Jersey, during the second half of fiscal 2020. The increase in the average price of homes delivered in fiscal 2021, as compared to fiscal 2020, was primarily due to a shift in the number of homes delivered to more expensive areas and/or products.

The increase in the number of net contracts signed in fiscal 2021, as compared to fiscal 2020, was primarily due to an increase in demand in fiscal 2021 coupled with the low number of net contracts signed in the second half of fiscal 2020 following the onset of the COVID-19 pandemic.

The increase in income before income taxes in fiscal 2021, as compared to fiscal 2020, was mainly due to higher earnings from increased revenues and decreases in losses from our investments in unconsolidated entities.

In fiscal 2021, losses from our investments in unconsolidated entities in City Living decreased $7.0 million as compared to fiscal 2020. This decrease was primarily due to $6.0 million of other than temporary impairment charges that we recognized on one of our Home Building Joint Ventures in fiscal 2020.

Corporate and Other

In fiscal 2021 and 2020, loss before income taxes was $154.9 million and $180.1 million respectively. The decrease in the loss before income taxes in fiscal 2021 was principally attributable to higher income generated by our Rental Property Joint Ventures primarily as a result of $74.8 million of gains recognized in the fiscal 2021 period related to property sales by five of our Rental Property Joint Ventures; higher earnings from our mortgage company and title company operations due to an increase in volumes and improved interest spreads in fiscal 2021; lower losses incurred in our apartment living operations; and directly expensed interest of $2.4 million in the fiscal 2020 period with no similar charges in fiscal 2021. These increases were offset, in part by a $35.2 million charge incurred related to early retirement of debt in fiscal 2021, lower interest income in fiscal 2021, gains recognized in fiscal 2020 of $13.0 million from the sale of golf club properties, and higher SG&A costs in fiscal 2021 primarily due to normal compensation increases and an increase in insurance costs due to higher revenues.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The London Interbank Offered Rate ("LIBOR") is the primary basis for determining interest payments on borrowings under each of our $650.0 million Term Loan Facility and our $1.905 billion Revolving Credit Facility. Banks currently reporting information used to set LIBOR will stop doing so after 2021 for certain tenors and in 2023 for the remaining tenors. Various parties, including government agencies, are seeking to identify an alternative rate to replace LIBOR. We are monitoring their efforts and, although each of our Term Loan Facility and Revolving Credit Facility contain provisions designed to accommodate an alternate reference rate, we may need to amend these and other contracts, such as interest rate hedges that reference these contracts, to accommodate any replacement rate. The potential effect of any such event on our cost of capital cannot yet be determined, but we do not expect it to have a material impact on our consolidated financial condition, results of operations, or cash flows.

The following table shows our debt obligations by scheduled maturity, weighted-average interest rates, and estimated fair value as of October 31, 2021 ($ amounts in thousands):

	Fixed-rate debt		Variable-rate debt (a)	
Fiscal year of maturity	Amount	Weighted-average interest rate (%)	Amount	Weighted-average interest rate (%)
2022	$ 454,946	5.71%	$ 160,722	2.31%
2023	492,152	4.31%	—	
2024	82,891	3.91%	—	
2025	67,939	5.56%	—	
2026	369,066	4.91%	101,600	1.14%
Thereafter (b)	1,293,694	4.39%	548,400	1.14%
Bond discounts, premiums, and deferred issuance costs, net	(5,867)		(2,508)	
Total	$ 2,754,821	4.68%	$ 808,214	1.37%
Fair value at October 31, 2021	$ 2,936,270		$ 810,722	

(a) Based upon the amount of variable-rate debt outstanding at October 31, 2021, and holding the variable-rate debt balance constant, each 1% increase in interest rates would increase the interest incurred by us by approximately $8.1 million per year.

(b) In November 2020, we entered into five interest rate swap transactions to hedge $400.0 million of the Term Loan Facility through October 2025, which is included in the variable-rate debt column in the table above. The interest rate swaps effectively fix the interest cost on the $400.0 million at 0.369% plus the spread set forth in the pricing schedule in the Term Loan Facility, which was 1.30% as of October 31, 2021. These interest rate swaps were designated as cash flow hedges.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

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

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

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

The Company is in the process of evaluating the existing controls and procedures of StoryBook Homes, LLC and integrating its controls into the Company's internal control over financial reporting. 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 StoryBook Homes, LLC from the Company's assessment of the effectiveness of internal control over financial reporting as of October 31, 2021. This company represented less than 1% of the Company's total assets as of October 31, 2021 and less than 1% of the Company's revenues for the fiscal year ended October 31, 2021. The Company's acquisition of this company is discussed in Note 2 to its Consolidated Financial Statements for fiscal 2021.

Changes in Internal Control Over Financial Reporting

We are in the process of a complex implementation of a new ERP system that affects many of our financial processes. This project is expected to improve the efficiency and effectiveness of certain financial and business transaction processes, as well as the underlying systems environment. The new ERP system will be a significant component of our internal control over financial reporting. Other than the ERP system implementation noted above, there has not been any change in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our quarter ended October 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. For a discussion of risks related to the implementation of our new ERP system, see "Risk Factors - We are implementing a new enterprise resource planning system, and challenges with the system may impact our business and operations."

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table includes information with respect to all persons serving as executive officers as of the date of this Form 10-K (or, in the case of Mr. Boyd, as of October 31, 2021). All executive officers serve at the pleasure of our Board of Directors.

Name	Age	Positions
Douglas C. Yearley, Jr.	61	Chairman of the Board and Chief Executive Officer
James W. Boyd	65	Former Executive Vice President and Co-Chief Operating Officer
Robert Parahus	58	President and Chief Operating Officer
Martin P. Connor	57	Senior Vice President and Chief Financial Officer

Douglas C. Yearley, Jr. joined us in 1990 as assistant to the Chief Executive Officer with responsibility for land acquisitions. He has been an officer since 1994, holding the position of Senior Vice President from January 2002 until November 2005, the position of Regional President from November 2005 until November 2009, and the position of Executive Vice President from November 2009 until June 2010, when he was promoted to Chief Executive Officer. On November 1, 2018, he was appointed to the position of Chairman of the Board and Chief Executive Officer. Mr. Yearley was elected a Director in June 2010.

James W. Boyd initially joined us in 1983 and remained until 1985, when he launched his own independent development company, before rejoining the Company in 1993 to serve in various positions, including Regional President from 2005 through October 31, 2019. He was appointed to the position of Executive Vice President and Co-Chief Operating Officer effective November 1, 2019, with responsibility for the Company's western region. Prior to his appointment to Executive Vice President and Co-Chief Operating Officer, Mr. Boyd oversaw the Company's home building operations in California, Nevada and Idaho. Effective November 1, 2021, Mr. Boyd resigned from his role as Executive Vice President and Co-Chief Operating Officer and will retire from all positions with the Company on December 31, 2021.

Robert Parahus joined us in 1986 and served in various positions with us, including Regional President from 2006 through October 31, 2019. During this time, he oversaw the Company's home building operations in New Jersey, New York, Connecticut, Massachusetts, and Florida, and had oversight responsibility for Toll Integrated Systems, the Company's building component manufacturing operations. He was appointed to the position of Executive Vice President and Co-Chief Operating Officer effective November 1, 2019, with responsibility for the Company's eastern region. Effective November 1, 2021, Mr. Parahus was promoted to President and Chief Operating Officer.

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

The other information required by this item will be included in the "Election of Directors" and "Corporate Governance" sections of our Proxy Statement for the 2022 Annual Meeting of Stockholders (the "2022 Proxy Statement").

Code of Ethics

We have adopted a Code of Ethics for the Principal Executive Officer and Senior Financial Officers ("Code of Ethics") that applies to our principal executive officer, principal financial officer, principal accounting officer, controller, and persons performing similar functions designated by our Board of Directors. The Code of Ethics is available on our Internet website at www.tollbrothers.com under "Investor Relations – Corporate Governance." If we were to amend or waive any provision of our Code of Ethics, we intend to satisfy our disclosure obligations with respect to any such waiver or amendment by posting such information on our Internet website set forth above rather than by filing a Form 8-K.

Indemnification of Directors and Officers

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

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included in the "Executive Compensation" section of our 2022 Proxy Statement and is incorporated herein by reference.

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

The information required in this item will be included in the "Voting Securities and Beneficial Ownership" and "Equity Compensation Plan Information" sections of our 2022 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS; DIRECTOR INDEPENDENCE

The information required in this item will be included in the "Corporate Governance" and "Certain Relationships and Transactions" sections of our 2022 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required in this item will be included in the "Ratification of the Re-Appointment of Independent Registered Public Accounting Firm" section of the 2022 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statement Schedules

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2. Financial Statement Schedules

None

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

(b) Exhibits

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

Exhibit Number	Description
3.1	Second Restated Certificate of Incorporation of the Registrant, dated September 8, 2005, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Form 10-Q for the quarter ended July 31, 2005.
3.2	Certificate of Amendment of the Second Restated Certificate of Incorporation of the Registrant, filed with the Secretary of State of the State of Delaware, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 22, 2010.
3.3	Certificate of Amendment of the Second Restated Certificate of Incorporation of the Registrant, dated as of March 16, 2011, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2011.

Exhibit Number	Description
3.4	Certificate of Amendment of the Second Restated Certificate of Incorporation of the Registrant, dated as of March 8, 2016, is hereby incorporated by reference to Annex B to the Registrant's definitive proxy statement on Schedule 14A its 2016 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on February 2, 2016.
3.5	Bylaws of the Registrant, as Amended and Restated June 11, 2008, are hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 13, 2008.
3.6	Amendment to the By-laws of the Registrant, dated as of September 24, 2009, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 24, 2009.
3.7	Amendment to the By-laws of the Registrant, dated as of June 15, 2011, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 16, 2011.
3.8	Amendment to the By-laws of the Registrant, dated as of January 20, 2016, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 20, 2016.
3.9	Amendment to the By-laws of the Registrant, dated as of September 20, 2016, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 20, 2016.
4.1	Specimen Stock Certificate is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Form 10-K for the year ended October 31, 2017.
4.2	Indenture, dated as of February 7, 2012, among Toll Brothers Finance Corp., the Registrant and the other guarantors named therein and The Bank of New York Mellon, as trustee, is hereby incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2012.
4.3	Authorizing Resolutions, dated as of January 31, 2012, relating to the $300,000,000 principal amount of 5.875% Senior Notes due 2022 of Toll Brothers Finance Corp. guaranteed on a senior basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2012.
4.4	Form of Global Note for Toll Brothers Finance Corp.'s 5.875% Senior Notes due 2022 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2012.
4.5	Authorizing Resolutions, dated as of April 3, 2013, relating to the $300,000,000 principal amount of 4.375% Senior Notes due 2023 of Toll Brothers Finance Corp. guaranteed on a senior basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 10, 2013.
4.6	Authorizing Resolutions, dated as of May 8, 2013, relating to the $100,000,000 principal amount of 4.375% Senior Notes due 2023 of Toll Brothers Finance Corp. guaranteed on a senior basis by Toll Brothers, Inc. and certain of its subsidiaries is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 13, 2013.
4.7	Form of Global Note for Toll Brothers Finance Corp.'s 4.375% Senior Notes due 2023 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 10, 2013.
4.8	Authorizing Resolutions, dated as of October 30, 2015, relating to the $350,000,000 principal amount of 4.875% Senior Notes due 2025 of Toll Brothers Finance Corp. guaranteed on a senior basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2015.
4.9	Form of Global Note for Toll Brothers Finance Corp.'s 4.875% Senior Notes due 2025 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2015.

Exhibit Number	Description
4.10	Authorizing Resolutions, dated as of March 10, 2017, relating to the $300,000,000 principal amount of 4.875% Senior Notes due 2027 of Toll Brothers Finance Corp. guaranteed on a senior basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 10, 2017.
4.11	Form of Global Note for Toll Brothers Finance Corp.'s 4.875% Senior Notes due 2027 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 10, 2017.
4.12	Authorizing Resolutions, dated as of June 12, 2017, relating to the $150,000,000 principal amount of 4.875% Senior Notes due 2027 of Toll Brothers Finance Corp. guaranteed on a senior basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2017.
4.13	Form of Global Note for Toll Brothers Finance Corp.'s 4.875% Senior Notes due 2027 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2017
4.14	Authorizing Resolution, dated as of January 22, 2018, relating to the $400,000,000 aggregate principal amount of 4.350% Senior Notes due 2028 of Toll Brothers Finance Corp., guaranteed on a senior basis by Toll Brothers, Inc. and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 22, 2018.
4.15	Form of Global Note for the Issuer's 4.350% Senior Notes due 2028 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 22, 2018.
4.16	Authorizing Resolution, dated as of September 12, 2019, relating to the $400,000,000 aggregate principal amount of 3.800% Senior Notes due 2029 of Toll Brothers Finance Corp., guaranteed on a senior basis by Toll Brothers, Inc. and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 12, 2019.
4.17	Form of Global Note for the Issuer's 3.800% Senior Notes due 2029 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 12, 2019.
4.18	First Supplemental Indenture dated as of April 27, 2012, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended April 30, 2012.
4.19	Second Supplemental Indenture dated as of April 30, 2013, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.4 of the Registrant's Form 10-Q for the quarter ended April 30, 2013.
4.20	Third Supplemental Indenture dated as of April 30, 2014, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Form 10-Q for the quarter ended April 30, 2014.
4.21	Fourth Supplemental Indenture dated as of July 31, 2014, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Form 10-Q for the quarter ended July 31, 2014.
4.22	Fifth Supplemental Indenture dated as of October 31, 2014, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.55 of the Registrant's Form 10-K for the year ended October 31, 2014.

Exhibit Number	Description
4.23	Sixth Supplemental Indenture dated as of January 30, 2015, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended January 31, 2015.
4.24	Seventh Supplemental Indenture dated as of April 30, 2015, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended April 30, 2015.
4.25	Eighth Supplemental Indenture dated as of October 30, 2015, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.34 of the Registrant's Form 10-K for the year ended October 31, 2015.
4.26	Ninth Supplemental Indenture dated as of January 29, 2016, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended January 31, 2016.
4.27	Tenth Supplemental Indenture dated as of April 29, 2016, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended April 30, 2016.
4.28	Eleventh Supplemental Indenture dated as of October 31, 2016, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.41 of the Registrant's Form 10-K for the year ended October 31, 2016.
4.29	Twelfth Supplemental Indenture dated as of October 31, 2016, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.42 of the Registrant's Form 10-K for the year ended October 31, 2016.
4.30	Thirteenth Supplemental Indenture dated as of January 31, 2017, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended January 31, 2017.
4.31	Fourteenth Supplemental Indenture dated as of April 28, 2017, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended April 30, 2017.
4.32	Fifteenth Supplemental Indenture dated as of July 31, 2017, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended July 31, 2017.
4.33	Sixteenth Supplemental Indenture dated as of October 31, 2017, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.55 of the Registrant's Form 10-K for the year ended October 31, 2017.
4.34	Seventeenth Supplemental Indenture dated as of October 31, 2017, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.56 of the Registrant's Form 10-K for the year ended October 31, 2017.
4.35	Eighteenth Supplemental Indenture dated as of April 13, 2018, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended April 30, 2018.

Exhibit Number	Description
4.36	Nineteenth Supplemental Indenture dated as of April 30, 2018, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.4 of the Registrant’s Form 10-Q for the quarter ended April 30, 2018.
4.37	Twentieth Supplemental Indenture dated as of October 31, 2018, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.62 of the Registrant’s Form 10-K for the year ended October 31, 2018.
4.38	Twenty-First Supplemental Indenture dated as of January 31, 2019, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant’s Form 10-Q for the quarter ended January 31, 2019.
4.39	Twenty-Second Supplemental Indenture dated as of October 30, 2019, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.41 of the Registrant’s Form 10-K for the year ended October 31, 2019.
4.40	Twenty-third Supplemental Indenture dated as of October 30, 2019, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.42 of the Registrant’s Form 10-K for the year ended October 31, 2019.
4.41	Twenty-fourth Supplemental Indenture dated as of April 30, 2020, to the Indenture dated as of February 7, 2012 by and among the parties listed on Twenty-fourth Supplemental Indenture dated as of April 30, 2020, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 of the Registrant’s Form 10-Q for the quarter ended April 30, 2020. A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 on the Registrant’s Form 10-Q for the quarter ended April 30, 2020.
4.42	Twenty-fifth Supplemental Indenture dated as of October 30, 2020, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.44 of the Registrant’s Form 10-K for the year ended October 31, 2020.
4.43	Twenty-sixth Supplemental Indenture dated as of April 30, 2021, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 of the Registrant’s Form 10-A for the quarter ended April 30, 2021.
4.44	Description of Certain of Registrant’s Securities.**
10.1	Amended and Restated Credit Agreement, dated as of October 31, 2019, among the First Huntingdon Finance Corp., Toll Brothers, Inc., and the lenders party thereto and Citibank, N.A., as Administrative Agent, is hereby incorporated by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2019.
10.2	Revolving Extension Agreements, effective as of October 31, 2020, with respect to the Amended and Restated Credit Agreement, dated as of October 31, 2019, among the Borrower, the Registrant, the lenders party thereto and Citibank, N.A., as Administrative Agent is hereby incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2020.
10.3	Revolving Extension Agreements, effective as of October 31, 2021, with respect to the Amended and Restated Credit Agreement, dated as of October 31, 2019, among the Borrower, the Registrant, the lenders party thereto and Citibank, N.A., as Administrative Agent is hereby incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 2, 2021.
10.4	Credit Agreement by and among First Huntingdon Finance Corp., Toll Brothers, Inc., the lenders party thereto and SunTrust Bank, as Administrative Agent dated February 3, 2014, is hereby incorporated by reference to Exhibit 10.2 of the Registrant’s Form 8-K filed with the Securities and Exchange Commission on February 5, 2014

Exhibit Number	Description
10.5	Amendment No. 1, dated as of May 19, 2016, to the Credit Agreement, dated as of February 3, 2014, among First Huntingdon Finance Corp., Toll Brothers, Inc., the Lenders party thereto and SunTrust Bank, as Administrative Agent, is hereby incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 24, 2016.
10.6	Amendment No. 2, dated August 2, 2016, to Credit Agreement dated as of February 3, 2014, as amended, by and among First Huntingdon Finance Corp., Toll Brothers, Inc., the designated guarantors party thereto, the lenders party thereto and SunTrust Bank, as Administrative Agent, is hereby incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 4, 2016.
10.7	Amendment No. 3, dated November 1, 2018, to Credit Agreement dated as of February 3, 2014, as amended, by and among First Huntingdon Finance Corp., Toll Brothers, Inc., the designated guarantors party thereto, the lenders party thereto and SunTrust Bank, as Administrative Agent, is hereby incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on November 2, 2018.
10.8	Amendment No. 4, dated as of October 31, 2019, to the Credit Agreement, dated as of February 3, 2014,as amended, by and First Huntingdon Finance Corp., Toll Brothers, Inc., the designated guarantors party thereto, the lenders party thereto and SunTrust Bank, as Administrative Agent, is hereby incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on November 1, 2019.
10.9	Term Loan Extension Agreements, effective as of October 31, 2020, with respect to the Term Loan Credit Agreement dated as of February 3, 2014 (as amended by Amendment No. 1, dated as of May 19, 2016, Amendment No. 2, dated as of August 2, 2016, Amendment No. 3, dated as of November 1, 2018, and Amendment No. 4, dated as of November 1, 2019) among the Registrant, the Borrower, the lenders party thereto and SunTrust Bank, as Administrative Agent is hereby incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2020.
10.10	Term Loan Extension Agreements, effective as of October 31, 2021, with respect to the Term Loan Credit Agreement dated as of February 3, 2014 (as amended by Amendment No. 1, dated as of May 19, 2016, Amendment No. 2, dated as of August 2, 2016, Amendment No. 3, dated as of November 1, 2018, and Amendment No. 4, dated as of November 1, 2019) among the Registrant, the Borrower, the lenders party thereto and Truist Bank (as successor by merger to SunTrust Bank), as Administrative Agent is hereby incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2020.
10.11*	Toll Brothers, Inc. Employee Stock Purchase Plan (2017) is hereby incorporated by reference to Annex A to the Registrant's Definitive Proxy Statement on Schedule 14A for its 2017 Annual Meeting of Stockholders filed with the SEC on January 31, 2017.
10.12*	Amendment No. 1, dated as of December 13, 2017, to the Toll Brothers, Inc. Employee Stock Purchase Plan (2017) is hereby incorporated by reference to Exhibit 10.7 of the Registrant's Form 10-K for the year ended October 31, 2017.
10.13*	Amendment No. 2, dated as of June 19, 2018, to the Toll Brothers, Inc. Employee Stock Purchase Plan (2017) is hereby incorporated by reference to Exhibit 10.8 of the Registrant's Form 10-K for the year ended October 31, 2018.
10.14*	Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Employees (2007) (amended and restated as of September 17, 2008, is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Amendment No. 1 to its Registration Statement on Form S-8 (No. 333-143367) filed with the Securities and Exchange Commission on October 29, 2008.
10.15*	Form of Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2007) is hereby incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on December 19, 2007.
10.16*	Form of Addendum to Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2007) is hereby incorporated by reference to Exhibit 10.3 of the Registrant's Form 10-Q for the quarter ended July 31, 2007.

Exhibit Number	Description
10.17*	Form of Stock Award Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2007) is hereby incorporated by reference to Exhibit 10.4 of the Registrant's Form 10-Q for the quarter ended July 31, 2007.
10.18*	Toll Brothers, Inc. Stock Incentive Plan for Employees (2014) is hereby incorporated by reference to Annex A to the Registrant's definitive proxy statement on Schedule 14A for its 2014 Annual Meeting of Stockholders filed with the SEC on February 3, 2014.
10.19*	Form of Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2014) is incorporated by reference to Exhibit 10.16 of the Registrant's Form 10-K for the period ended October 31, 2014.
10.20*	Form of Restricted Stock Unit Agreement (Performance Based) pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2014) is incorporated by reference to Exhibit 10.17 of the Registrant's Form 10-K for the period ended October 31, 2014.
10.21*	Form of Non-Qualified Stock Option Grant, is hereby incorporated by reference to Exhibit 10.18 of the Registrant's Form 10-K for the year ended October 31, 2016.
10.22*	Form of Restricted Stock Unit Agreement (Performance Based), is hereby incorporated by reference to Exhibit 10.19 of the Registrant's Form 10-K for the year ended October 31, 2016.
10.23*	Form of Restricted Stock Unit Agreement (Total Shareholder Return Performance Based), is hereby incorporated by reference to Exhibit 10.20 of the Registrant's Form 10-K for the year ended October 31, 2016.
10.24*	Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Non-Employee Directors (2007) (amended and restated as of September 17, 2008) is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Amendment No. 1 to its Registration Statement on Form S-8 (No. 333-144230) filed with the Securities and Exchange Commission on October 29, 2008.
10.25*	Form of Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Non-Employee Directors (2007) is hereby incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 19, 2007.
10.26*	Form of Addendum to Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Non-Employee Directors (2007) is hereby incorporated by reference to Exhibit 10.6 of the Registrant's Form 10-Q for the quarter ended July 31, 2007.
10.27*	Form of Restricted Stock Unit Award Agreement pursuant to the Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Non-Employee Directors (2007) is incorporated by reference to Exhibit 10.21 of the Registrant's Form 10-K for the period ended October 31, 2014.
10.28*	Toll Brothers, Inc. Stock Incentive Plan for Non-Executive Directors (2016) is hereby incorporated by reference to Annex A to the Registrant's definitive proxy statement on Schedule 14A for its 2016 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on February 2, 2016.
10.29*	Form of Non-Qualified Stock Option Grant (Non-Executive Directors), is hereby incorporated by reference to Exhibit 10.26 of the Registrant's Form 10-K for the year ended October 31, 2016.
10.30*	Form of Restricted Stock Unit Agreement (Non-Executive Directors), is hereby incorporated by reference to Exhibit 10.27 of the Registrant's Form 10-K for the year ended October 31, 2016.
10.31*	Toll Brothers, Inc. 2019 Omnibus Incentive Plan, is hereby incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 14, 2019.
10.32*	Form of Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. 2019 Omnibus Incentive Plan, is hereby incorporated by reference to Exhibit 10.28 of the Registrant's Form 10-K for the year ended October 31, 2019.
10.33*	Form of Restricted Stock Unit Agreement pursuant to the Toll Brothers, Inc. 2019 Omnibus Incentive Plan, is hereby incorporated by reference to Exhibit 10.29 of the Registrant's Form 10-K for the year ended October 31, 2019.

Exhibit Number	Description
10.34*	Form of Restricted Stock Unit Agreement (Performance Based) pursuant to the Toll Brothers, Inc. 2019 Omnibus Incentive Plan, is hereby incorporated by reference to Exhibit 10.30 of the Registrant's Form 10-K for the year ended October 31, 2019.
10.35*	Form of Restricted Stock Unit Agreement (Total Shareholder Return Performance Based), pursuant to the Toll Brothers, Inc. 2019 Omnibus Incentive Plan, is hereby incorporated by reference to Exhibit 10.31 of the Registrant's Form 10-K for the year ended October 31, 2019.
10.36*	Toll Brothers, Inc. Senior Officer Bonus Plan is hereby incorporated by reference to Annex A to the Registrant's definitive proxy statement on Schedule 14A for its 2015 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on January 30, 2015.
10.37*	Toll Brothers, Inc. Supplemental Executive Retirement Plan, as amended effective as of October 29, 2019, is hereby incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 10-Q filed with the Securities and Exchange Commission on October 30, 2019.
10.38*	Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008, is incorporated by reference to Exhibit 10.45 of the Registrant's Form 10-K for the period ended October 31, 2008.
10.39*	Amendment Number 1 dated November 1, 2010 to the Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008, is incorporated by reference to Exhibit 10.40 of the Registrant's Form 10-K for the period ended October 31, 2010.
10.40*	Amendment Number 2 dated December 30, 2010 to the Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008 is incorporated by reference to Exhibit 10.28 of the Registrant's Form 10-K for the period ended October 31, 2014.
10.41*	Amendment Number 3 dated December 22, 2011 to the Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008, is incorporated by reference to Exhibit 10.29 of the Registrant's Form 10-K for the period ended October 31, 2014.
10.42*	Toll Bros., Inc. Nonqualified Deferred Compensation Plan, amended and restated effective as of December 31, 2014, is incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q for the quarter ended January 31, 2015.
10.43*	Toll Brothers, Inc. Executive Severance Plan, is hereby incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 14, 2019.
10.44*	Form of Indemnification Agreement between the Registrant and the members of its Board of Directors, is hereby incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 17, 2009.
21**	Subsidiaries of the Registrant.
22**	List of guarantor subsidiaries
23**	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1**	Certification of Douglas C. Yearley, Jr. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Martin P. Connor pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Douglas C. Yearley, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Martin P. Connor pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from Toll Brothers, Inc. Annual Report on Form 10-K for the year ended October 31, 2021, filed on December 17, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Changes in Equity, (iv) Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements.

Exhibit Number	Description
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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

** Filed electronically herewith.

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

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on December 17, 2021.

TOLL BROTHERS, INC.

By: /s/ Douglas C. Yearley, Jr.

Douglas C. Yearley, Jr.
Chief Executive Officer
(Principal Executive Officer)

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

Signature	Title	Date
/s/ Douglas C. Yearley, Jr. Douglas C. Yearley, Jr.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	December 17, 2021
/s/ Martin P. Connor Martin P. Connor	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	December 17, 2021
/s/ Michael J. Grubb Michael J. Grubb	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	December 17, 2021
/s/ Richard J. Braemer Richard J. Braemer	Director	December 17, 2021
/s/ Stephen F. East Stephen F. East	Director	December 17, 2021
/s/ Christine N. Garvey Christine N. Garvey	Director	December 17, 2021
/s/ Karen H. Grimes Karen H. Grimes	Director	December 17, 2021
/s/ Carl B. Marbach Carl B. Marbach	Director	December 17, 2021
/s/ John A. McLean John A. McLean	Director	December 17, 2021
/s/ Wendell E. Pritchett Wendell E. Pritchett	Director	December 17, 2021

Signature	Title	Date
/s/ Paul E. Shapiro Paul E. Shapiro	Director	December 17, 2021
/s/ Robert I. Toll Robert I. Toll	Director	December 17, 2021

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, 2021.

During fiscal 2021, we completed the acquisition of each of StoryBook Homes, LLC ("StoryBook"). 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 StoryBook from the Company's assessment of the effectiveness of internal control over financial reporting as of October 31, 2021. This company represented less than 1% of the Company's total assets as of October 31, 2021 and less than 1% of the Company's revenues for the fiscal year ended October 31, 2021.

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, 2021, 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, 2021, 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 StoryBook Homes, LLC, which are included in the 2021 consolidated financial statements of the Company and constitute less than 1% of total assets as of October 31, 2021 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 StoryBook Homes, LLC.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2021 consolidated financial statements of the Company and our report dated December 17, 2021 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.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
December 17, 2021

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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2021, 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, 2021, 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 17, 2021 expressed an unqualified opinion thereon.

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.

Accrual for Self-Insurance

Description of the Matter

As described in Notes 1 and 7 of the consolidated financial statements, the Company maintains general liability insurance, including construction defect and bodily injury coverage, and workers' compensation insurance. These insurance policies protect the Company against a portion of the risk of loss from claims related to home building activities, subject to certain self-insured retentions, deductibles and other coverage limits. The Company accrues for expected costs associated with the self-insured retentions, deductibles and other coverage limits which constitute the accrual for self-insurance. The Company's accrual for self-insurance was $236.4 million as of October 31, 2021.

The Company records expenses and accrues liabilities based on the estimated costs required to cover the accrual for self-insurance and the estimated costs of potential claims and claim adjustment expenses that are above coverage limits or that are not covered by insurance policies. These estimated costs are based on an analysis of historical claims and industry data. The majority of the accrual for self-insurance is an estimate of claims incurred but not yet reported ("IBNR").

The Company engages a third-party actuary that uses historical claim and expense data, input from the Company's internal legal and risk management groups, as well as industry data, to estimate the IBNR associated with the risks that the Company is assuming for its accrual for self-insurance, 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.

Auditing the Company's estimate of IBNR was especially challenging as evaluating 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 markets and types of product the Company build, insurance industry practices, and legal or regulatory actions and/or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severity, and settlement patterns, which can occur over an extended period of time. In addition, the estimate of IBNR is sensitive to significant assumptions including changes in the frequency and severity of reported claims and loss development factors for reported 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 estimate of IBNR, including controls over the significant assumptions and the data inputs used in the actuarial analysis. For example, we tested controls over management's review of the actuarial analysis, including its review of the model and methodology, significant assumptions and the data inputs used in the analysis.

To test the estimate of IBNR we performed audit procedures that included, among others, testing the significant assumptions as well as the completeness and accuracy of the underlying data used by the Company as inputs to develop the assumptions. We reviewed the Company's contractual self-insured retentions, deductibles and other coverage limits. We also evaluated management's conclusions about the Company's legal and contractual obligations with respect to certain claims. We involved our internal actuarial specialists to assist in evaluating the Company's estimate of IBNR, including evaluating the appropriateness of the model and methodology used by management, evaluating the reasonableness of the actuarial assumptions used by management and independently calculating an estimate of IBNR.

Inventory Impairment

Description of the Matter

As described in Notes 1 and 3 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, 2021, the Company recorded inventory impairment charges of $20.9 million to operating communities and land owned for future communities. 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 home and/or land 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, if applicable, for 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. We also evaluated the Company's disclosures in its consolidated financial statements.

/s/ Ernst & Young LLP

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

Philadelphia, Pennsylvania
December 17, 2021

CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	October 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	$ 1,638,494	$ 1,370,944
Inventory	7,915,884	7,658,906
Property, construction, and office equipment, net	310,455	316,125
Receivables, prepaid expenses, and other assets *(1)*	738,078	956,294
Mortgage loans held for sale, at fair value	247,211	231,797
Customer deposits held in escrow	88,627	77,291
Investments in unconsolidated entities	599,101	430,701
Income taxes receivable	—	23,675
	$ 11,537,850	$ 11,065,733
LIABILITIES AND EQUITY		
Liabilities		
Loans payable	$ 1,011,534	$ 1,147,955
Senior notes	2,403,989	2,661,718
Mortgage company loan facility	147,512	148,611
Customer deposits	636,379	459,406
Accounts payable	562,466	411,397
Accrued expenses	1,220,235	1,110,196
Income taxes payable	215,280	198,974
Total liabilities	6,197,395	6,138,257
Equity		
Stockholders' equity		
Preferred stock, none issued	—	—
Common stock, 127,937 and 152,937 shares issued at October 31, 2021 and 2020, respectively	1,279	1,529
Additional paid-in capital	714,453	717,272
Retained earnings	4,969,839	5,164,086
Treasury stock, at cost — 7,820 and 26,410 shares at October 31, 2021 and 2020, respectively	(391,656)	(1,000,454)
Accumulated other comprehensive income (loss) ("AOCI")	1,109	(7,198)
Total stockholders' equity	5,295,024	4,875,235
Noncontrolling interest	45,431	52,241
Total equity	5,340,455	4,927,476
	$ 11,537,850	$ 11,065,733

(1) As of October 31, 2021 and 2020, receivables, prepaid expenses, and other assets include $90.8 million and $163.0 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,		
	2021	2020	2019
Revenues:			
Home sales	$ 8,431,746	$ 6,937,357	$ 7,080,379
Land sales and other	358,615	140,302	143,587
	8,790,361	7,077,659	7,223,966
Cost of revenues:			
Home sales	6,538,454	5,534,103	5,534,217
Land sales and other	309,007	125,854	129,704
	6,847,461	5,659,957	5,663,921
Selling, general and administrative	922,023	867,442	879,245
Income from operations	1,020,877	550,260	680,800
Other:			
Income from unconsolidated entities	74,035	948	24,868
Other income – net	40,614	35,693	81,502
Expenses related to early retirement of debt	(35,211)	—	—
Income before income taxes	1,100,315	586,901	787,170
Income tax provision	266,688	140,277	197,163
Net income	$ 833,627	$ 446,624	$ 590,007
Other comprehensive income (loss), net of tax	8,307	(1,367)	(6,525)
Total comprehensive income	$ 841,934	$ 445,257	$ 583,482
Per share:			
Basic earnings	$ 6.72	$ 3.43	$ 4.07
Diluted earnings	$ 6.63	$ 3.40	$ 4.03
Weighted-average number of shares:			
Basic	124,100	130,095	145,008
Diluted	125,807	131,247	146,501

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	AOCI	Stock-holders' Equity	Non-controlling Interest	Total Equity
	Shares	$	$	$	$	$	$	$	$
Balance, 11/1/2018	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 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			26,180				26,180		26,180
Cancellation of treasury stock	(25,000)	(250)		(895,267)	895,517		—		—
Dividends declared				(63,882)			(63,882)		(63,882)
Other comprehensive loss						(6,525)	(6,525)		(6,525)
Loss attributable to non-controlling interest							—	(19)	(19)
Capital contributions, net							—	38,183	38,183
Balance, 10/31/2019	152,937	1,529	726,879	4,774,422	(425,183)	(5,831)	5,071,816	46,877	5,118,693
Net income				446,624			446,624		446,624
Purchase of treasury stock					(634,057)		(634,057)		(634,057)
Exercise of stock options and stock based compensation issuances			(33,263)		56,702		23,439		23,439
Employee stock purchase plan issuances			(670)		2,084		1,414		1,414
Stock-based compensation			24,326				24,326		24,326
Dividends declared				(56,960)			(56,960)		(56,960)
Other comprehensive loss						(1,367)	(1,367)		(1,367)
Loss attributable to non-controlling interest							—	(10)	(10)
Capital contributions, net							—	5,374	5,374
Balance, 10/31/2020	152,937	1,529	717,272	5,164,086	(1,000,454)	(7,198)	4,875,235	52,241	4,927,476
Cumulative effect adjustment upon adoption of ASU 2016-13, net of tax				(595)			(595)		(595)
Net income				833,627			833,627		833,627
Purchase of treasury stock					(378,256)		(378,256)		(378,256)
Exercise of stock options and stock based compensation issuances			(26,326)		35,371		9,045		9,045
Employee stock purchase plan issuances			320		1,118		1,438		1,438
Stock-based compensation			23,187				23,187		23,187
Cancellation of treasury stock	(25,000)	(250)		(950,315)	950,565		—		—
Dividends declared				(76,964)			(76,964)		(76,964)
Other comprehensive loss						8,307	8,307		8,307
Loss attributable to non-controlling interest							—	(6,770)	(6,770)
Capital distributions, net							—	(40)	(40)
Balance, 10/31/2021	127,937	1,279	714,453	4,969,839	(391,656)	1,109	5,295,024	45,431	5,340,455

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Year ended October 31,		
	2021	2020	2019
Cash flow provided by operating activities:			
Net income	$ 833,627	$ 446,624	$ 590,007
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	76,250	68,873	72,149
Stock-based compensation	23,187	24,326	26,180
Income from unconsolidated entities	(74,035)	(948)	(24,868)
Distributions of earnings from unconsolidated entities	83,118	27,236	31,799
Deferred tax provision	11,815	97,780	102,764
Inventory impairments and write-offs	26,535	55,883	42,360
Gain on sale of assets	(38,706)	(12,970)	(36,277)
Other	(406)	(3,774)	(1,989)
Expenses related to early retirement of debt	35,211	—	—
Changes in operating assets and liabilities:			
Inventory	(196,227)	352,858	(40,236)
Origination of mortgage loans	(2,178,468)	(1,815,824)	(1,611,496)
Sale of mortgage loans	2,159,827	1,806,278	1,565,944
Receivables, prepaid expenses, and other assets	135,806	(176,293)	(185,261)
Income taxes receivable	23,675	(2,884)	(20,791)
Customer deposits – net	165,637	70,423	14,041
Accounts payable and accrued expenses	214,825	71,835	(64,518)
Income taxes payable	1,456	(1,306)	(22,147)
Net cash provided by operating activities	1,303,127	1,008,117	437,661
Cash flow used in investing activities:			
Purchase of property, construction, and office equipment – net	(66,878)	(109,564)	(86,971)
Investments in unconsolidated entities	(221,932)	(71,650)	(56,560)
Return of investments in unconsolidated entities	203,504	47,403	147,927
Proceeds from the sale of assets	80,418	15,617	79,647
Business acquisitions	—	(60,349)	(162,373)
Other	652	698	2,416
Net cash used in investing activities	(4,236)	(177,845)	(75,914)
Cash flow used in financing activities:			
Proceeds from issuance of senior notes	—	—	400,000
Proceeds from loans payable	3,158,033	4,027,152	2,699,028
Debt issuance costs	—	—	(6,180)
Principal payments of loans payable	(3,425,065)	(4,112,956)	(2,471,616)
Redemption of senior notes	(294,168)	—	(600,000)
Proceeds from stock-based benefit plans, net	10,487	24,856	17,369
Purchase of treasury stock	(378,256)	(634,057)	(233,523)
Dividends paid	(76,623)	(56,588)	(63,641)
(Payments) receipts related to noncontrolling interest, net	(5,491)	(1,718)	49
Net cash used in financing activities	(1,011,083)	(753,311)	(258,514)
Net increase in cash, cash equivalents, and restricted cash	287,808	76,961	103,233
Cash, cash equivalents, and restricted cash, beginning of period	1,396,604	1,319,643	1,216,410
Cash, cash equivalents, and restricted cash, end of period	$ 1,684,412	$ 1,396,604	$ 1,319,643

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 accordance with U.S. generally accepted accounting principles ("GAAP") requires us to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. In times of economic disruption when uncertainty regarding future economic conditions is heightened, these estimates and assumptions are subject to greater variability. The Company is currently subject to risks and uncertainties resulting from the COVID-19 pandemic, which adversely impacted our results of operations in the second quarter of fiscal 2020, and is likely to continue to impact our results of operations as well as our business operations. As a result, actual results could differ from the estimates and assumptions we make that affect the amounts reported in the Consolidated Financial Statements and accompanying notes, and such differences may be material.

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 our 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. During fiscal 2021, 2020 and 2019, the Company's qualified inventory exceeded its indebtedness and all interest incurred was capitalized to inventory. See Note 3, "Inventory".

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

Operating Communities: When the profitability of an operating community deteriorates, the sales pace declines significantly, or some other factor indicates a possible impairment in the recoverability of the asset, the asset is reviewed for impairment by comparing the estimated future undiscounted cash flow for the community to its carrying value. If the estimated future undiscounted cash flow is less than the community's carrying value, the carrying value is written down to its estimated fair value. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. The impairment is charged to 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 financial interests in other entities which we evaluate in accordance with ASC 810. We analyze our land purchase contracts and the entities in which we have an investment to determine whether the land sellers and entities are VIEs and, if so, whether we are the primary beneficiary. We examine specific criteria and use our judgment when determining if we are the primary beneficiary of a VIE. Factors considered in determining whether we are the primary beneficiary include risk and reward sharing, experience and financial condition of other member(s), voting rights, involvement in day-to-day capital and operating decisions, representation on a VIE's executive committee, existence of unilateral kick-out rights or voting rights, level of economic disproportionality between us and the other member(s), and contracts to purchase assets from VIEs. The determination whether an entity is a VIE and, if so, whether we are the primary beneficiary may require significant judgment.

Property, Construction, and Office Equipment

Property, construction, and office equipment are recorded at cost and are stated net of accumulated depreciation of $266.3 million and $266.7 million at October 31, 2021 and 2020, respectively. For property and equipment related to onsite sales centers, depreciation is recorded using the units of production method as homes are delivered. For all other property and equipment, depreciation is recorded using a straight-line method over the estimated useful lives of the related assets. In fiscal 2021, 2020, and 2019, we recognized $74.8 million, $67.6 million, and $67.6 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 change in 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 estimated 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 investments in 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 underlying 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.

Derivative Instruments and Hedging Activities

Our objective in entering into derivative transactions is to manage our exposure to interest rate movements associated with certain variable rate debt, mortgage loans held for sale and forward loan commitments we have entered into related to our mortgage operations. We recognize derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value.

We have entered into interest rate swaps related to a portion of our variable rate debt. These derivative transactions are designated as cash flow hedges. The entire change in the fair value of these derivative transactions included in the assessment of hedge effectiveness is initially reported in accumulated other comprehensive income (loss) and subsequently reclassified to home sales cost of revenues in the accompanying Consolidated Statements of Operations and Comprehensive Income when the hedged transaction affects earnings. If it is determined that a derivative is not highly effective as a hedge, or if the hedged forecasted transaction is no longer probable of occurring, the amount recognized in Accumulated other comprehensive income (loss) is released to earnings.

Our derivative transactions related to our mortgage loans held for sale and our forward loan commitments are not designated as hedges and therefore the entire change in the fair value of these derivative transactions is included as a gain or loss in Other income – net in the accompanying Consolidated Statements of Operations and Comprehensive Income.

See Note 12 “Fair Value Disclosures” for more information.

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. In each of fiscal 2021 and 2019, we cancelled 25 million shares of treasury stock.

Revenue and Cost Recognition

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. 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, 2021, 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 $636.4 million and $459.4 million at October 31, 2021 and October 31, 2020, respectively. Of the outstanding customer deposits held as of October 31, 2020, we recognized $382.1 million in home sales revenues during the fiscal year ended October 31, 2021. Of the outstanding customer deposits held as of October 31, 2019, we recognized $332.8 million in home sales revenues during the fiscal year ended October 31, 2020.

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 and other revenues: Our revenues from land sales and other generally consist of: (1) lot sales to third-party 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. For 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: 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-by-community 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, including brochures and signage, were $39.1 million, $46.3 million, and $48.4 million for the years ended October 31, 2021, 2020, and 2019, 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, severity, 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. We recognize forfeitures of stock-based awards as a reduction to compensation expense in the period in which they occur.

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 de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. ASC 740 requires a company to recognize the financial statement effect of a tax position when it is "more-likely-than-not" (defined as a substantiated likelihood of more than 50%), based on the technical merits of the position, that the position will be sustained upon examination. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to be recognized in the financial statements based upon the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Our inability to determine that a tax position meets the more-likely-than-not recognition threshold does not mean that the Internal Revenue Service ("IRS") or any other taxing authority will disagree with the position that we have taken.

If a tax position does not meet the more-likely-than-not recognition threshold, despite our belief that our filing position is supportable, the benefit of that tax position is not recognized in the Consolidated Statements of Operations and Comprehensive Income and we are required to accrue potential interest and penalties until the uncertainty is resolved. Potential interest and penalties are recognized as a component of the provision for income taxes. Differences between amounts taken in a tax return and amounts recognized in the financial statements are considered unrecognized tax benefits. We believe that we have a reasonable basis for each of our filing positions and intend to defend those positions if challenged by the IRS or other taxing jurisdiction. If the IRS or other taxing authorities do not disagree with our position, and after the statute of limitations expires, we will recognize the unrecognized tax benefit in the period that the uncertainty of the tax position is eliminated.

Income Taxes — Valuation Allowance

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 City Living, our urban development division. Within Traditional Home Building, we operate in five geographic segments around the United States as follows:

Eastern Region:

- The **North** region: Connecticut, Delaware, Illinois, Massachusetts, Michigan, New Jersey, New York and Pennsylvania;
- The **Mid-Atlantic** region: Georgia, Maryland, North Carolina, Tennessee and Virginia;
- The **South** region: Florida, South Carolina and Texas;

Western Region:

- The **Mountain** region: Arizona, Colorado, Idaho, Nevada and Utah; and
- The **Pacific** region: California, Oregon and Washington.

Our geographic reporting segments are consistent with how our chief operating decision makers are assessing operating performance and allocating capital.

We opened communities in the Salt Lake City, Utah and Portland, Oregon markets in fiscal 2019. In addition, as a result of recent acquisitions, we commenced operations in Georgia and South Carolina in fiscal 2019 and Tennessee in fiscal 2020.

Recent Accounting Pronouncements

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 became effective for our fiscal year beginning November 1, 2020, and we adopted the standard under the modified retrospective transition method. As a result of the adoption, we recognized a cumulative effect adjustment, net of tax, of $0.6 million to the opening balance of retained earnings. The adoption of ASU 2016-13 did not have a material impact on our consolidated financial statements or disclosures, and there have been no significant changes to our internal controls, processes, or systems as a result of implementing this new standard.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848)," as amended by ASU 2021-01 in January 2021, directly addressing the effects of reference rate reform on financial reporting as a result of the cessation of the publication of certain LIBOR rates beginning December 31, 2021, with complete elimination of the publication of the LIBOR rates by June 30, 2023. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform by virtue of referencing LIBOR or another reference rate expected to be discontinued. This guidance became effective on March 12, 2020 and can be adopted no later than December 31, 2022, with early adoption permitted. We are currently evaluating the effect that such new guidance will have on our consolidated financial statements and related disclosures, but do not expect that the adoption of ASU 2020-04, as amended by ASU 2021-01, will have a material impact on our Consolidated Balance Sheet or Consolidated Statement of Operations or Comprehensive Income.

2. Acquisitions

In fiscal 2021, we acquired substantially all of the assets and operations of StoryBook Homes, LLC ("StoryBook"), a privately-held home builder with operations in Las Vegas, Nevada for approximately $38.8 million in cash. The assets acquired were primarily inventory for future communities, including approximately 550 home sites owned or controlled through land purchase agreements. This acquisition was accounted for as an asset acquisition and was not material to our results of operations or financial condition.

In fiscal 2020, we acquired substantially all of the assets and operations of The Thrive Group, LLC ("Thrive"), an urban infill builder with operations in Atlanta, Georgia and Nashville, Tennessee, and Keller Homes, Inc. ("Keller"), a builder with operations in Colorado Springs, Colorado. The aggregate purchase price for these acquisitions was approximately $79.2 million in cash. The assets acquired were primarily inventory, including approximately 1,100 home sites owned or controlled through

land purchase agreements. One of these acquisitions was accounted for as a business combination and neither were material to our results of operations or financial condition.

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, which consisted of 22 communities, were primarily inventory, including approximately 2,550 home sites owned or controlled through land purchase agreements. These acquisitions were accounted for as business combinations and were not material to our results of operations or financial condition.

3. Inventory

Inventory at October 31, 2021 and 2020 consisted of the following (amounts in thousands):

	2021	2020
Land controlled for future communities	$ 185,656	$ 223,525
Land owned for future communities	564,737	1,036,843
Operating communities	7,165,491	6,398,538
	$ 7,915,884	$ 7,658,906

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

Communities that were previously offering homes for sale but are temporarily closed due to business conditions, 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 are included in 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, 2021, 2020, and 2019, is provided in the table below ($ amounts in thousands):

	2021	2020	2019
Land owned for future communities:			
Number of communities	1	10	16
Carrying value (in thousands)	$ 15,771	$ 68,064	$ 120,857
Operating communities:			
Number of communities	—	4	1
Carrying value (in thousands)	$ —	$ 32,112	$ 2,871

The amounts we have 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, 2021, 2020, and 2019, are shown in the table below (amounts in thousands):

Charge:	2021	2020	2019
Land controlled for future communities	$ 5,620	$ 23,539	$ 11,285
Land owned for future communities	19,805	31,669	—
Operating communities	1,110	675	31,075
	$ 26,535	$ 55,883	$ 42,360

See Note 12, "Fair Value Disclosures," for information regarding (1) 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. and (2) the number of future communities impaired, the amount of impairment charges recognized, and the fair value of those communities, net of impairment charges.

See Note 14, “Commitments and Contingencies,” for information regarding land purchase commitments.

At October 31, 2021, 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, 2021, we determined that 289 land purchase contracts, with an aggregate purchase price of $3.67 billion, on which we had made aggregate deposits totaling $302.4 million, were VIEs, but that we were not the primary beneficiary of any VIE related to such land purchase contracts. At October 31, 2020, we determined that 207 land purchase contracts, with an aggregate purchase price of $2.31 billion, on which we had made aggregate deposits totaling $208.7 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, 2021, 2020, and 2019, was as follows (amounts in thousands):

	2021	2020	2019
Interest capitalized, beginning of year	$ 297,975	$ 311,323	$ 319,364
Interest incurred	152,986	172,530	178,035
Interest expensed to home sales cost of revenues	(187,237)	(174,375)	(185,045)
Interest expensed to land sales and other cost of revenues	(4,372)	(5,443)	(1,787)
Interest expensed in other income – net	—	(2,440)	—
Interest reclassified to property, construction and office equipment	(1,034)	—	—
Interest capitalized on investments in unconsolidated entities	(4,574)	(3,835)	(4,571)
Previously capitalized interest on investments in unconsolidated entities transferred to inventory	194	215	5,327
Interest capitalized, end of year	$ 253,938	$ 297,975	$ 311,323

During the year ended October 31, 2021, we incurred approximately $946,000 of interest related to our interest rate swaps which is included in accumulated other comprehensive income, and approximately $211,000 was reclassified out of accumulated other comprehensive income to home sales cost of revenues. No similar amounts were incurred during the years ended October 31, 2020 and 2019.

4. Investments in Unconsolidated Entities

We have investments in various unconsolidated entities and our ownership interest in these investments range from 5.0% to 50%. 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 2021, 2020 and 2019, we recognized income from the unconsolidated entities in which we had an investment of $74.0 million, $0.9 million, and $24.9 million, respectively.

The table below provides information as of October 31, 2021, regarding active joint ventures that we are invested in, by joint venture category ($ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Number of unconsolidated entities	12	2	32	4	50
Investment in unconsolidated entities	$ 243,767	$ 12,944	$ 316,580	$ 25,810	$ 599,101
Number of unconsolidated entities with funding commitments by the Company	9	—	9	1	19
Company's remaining funding commitment to unconsolidated entities	$ 173,786	$ —	$ 50,800	$ 23,424	$ 248,010

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, 2021, regarding the debt financing obtained by category ($ amounts in thousands):

	Land Development Joint Ventures	Rental Property Joint Ventures	Total
Number of joint ventures with debt financing	7	27	34
Aggregate loan commitments	$ 422,446	$ 2,351,156	$ 2,773,602
Amounts borrowed under commitments	$ 328,173	$ 1,342,918	$ 1,671,091

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

New Joint Ventures

In August 2021, we announced a strategic partnership with Equity Residential, an NYSE-listed company focused on the acquisition, development and management of residential rental properties, to selectively acquire and develop sites for new rental apartment communities in metro Boston, MA; Atlanta, GA; Austin, TX; Denver, CO; Orange County/San Diego, CA; Seattle, WA; and Dallas-Fort Worth, TX. The strategic partnership has an initial term of three years. For selected projects, Equity Residential is expected to invest 75% of the equity and Toll Brothers is expected to invest the remaining 25% of the equity. It is expected that each project will also be financed with approximately 60% leverage. Equity Residential will have the option to acquire each property upon stabilization. The parties have targeted an initial minimum co-investment of $733.0 million in combined equity, or $1.83 billion in aggregate value, assuming 60% leverage. In connection with this strategic partnership, our apartment living division will act as the managing member of each project, overseeing approvals, design and construction for which we will receive development, construction management, and financing fees, as well as a promoted interest to be realized upon the sale of each property. We have agreed, with limited exceptions, to develop apartment projects exclusively with Equity Residential in the designated metro markets. In connection with this strategic partnership, Equity Residential will receive fees for property management, leasing and marketing services, as well as construction oversight. In the fourth quarter of fiscal 2021, we entered into three joint ventures with Equity Residential under this arrangement.

The table below provides information on joint ventures entered into during fiscal 2021 ($ amounts in thousands):

	Land Development Joint Ventures	Rental Property Joint Ventures
Number of unconsolidated joint ventures entered into during the period	6	11
Investment balance at October 31, 2021	$ 112,400	$ 112,900

The table below provides information on joint ventures entered into during fiscal 2020 ($ amounts in thousands):

	Land Development Joint Ventures	Rental Property Joint Ventures
Number of unconsolidated joint ventures entered into during the period	1	7
Investment balance at October 31, 2020	$ 24,602	$ 80,448

Results of Operations and Intra-entity Transactions

In fiscal 2021, 2020 and 2019, certain of our Rental Property Joint Ventures sold their underlying assets to unrelated parties or to our joint venture partner. In connection with these sales, we recognized gains of $74.8 million, $10.7 million, and $3.8 million, respectively, which is included in “Income from unconsolidated entities” in our Consolidated Statements of Operations and Comprehensive Income.

In fiscal 2021 and 2020, we recognized other-than-temporary impairment charges on our investments in certain Home Building Joint Ventures of $2.1 million and $6.0 million, respectively. In fiscal 2019, we recognized an other-than-temporary impairment charge on a certain Land Development Joint Venture of $1.0 million.

In fiscal 2021, 2020 and 2019, we purchased land from unconsolidated entities, principally related to our acquisition of lots from our Land Development Joint Ventures, totaling $18.5 million, $17.6 million, and $137.1 million, respectively. Our share of income from the lots we acquired was insignificant in each period. We sold land to unconsolidated entities, which principally involved land sales to our Rental Property Joint Ventures, totaling $227.8 million, $74.1 million and $110.9 million in our fiscal 2021, 2020 and 2019. These amounts are included in “Land sales and other revenue” on our Consolidated Statements of Operations and Comprehensive Income and are generally sold at or near our land basis.

Subsequent Event

In November 2021, one of our Rental Property Joint Ventures sold their assets to an unrelated party for $91.0 million. In connection with such sale, the joint venture repaid its then-outstanding loan, in an aggregate principal amount of $36.9 million. We received cash of $30.5 million and expect to recognize gains of approximately $20.0 million, which will be included in “Income (loss) from unconsolidated entities” in our Consolidated Statements of Operations and Comprehensive Income for the three-month period ending January 31, 2022.

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 have guaranteed debt of 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, we and our joint venture partner have provided joint and several guarantees in connection with loans to unconsolidated entities. In these situations, we generally seek to implement 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, we are not always successful. In addition, if the joint venture partner does not have adequate financial resources to meet its obligations under such a reimbursement agreement, we may be liable for more than our proportionate share.

We believe that, as of October 31, 2021, 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.

Information with respect to certain of the Company’s unconsolidated entities’ outstanding debt obligations, loan commitments and our guarantees thereon are as follows ($ amounts in thousands):

		October 31, 2021
Loan commitments in the aggregate	$	2,195,200
Our maximum estimated exposure under repayment and carry cost guarantees if the full amount of the debt obligations were borrowed	$	418,800
Debt obligations borrowed in the aggregate	$	1,092,700
Our maximum estimated exposure under repayment and carry cost guarantees of the debt obligations borrowed	$	222,000
Estimated fair value of guarantees provided by us related to debt and other obligations	$	11,000
Terms of guarantees		4 months - 4.0 years

The maximum exposure estimates presented above do not take into account any recoveries from the underlying collateral or any reimbursement from our partners. We have not made payments under any of the guarantees, nor have we been called upon to do so.

Variable Interest Entities

The table below provide information as of October 31, 2021 and 2020, regarding our unconsolidated joint venture-related variable interests in VIEs ($ amounts in thousands):

	October 31, 2021	October 31, 2020
Number of Joint Venture VIEs that the Company is not the Primary Beneficiary ("PB")	12	12
Investment balance in unconsolidated Joint Venture VIEs included in Investments in unconsolidated entities in our Consolidated Balance Sheets	$ 105,200	$ 63,100
Our maximum exposure to losses related to loan guarantees and additional commitments provided to unconsolidated Joint Venture VIEs	$ 290,600	$ 122,100

Our ownership interest in the above unconsolidated Joint Venture VIEs ranges from 20% to 50%.

The table below provide information as of October 31, 2021 and 2020, regarding our consolidated joint venture-related variable interests in VIEs ($ amounts in thousands):

	Balance Sheet Classification	October 31, 2021	October 31, 2020
Number of Joint Venture VIEs that the Company is the PB and consolidates		5	5
Carrying value of consolidated VIEs assets	Receivables prepaid expenses, and other assets	$ 90,800	$ 163,000
Our partners' interests in consolidated VIEs	Noncontrolling interest	$ 39,400	$ 46,200

Our ownership interest in the above consolidated Joint Venture VIEs ranges from 50% to 98%.

As shown above, we have concluded we are the PB of certain 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. For other VIEs, we have concluded that we are not the PB 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.

Joint Venture Condensed Combined Financial Information

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

Condensed Combined Balance Sheets:

	October 31, 2021				
	Land Develop-ment Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Cash and cash equivalents	$ 39,191	$ 28,137	$ 85,499	$ 755	$ 153,582
Inventory	820,916	98,981	—	45,065	964,962
Loan receivables, net	—	—	—	86,727	86,727
Rental properties	—	—	1,496,355	—	1,496,355
Rental properties under development	—	—	697,659	—	697,659
Real estate owned	—	—	—	211	211
Other assets	144,320	10,157	71,917	974	227,368
Total assets	$ 1,004,427	$ 137,275	$ 2,351,430	$ 133,732	$ 3,626,864
Debt, net of deferred financing costs	$ 325,973	$ —	$ 1,351,646	$ —	$ 1,677,619
Other liabilities	65,033	11,725	153,338	18,449	248,545
Members' equity	613,421	125,550	846,446	115,283	1,700,700
Total liabilities and equity	$ 1,004,427	$ 137,275	$ 2,351,430	$ 133,732	$ 3,626,864
Company's net investment in unconsolidated entities *(1)*	$ 243,767	$ 12,944	$ 316,580	$ 25,810	$ 599,101

	October 31, 2020				
	Land Develop-ment Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Cash and cash equivalents	$ 24,330	$ 18,106	$ 64,244	$ 2,798	$ 109,478
Inventory	303,960	198,260	—	8,780	511,000
Loan receivables, net	—	—	—	78,576	78,576
Rental properties	—	—	1,244,911	—	1,244,911
Rental properties under development	—	—	666,386	—	666,386
Real estate owned	—	—	—	6,752	6,752
Other assets	108,289	21,930	38,851	298	169,368
Total assets	$ 436,579	$ 238,296	$ 2,014,392	$ 97,204	$ 2,786,471
Debt, net of deferred financing costs	$ 117,342	$ 30,116	$ 1,220,607	$ —	$ 1,368,065
Other liabilities	54,714	12,768	113,282	6,053	186,817
Members' equity	264,523	195,412	680,503	90,735	1,231,173
Noncontrolling interest	—	—	—	416	416
Total liabilities and equity	$ 436,579	$ 238,296	$ 2,014,392	$ 97,204	$ 2,786,471
Company's net investment in unconsolidated entities *(1)*	$ 127,690	$ 33,819	$ 247,049	$ 22,143	$ 430,701

(1) Our underlying equity in the net assets of the unconsolidated entities exceeded our net investment in unconsolidated entities by $16.5 million and $29.4 million as of October 31, 2021 and 2020, respectively, and these differences are primarily a result of other than temporary 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.

Condensed Combined Statements of Operations and Comprehensive Income:

	For the year ended October 31, 2021				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Revenues	$ 110,330	$ 88,534	$ 141,373	$ 21,357	$ 361,594
Cost of revenues	81,207	105,436	61,278	10,506	258,427
Other expenses	2,622	4,887	143,050	1,947	152,506
Total expenses	83,829	110,323	204,328	12,453	410,933
Gain on disposition of loans and REO	—	—	—	(4,109)	(4,109)
Income (loss) from operations	26,501	(21,789)	(62,955)	4,795	(53,448)
Other income	8,807	317	177,777	—	186,901
Income (loss) before income taxes	35,308	(21,472)	114,822	4,795	133,453
Income tax provision (benefit)	258	(875)	(824)	—	(1,441)
Net income (loss)	$ 35,050	$ (20,597)	$ 115,646	$ 4,795	$ 134,894
Company's equity (deficit) in earnings of unconsolidated entities *(2)*	$ 18,155	$ (241)	$ 53,792	$ 2,329	$ 74,035

	For the year ended October 31, 2020				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Revenues	$ 87,174	$ 139,587	$ 111,122	$ 26,781	$ 364,664
Cost of revenues	64,810	124,899	37,770	15,762	243,241
Other expenses	2,948	15,731	117,419	1,505	137,603
Total expenses	67,758	140,630	155,189	17,267	380,844
Gain on disposition of loans and REO	—	—	—	1,053	1,053
Income (loss) from operations	19,416	(1,043)	(44,067)	10,567	(15,127)
Other income (loss)	3,061	536	(448)		3,149
Income (loss) before income taxes	22,477	(507)	(44,515)	10,567	(11,978)
Income tax provision (benefit)	188	(254)		—	(66)
Net income (loss) including earnings from noncontrolling interests	22,289	(253)	(44,515)	10,567	(11,912)
Plus: loss attributable to noncontrolling interest	—	—	—	48	48
Net income (loss) attributable to controlling interest	$ 22,289	$ (253)	$ (44,515)	$ 10,615	$ (11,864)
Company's equity (deficit) in earnings of unconsolidated entities *(2)*	$ 11,412	$ (3,424)	$ (9,389)	$ 2,349	$ 948

	For the year ended October 31, 2019				
	Land Develop-ment Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Revenues	$ 261,677	$ 374,587	$ 99,401	$ 21,377	$ 757,042
Cost of revenues	246,980	323,764	68,502	13,234	652,480
Other expenses	4,752	24,633	58,928	1,880	90,193
Total expenses	251,732	348,397	127,430	15,114	742,673
Gain on disposition of loans and REO	—	—	—	4,383	4,383
Income (loss) from operations	9,945	26,190	(28,029)	10,646	18,752
Other income	3,079	6,144	16,651	12,793	38,667
Income (loss) before income taxes	13,024	32,334	(11,378)	23,439	57,419
Income tax provision	193	457	—	—	650
Net income (loss) including earnings from noncontrolling interests	12,831	31,877	(11,378)	23,439	56,769
Less: income attributable to noncontrolling interest	—	—	—	(9,593)	(9,593)
Net income (loss) attributable to controlling interest	$ 12,831	$ 31,877	$ (11,378)	$ 13,846	$ 47,176
Company's equity (deficit) in earnings of unconsolidated entities *(2)*	$ 6,160	$ 17,004	$ (824)	$ 2,528	$ 24,868

(2) Differences between our equity in earnings of unconsolidated entities and the underlying net income (loss) of the entities are primarily a result of distributions from entities in excess of the carrying amount of our investment; other than temporary impairments related to our investments in unconsolidated entities; recoveries of previously incurred charges; unrealized gains on our retained joint venture interests; gained recognized from the sale of our investment to our joint venture partner; 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, 2021 and 2020, consisted of the following (amounts in thousands):

	2021	2020
Expected recoveries from insurance carriers and others	$ 16,773	$ 79,269
Improvement cost receivable	67,626	86,116
Escrow cash held by our captive title company	41,429	24,712
Properties held for rental apartment and commercial development	381,401	542,796
Prepaid expenses	34,960	28,104
Right-of-use asset	96,276	105,004
Other	99,613	90,293
	$ 738,078	$ 956,294

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

As of October 31, 2021 and 2020, properties held for rental apartment and commercial development include $90.8 million and $163.0 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 Payable

At October 31, 2021 and 2020, loans payable consisted of the following (amounts in thousands):

	2021	2020
Senior unsecured term loan	$ 650,000	$ 800,000
Loans payable – other	364,042	351,257
Deferred issuance costs	(2,508)	(3,302)
	$ 1,011,534	$ 1,147,955

Senior Unsecured Term Loan

We are party to a five-year $650.0 million senior unsecured term loan facility (the "Term Loan Facility") with a syndicate of banks, most of which is scheduled to expire on November 1, 2026. In the first quarter of fiscal 2021, we voluntarily repaid $150.0 million of the then $800.0 million in principal amount that was outstanding. No prepayment charges were incurred in connection with the repayment. On October 31, 2021, we entered into term loan extension agreements to extend the maturity date of $548.4 million of outstanding term loans from November 1, 2025 to November 1, 2026, with the remainder of the term loans remaining due November 1, 2025. The Term Loan Facility provides 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 $1.5 billion. Other than $101.6 million of term loans that are scheduled to mature on November 1, 2025, there are no payments required before the final maturity date on the Term Loan Facility.

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, 2021, the interest rate on the Term Loan Facility was 1.14% 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.

In November 2020, we entered into five interest rate swap transactions to hedge $400.0 million of the Term Loan Facility through October 2025. The interest rate swaps effectively fix the interest cost on the $400.0 million at 0.369% plus the spread set forth in the pricing schedule in the Term Loan Facility, which was 1.30% as of October 31, 2021. These interest rate swaps were designated as cash flow hedges.

Revolving Credit Facility

We are party to a $1.905 billion senior unsecured, five-year revolving credit facility (the "Revolving Credit Facility") with a syndicate of banks, substantially all of which is scheduled to expire on November 1, 2026. On October 31, 2021, we entered into extension letter agreements (the "Revolver Extension Agreements") to extend the maturity date of $1.780 billion of the revolving loans and commitments from November 1, 2025 to November 1, 2026, with the remainder of the revolving loans and commitments continuing to terminate on November 1, 2025.

Under the Revolving Credit Facility, up to 100% of the commitment is available for letters of credit. The Revolving Credit Facility 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 $2.50 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, 2021, the interest rate on outstanding borrowings under the Revolving Credit Facility would have been 1.29% 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, 2021, 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 $2.22 billion. Under the terms of the Revolving Credit Facility, at October 31, 2021, our leverage ratio was approximately 0.33 to 1.00 and our tangible net worth was approximately $5.24 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 $3.87 billion as of October 31, 2021. In addition, under the provisions of the Revolving Credit Facility, our ability to pay cash dividends was limited to approximately $3.02 billion as of October 31, 2021.

At October 31, 2021, we had no outstanding borrowings under the Revolving Credit Facility and had outstanding letters of credit of approximately $94.5 million.

Loans Payable – Other

"Loans payable – other" primarily represent purchase money mortgages on properties we acquired that the seller had financed, project-level financing, 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, 2021 and 2020, is included in the table below ($ amounts in thousands):

	2021	2020
Aggregate loans payable at October 31	$ 364,042	$ 351,257
Weighted-average interest rate	4.33 %	4.30 %
Interest rate range	0.14% - 10.0%	0.20% - 7.00%
Loans secured by assets:		
Carrying value of loans secured by assets	$ 364,042	$ 351,257
Carrying value of assets securing loans	$ 1,067,728	$ 947,989

The contractual maturities of "Loans payable – other" as of October 31, 2021, ranged from one month to 30 years.

Senior Notes

At October 31, 2021 and 2020, senior notes consisted of the following (amounts in thousands):

	2021	2020
5.875% Senior Notes due February 15, 2022	$ 409,856	$ 419,876
4.375% Senior Notes due April 15, 2023	400,000	400,000
5.625% Senior Notes due January 15, 2024	—	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	400,000
Bond discounts, premiums, and deferred issuance costs, net	(5,867)	(8,158)
	$ 2,403,989	$ 2,661,718

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.

In March 2021, we redeemed, prior to maturity, all $250.0 million aggregate principal amount of our then-outstanding 5.625% Senior Notes due 2024. In connection with this redemption, we incurred a pre-tax charge of $34.2 million, inclusive of the write-off of unamortized deferred financing costs, which is recorded in our Consolidated Statement of Operations and Comprehensive Income.

In the first quarter of fiscal 2021, we redeemed, prior to maturity, approximately $10.0 million of the $419.9 million then-outstanding principal amount of 5.875% Senior Notes due February 15, 2022, plus accrued interest.

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.

Subsequent event

On November 15, 2021, we redeemed the remaining $409.9 million principal amount of 5.875% Senior Notes due February 15, 2022, at par, plus accrued interest.

Mortgage Company Loan Facility

TBI Mortgage® Company ("TBI Mortgage"), our wholly owned mortgage subsidiary, has a mortgage warehousing agreement ("Warehousing Agreement") with a bank, which has been amended from time to time, 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." The Warehousing Agreement provides for loan purchases up to $75.0 million, subject to certain sublimits. In addition, the Warehousing Agreement, 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. We are also subject to an under usage fee based on outstanding balances, as defined in the Warehousing Agreement. Prior to its scheduled expiration on March 4, 2021, the Warehousing Agreement was amended and restated to extend the expiration date to March 3, 2022 and to reduce the interest rate thereunder to LIBOR plus 1.75% per annum (with a LIBOR floor of 0.75%). Prior to the extension, borrowings under the facility bore interest at LIBOR plus 1.90% per annum. At October 31, 2021, the interest rate on the Warehousing Agreement was 2.50% per annum. Borrowings under this facility are included in the fiscal 2022 maturities in the table below.

At each of October 31, 2021 and 2020, there was $147.5 million and $148.6 million, respectively, outstanding under the Warehousing Agreement, which are included in liabilities in our Consolidated Balance Sheets. At October 31, 2021 and 2020, amounts outstanding under the agreement were collateralized by $245.0 million and $219.4 million, respectively, of mortgage loans held for sale, which are included in assets in our Consolidated Balance Sheets. As of October 31, 2021, 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.

General

As of October 31, 2021, the annual aggregate maturities of our loans and notes during each of the next five fiscal years are as follows (amounts in thousands):

	Amount
2022	$ 615,668
2023	$ 492,152
2024	$ 82,891
2025	$ 67,939
2026	$ 470,629

7. Accrued Expenses

Accrued expenses at October 31, 2021 and 2020, consisted of the following (amounts in thousands):

	2021	2020
Land, land development and construction	$ 310,996	$ 233,783
Compensation and employee benefits	232,161	219,965
Escrow liability	36,107	23,067
Self-insurance	236,369	215,884
Warranty	145,062	157,351
Lease liabilities	116,248	124,756
Deferred income	36,638	34,096
Interest	34,033	38,446
Commitments to unconsolidated entities	22,150	8,928
Other	50,471	53,920
	$ 1,220,235	$ 1,110,196

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 2021, 2020, and 2019 (amounts in thousands):

	2021	2020	2019
Balance, beginning of year	$ 157,351	$ 201,886	$ 258,831
Additions - homes closed during the year	42,316	36,103	35,475
Addition - liabilities assumed	100	190	855
Increase in accruals for homes closed in prior years, net	9,155	6,711	6,023
Reclassification from self-insurance accruals	3,618	—	—
Decrease to water intrusion accrual	(11,823)	(24,400)	—
Charges incurred	(55,655)	(63,139)	(99,298)
Balance, end of year	$ 145,062	$ 157,351	$ 201,886

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 North region). During fiscal 2021, 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.

From October 31, 2016 through the second quarter of fiscal 2020, our recorded aggregate estimated repair costs to be incurred for known and unknown water intrusion claims was $324.4 million and our recorded aggregate expected recoveries from insurance carriers and suppliers were approximately $152.6 million. Based on trends in claims experience over several years and lower than anticipated repair costs, in the second fiscal quarter of 2020 and again in the fourth fiscal quarter of 2021, we reduced the estimate of the aggregate estimated repair costs to be incurred for known and unknown water intrusion claims by $24.4 million and $11.8 million, respectively. Because these reductions were associated with periods in which we expect our insurance deductibles and self-insured retentions to be exhausted, we reduced our aggregate expected recoveries from insurance carriers and suppliers by a corresponding $24.4 million and $11.8 million, in fiscal 2020 and fiscal 2021, respectively. Our recorded remaining estimated repair costs, which reflects a reduction for the aggregate amount expended to resolve claims, were approximately $54.7 million at October 31, 2021 and $79.5 million at October 31, 2020. Our recorded remaining expected

recoveries from insurance carriers and suppliers were approximately $5.8 million at October 31, 2021 and $68.4 million at October 31, 2020.

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 home builders 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. As a result of coverage disputes related to water intrusion claims, we entered arbitration proceedings during the third quarter of fiscal 2019 with certain of our insurance carriers. During the third quarter of fiscal 2021, we settled all such outstanding disputes and have since entered into coverage agreements with the relevant insurance carriers. Based on the resolution of such disputes and the terms of these coverage agreements, we concluded that no adjustments to our insurance receivables were necessary and we continue to believe that the collection of our remaining recorded insurance receivables is probable.

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, 2021, 2020, and 2019 ($ amounts in thousands):

	2021		2020		2019	
	$	%*	$	%*	$	%*
Federal tax provision at statutory rate	231,066	21.0	123,249	21.0	165,306	21.0
State tax provision, net of federal benefit	50,153	4.6	25,793	4.4	37,898	4.8
Other permanent differences	8,388	0.8	4,755	0.8	4,866	0.6
Reversal of accrual for uncertain tax positions	(993)	(0.1)	(1,749)	(0.3)	(5,348)	(0.7)
Accrued interest on anticipated tax assessments	297	—	404	0.1	453	0.1
Increase in unrecognized tax benefits	—	—	—	—	2,153	0.3
Changes in tax law	—	—	—	—	(523)	(0.1)
Excess stock compensation benefit	(4,698)	(0.4)	(3,339)	(0.6)	(2,143)	(0.3)
Energy tax credits	(24,343)	(2.2)	(11,467)	(2.0)	(3,123)	(0.4)
Other	6,818	0.6	2,631	0.5	(2,376)	(0.3)
Income tax provision*	266,688	24.2	140,277	23.9	197,163	25.0

* Due to rounding, percentages may not add

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 5.8% in fiscal 2021. Our state income tax rate, before federal benefit, was 5.6% and 6.1% in fiscal 2020 and 2019, respectively

The following table provides information regarding the provision for income taxes for each of the fiscal years ended October 31, 2021, 2020, and 2019 (amounts in thousands):

	2021	2020	2019
Federal	$ 213,314	$ 114,204	$ 161,904
State	53,374	26,073	35,259
	$ 266,688	$ 140,277	$ 197,163
Current	$ 254,873	$ 42,497	$ 94,399
Deferred	11,815	97,780	102,764
	$ 266,688	$ 140,277	$ 197,163

The components of income taxes payable at October 31, 2021 and 2020 are set forth below (amounts in thousands):

	2021	2020
Current	$ 8,047	$ 6,591
Deferred	207,233	192,383
	$ 215,280	$ 198,974

The following table provides a reconciliation of the change in the unrecognized tax benefits for the years ended October 31, 2021, 2020, and 2019 (amounts in thousands):

	2021	2020	2019
Balance, beginning of year	$ 6,591	$ 7,897	$ 12,222
Increase in benefit as a result of tax positions taken in prior years	624	512	2,148
Increase in benefit as a result of tax positions taken in current year	—	306	1,126
Decrease in benefit as a result of settlements	—	—	(2,670)
Decrease in benefit as a result of lapse of statute of limitations	(1,435)	(2,124)	(4,929)
Balance, end of year	$ 5,780	$ 6,591	$ 7,897

The statute of limitations has expired on our federal tax returns for fiscal years through 2017. The statue of limitations for our major state tax jurisdictions remains open for examination for fiscal year 2016 and subsequent years.

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, 2021, 2020, and 2019, and the amounts accrued for potential interest and penalties at October 31, 2021 and 2020 (amounts in thousands):

Expense recognized in the Consolidated Statements of Operations and Comprehensive Income	
Fiscal year	
2021	$ 376
2020	$ 512
2019	$ 593
Accrued at:	
October 31, 2021	$ 1,385
October 31, 2020	$ 1,270

The components of net deferred tax assets and liabilities at October 31, 2021 and 2020 are set forth below (amounts in thousands):

	2021	2020
Deferred tax assets:		
Accrued expenses	$ 55,904	$ 57,089
Impairment charges	40,410	42,956
Inventory valuation differences	29,285	48,276
Stock-based compensation expense	16,543	19,905
Amounts related to unrecognized tax benefits	262	319
State tax, net operating loss carryforwards	46,339	68,705
Other	1,877	1,830
Total assets	190,620	239,080
Deferred tax liabilities:		
Capitalized interest	37,475	37,697
Deferred income	319,587	351,589
Expenses taken for tax purposes not for book	4,716	5,346
Depreciation	18,689	23,567
Deferred marketing	17,386	13,264
Total liabilities	397,853	431,463
Net deferred tax liabilities	$ (207,233)	$ (192,383)

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, 2021 and 2020, we determined that it was more-likely-than-not that our deferred tax assets would be realized. Accordingly, at October 31, 2021 and 2020, we did not have valuation allowances recorded against our federal or state deferred tax assets.

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

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, 2021, we had 120.1 million shares of common stock issued and outstanding, 4.9 million shares of common stock reserved for outstanding stock options and restricted stock units, 5.7 million shares of common stock reserved for future stock option and award issuances, and 321,000 shares of common stock reserved for issuance under our employee stock purchase plan. As of October 31, 2021, 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. In March 2021, our Board of Directors approved an increase in the quarterly dividend from $0.11 to $0.17 per share. During the fiscal years ended October 31, 2021, 2020 and 2019, we declared and paid aggregate cash dividends of $0.62 , $0.44 and $0.44 per share, respectively, to our shareholders.

Stock Repurchase Program

From time to time 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 March 10, 2020, 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 11, 2019. 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, 2021, 2020, and 2019:

	2021	2020	2019
Number of shares purchased (in thousands)	7,421	15,952	6,619
Average price per share	$ 50.97	$ 39.75	$ 35.28
Remaining authorization at October 31 (in thousands)	12,563	19,984	13,953

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.

Accumulated Other Comprehensive Income (Loss)

The changes in each component of accumulated other comprehensive income (loss) ("AOCI"), for fiscal years ended October 31, 2021, 2020, and 2019, were as follows (amounts in thousands):

	2021	2020	2019
Employee Retirement Plans			
Beginning balance	$ (7,198)	$ (5,831)	$ 694
Gains (losses) arising during the period	152	(2,477)	(6,750)
Less: Tax expense	(316)	(852)	(2,344)
Net losses arising during the period	(164)	(3,329)	(9,094)
Gains reclassified from AOCI to net income *(1)*	1,801	1,491	304
Less: Tax (expense) benefit *(2)*	(463)	471	2,265
Net gains reclassified from AOCI to net income	1,338	1,962	2,569
Other comprehensive income (loss), net of tax	1,174	(1,367)	(6,525)
Ending balance	$ (6,024)	$ (7,198)	$ (5,831)
Derivative Instruments			
Beginning balance	$ —	$ —	$ —
Gains on derivative instruments	9,383	—	—
Less: Tax expense	(2,408)	—	—
Net gains on derivative instruments	6,975	—	—
Gains reclassified from AOCI to net income *(3)*	211	—	—
Less: Tax expense *(2)*	(53)	—	—
Net gains reclassified from AOCI to net income	158	—	—
Other comprehensive income, net of tax	7,133	—	—
Ending balance	$ 7,133	$ —	$ —
Total AOCI ending balance	$ 1,109	$ (7,198)	$ (5,831)

(1) Reclassified to "Other income – net"
(2) Reclassified to "Income tax provision"
(3) Reclassified to "Cost of revenues – home sales"

10. Stock-Based Benefit Plans

We grant stock options, restricted stock, and various types of restricted stock units to our employees and our non-employee directors under our stock incentive plans. Restricted stock unit awards may be based on performance conditions, market conditions or service over a requisite time period (time-based). 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 equity awards granted after its adoption, and no additional equity awards may be granted under such prior plans. As a result, the Omnibus Plan is the sole plan out of which 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 provides for the issuance of stock appreciation rights and restricted and unrestricted stock awards and stock units, which may be performance-based. Stock options and restricted stock units granted under the Omnibus Plan generally vest over a four-year period for employees and a two-year period for non-employee directors. Shares issued upon the exercise of a stock option or settlement of restricted stock units are either from shares held in treasury or newly issued shares. At October 31, 2021, 2020, and 2019, we had 5.7 million; 6.7 million; and 7.7 million shares, respectively, available for grant under the plans.

The following table provides information regarding the amount of total stock-based compensation expense recognized by us for fiscal year 2021, 2020, and 2019 (amounts in thousands):

	2021	2020	2019
Total stock-based compensation expense recognized	$ 23,187	$ 24,326	$ 26,180
Income tax benefit recognized	$ 5,910	$ 6,227	$ 6,749

At October 31, 2021, the aggregate unamortized value of outstanding stock-based compensation awards was approximately $14.7 million and the weighted-average period over which we expect to recognize such compensation costs was approximately 2.4 years.

Stock Options:

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 a combination of 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 impacting exercisability. The risk-free rate for periods within the expected 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, 2021, 2020, and 2019:

	2021	2020	2019
Expected volatility	43.33%	27.42% - 28.30%	28.61% - 31.34%
Weighted-average volatility	43.33%	27.42%	30.46%
Risk-free interest rate	0.49%	1.72% - 1.78%	2.65% - 2.76%
Expected life (years)	5.75	4.64 - 5.76	4.63 - 8.50
Dividends	0.96%	1.11%	1.36%
Weighted-average fair value per share of options granted	$15.88	$9.68	$10.22

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 2021, 2020 and 2019 was as follows (amounts in thousands):

	2021	2020	2019
Stock compensation expense recognized - options	$ 1,812	$ 3,144	$ 5,181

The following table summarizes stock option activity for our plans during the fiscal year ended October 31, 2021 (amounts in thousands, except per share amounts):

	2021			
	Number of options	Weighted-average exercise price	Weighted average remaining contractual life (in years)	Aggregate intrinsic value
Balance, November 1,	3,560	$ 33.03		
Granted	40	$ 46.02		
Exercised	(585)	$ 28.37		
Canceled	(17)	$ 35.41		
Balance, October 31,	2,998	$ 34.10	4.08 years	$ 78,142
Options exercisable, at October 31,	2,674	$ 33.60	3.68 years	$ 71,070

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, 2021, 2020, and 2019, is provided below (amounts in thousands):

	2021	2020	2019
Intrinsic value of options exercised	$ 16,328	$ 23,281	$ 16,491
Fair market value of options vested	$ 3,578	$ 5,926	$ 7,723

Performance-Based Restricted Stock Units:

In fiscal 2021, 2020, and 2019, 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% of the base award depending on actual achievement as compared to the target performance goals. Shares earned based on actual performance vest pro-rata over a four-year period (provided the recipients continue to be employed by us as specified in the award document) or cliff vest at the end of a three-year performance period.

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"), adjusted for post-vesting restrictions applicable to retirement eligible participants. Compensation expense related to these grants is based on the Company's performance against the related performance criteria, the elapsed portion of the performance period and the grant date fair value of the award. To estimate the fair value of the award, we evaluate the performance goals quarterly and estimate the number of shares underlying the Performance-Based RSUs that are probable of being issued.

A summary of the status of our nonvested Performance-Based RSUs as of October 31, 2021, and changes during the year ended October 31, 2021, is presented below (share amounts in thousands):

	2021	Weighted average grant date fair value
Nonvested at November 1,	345	$ 35.17
Granted/Target	129	$ 37.00
Vested	(145)	$ 35.12
Forfeited	—	$ —
Nonvested at October 31,	329	$ 35.87

The following table provides information regarding the issuance, valuation assumptions, and amortization of the Performance-Based RSUs issued in fiscal 2021, 2020, and 2019:

	2021	2020	2019
Estimated number of shares underlying Performance-Based RSUs to be issued	128,894	116,423	158,721
Aggregate number of Performance-Based RSUs outstanding at October 31	539,592	579,115	645,538
Weighted-average fair value per share of Performance-Based RSUs issued	$ 29.87	$ 32.55	$ 34.86
Aggregate grant date fair value of Performance-Based RSUs issued (in thousands)	$ 5,030	$ 3,790	$ 5,533
Performance-Based RSU expense recognized (in thousands)	$ 5,989	$ 5,986	$ 5,514
Fair market value of Performance-Based RSUs vested (in thousands)	$ 5,084	$ 5,638	$ 6,735

Shares earned with respect to Performance-Based RSUs issued in December 2014, 2015, and 2016 were delivered in fiscal 2019, 2020, and 2021, respectively.

Time-Based Restricted Stock Units:

We issued time-based restricted stock units (“Time-Based RSUs”) to various officers, employees, and non-employee directors on an annual basis. These Time-Based RSUs generally vest in annual installments over a two-year (for non-employee directors) or four-year (for employees) period and are generally settled at the end of such period. The value of the Time-Based RSUs was determined to be equal to the number of shares of our common stock underlying the Time-Based RSUs multiplied by the closing price of our common stock on the NYSE on the date the Time-Based RSUs were awarded, adjusted for post-vesting restrictions applicable to retirement eligible participants. The fair value of Time-Based RSUs is expensed evenly over the shorter of the vesting period or the period between the grant date and the time the award becomes nonforfeitable by the participant.

A summary of our Time-Based RSUs nonvested shares as of October 31, 2021, and changes during the year ended October 31, 2021, is presented below (share amounts in thousands):

	2021	Weighted average grant date fair value
Nonvested at November 1,	910	$ 36.74
Granted	439	$ 42.85
Vested	(382)	$ 36.70
Forfeited	(56)	$ 40.88
Nonvested at October 31,	911	$ 39.45

The following table provides additional information on the Time-Based RSUs for fiscal 2021, 2020, and 2019:

	2021	2020	2019
Time-Based RSUs issued:			
Number of Time-Based RSUs issued	386,017	461,280	449,380
Weighted-average fair value per share of Time-Based RSUs issued	$ 33.21	$ 37.43	$ 33.04
Aggregate fair value of Time-Based RSUs issued (in thousands)	$ 12,820	$ 17,267	$ 14,848
Time-Based RSU expense recognized (in thousands):	$ 14,531	$ 12,744	$ 13,627
Fair market value of Time-Based RSUs vested (in thousands):	$ 14,029	$ 11,837	$ 7,936

	2021	2020	2019
At October 31:			
Aggregate number of Time-Based RSUs outstanding	1,312,710	1,315,371	1,137,936
Cumulative unamortized value of Time-Based RSUs (in thousands)	$ 12,919	$ 10,972	$ 8,694

Employee Stock Purchase Plan ("ESPP")

Our ESPP 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 ESPP, which is scheduled to terminate in December 2027, provides that 500,000 shares be reserved for purchase. At October 31, 2021, 321,000 shares were available for issuance. In fiscal 2021, 2020 and 2019, we issued 31,257 shares, 54,235 shares, and 41,744 shares under the ESPP, respectively. The expense is recognized in all fiscal periods was not material.

11. Earnings Per Share Information

Information pertaining to the calculation of earnings per share for each of the fiscal years ended October 31, 2021, 2020, and 2019, is as follows (amounts in thousands):

	2021	2020	2019
Numerator:			
Net income as reported	$ 833,627	$ 446,624	$ 590,007
Denominator:			
Basic weighted-average shares	124,100	130,095	145,008
Common stock equivalents *(1)*	1,707	1,152	1,493
Diluted weighted-average shares	125,807	131,247	146,501
Other information:			
Weighted-average number of antidilutive options and restricted stock units *(2)*	166	2,141	1,156
Shares issued under stock incentive and employee stock purchase plans	1,011	1,541	1,394

(1) 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.

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

12. Fair Value Disclosures

Financial Instruments

A summary of assets and (liabilities) at October 31, 2021 and 2020, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (amounts in thousands):

Financial Instrument	Fair value hierarchy	Fair value October 31, 2021	Fair value October 31, 2020
Residential Mortgage Loans Held for Sale	Level 2	$ 247,211	$ 231,797
Forward Loan Commitments – Residential Mortgage Loans Held for Sale	Level 2	$ 1,782	$ (31)
Interest Rate Lock Commitments (“IRLCs”)	Level 2	$ (1,773)	$ 628
Forward Loan Commitments – IRLCs	Level 2	$ 1,773	$ (628)
Interest Rate Swap Contracts	Level 2	$ 10,330	$ —

At October 31, 2021 and 2020, the carrying value of cash and cash equivalents and customer deposits held in escrow approximated fair value.

The fair values of the interest rate swap contracts are included in “Receivables, prepaid expenses and other assets” in our Consolidated Balance Sheets and are determined using widely accepted valuation techniques including discounted cash flow analysis based on the expected cash flows of each swap contract. Although the Company has determined that the significant inputs, such as interest yield curve and discount rate, used to value its interest rate swap contracts fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our counterparties and our own credit risk utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of October 31, 2021, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our interest rate swap contract positions and have determined that the credit valuation adjustments were not significant to the overall valuation of our interest rate swap contracts. As a result, we have determined that our interest rate swap contracts valuations in their entirety are classified in Level 2 of the fair value hierarchy.

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 change in 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):

At October 31,	Aggregate unpaid principal balance	Fair value	Excess
2021	$ 244,467	$ 247,211	$ 2,744
2020	$ 225,826	$ 231,797	$ 5,971

IRLCs represent individual borrower agreements that commit us to lend at a specified price for a specified period as long as there is no violation of any condition established in the commitment contract. These commitments have varying degrees of interest rate risk. We utilize best-efforts forward loan commitments (“Forward Commitments”) to hedge the interest rate risk of the IRLCs and residential mortgage loans held for sale. Forward Commitments represent contracts with third-party investors for the future delivery of loans whereby we agree to make delivery at a specified future date at a specified price. The IRLCs and Forward Commitments are considered derivative financial instruments under ASC 815, “Derivatives and Hedging,” which requires derivative financial instruments to be recorded at fair value. We estimate the fair value of such commitments based on the estimated fair value of the underlying mortgage loan and, in the case of IRLCs, the probability that the mortgage loan will fund within the terms of the IRLC. The fair values of IRLCs and forward loan commitments are included in either “Receivables, prepaid expenses and other assets” or “Accrued expenses” in our Consolidated Balance Sheets, as appropriate. To

manage the risk of non-performance of investors regarding the Forward Commitments, we assess the creditworthiness of the investors on a periodic basis.

Inventory

We recognize inventory impairment charges based on the difference in the carrying value of the inventory and its fair value at the time of the evaluation. The fair value of the aforementioned inventory was determined using Level 3 criteria. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. See Note 1, "Significant Accounting Policies - Inventory," for additional information regarding our methodology on determining fair value. As further discussed in Note 1, determining the fair value of a community's inventory involves a number of variables, many of which are interrelated. If we used a different input for any of the various unobservable inputs used in our impairment analysis, the results of the analysis may have been different, absent any other changes. Impairments on operating communities were insignificant in fiscals 2021 and 2020 and, accordingly, we did not disclose the ranges of certain quantitative unobservable inputs utilized in determining the fair value of such impaired operating communities.

In fiscal 2021 and 2020, we recognized $19.8 million and $31.7 million of impairment charges on land owned for future communities relating to six and nine communities, respectively. As of the period the impairment charges were recognized, the estimated fair value of these communities in the aggregate, net of impairment charges, were $23.9 million and $21.8 million, respectively. For the majority of these communities, the estimated fair values were determined based upon the expected sales price per lot in a community sale to another builder. The range of sales price per lot utilized in determining fair values was approximately $25,000 - $200,000 per lot. There were no impairment charges on land owned for future communities in 2019.

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

		Impaired operating communities		
Three months ended:	Number of communities tested	Number of communities	Fair value of communities, net of impairment charges	Impairment charges recognized
Fiscal 2021:				
January 31	53	1	$ 419	$ 1,100
April 30	27	—	$ —	—
July 31	18	—	$ —	—
October 31	21	—	$ —	—
				$ 1,100
Fiscal 2020:				
January 31	65	—	$ —	$ —
April 30	80	1	$ 2,754	300
July 31	66	—	$ —	—
October 31	53	1	$ 1,113	375
				$ 675
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

Debt

The table below provides, as of the dates indicated, the book value and estimated fair value of our debt at October 31, 2021 and 2020 (amounts in thousands):

		2021		2020	
	Fair value hierarchy	Book value	Estimated fair value	Book value	Estimated fair value
Loans payable *(1)*	Level 2	$ 1,014,042	$ 1,021,662	$ 1,151,257	$ 1,157,315
Senior notes *(2)*	Level 1	2,409,856	2,577,818	2,669,876	2,888,822
Mortgage company loan facility *(3)*	Level 2	147,512	147,512	148,611	148,611
		$ 3,571,410	$ 3,746,992	$ 3,969,744	$ 4,194,748

(1) 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.

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

(3) 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 $15.5 million, $6.1 million, and $14.1 million for the fiscal years ended October 31, 2021, 2020, and 2019, respectively, which is included in “Selling, general and administrative” expense in the Consolidated Statements of Operations and Comprehensive Income.

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 $36.3 million and $35.1 million at October 31, 2021 and 2020, 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. 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 2.27%, 1.95%, and 2.61% discount rate in our calculation of the present value of our projected benefit obligations at October 31, 2021, 2020, and 2019, 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, 2021, 2020 and 2019.

Information related to our retirement plans for each of the fiscal years ended October 31, 2021, 2020, and 2019, is as follows (amounts in thousands):

	2021	2020	2019
Plan costs:			
Service cost	$ 452	$ 453	$ 403
Interest cost	926	1,158	1,416
Amortization of prior service cost	1,723	1,468	506
Amortization of unrecognized losses	77	23	—
	$ 3,178	$ 3,102	$ 2,325
Projected benefit obligation:			
Beginning of year	$ 48,374	$ 45,070	$ 35,515
Plan amendments adopted during year	755	2,600	4,956
Service cost	452	453	403
Interest cost	926	1,158	1,416
Benefit payments	(1,894)	(1,636)	(1,358)
Change in unrecognized gain/loss	(908)	729	4,138
Projected benefit obligation, end of year	$ 47,705	$ 48,374	$ 45,070
Unamortized prior service cost:			
Beginning of year	$ 6,452	$ 5,320	$ 870
Plan amendments adopted during year	755	2,600	4,956
Amortization of prior service cost	(1,723)	(1,468)	(506)
Unamortized prior service cost, end of year	$ 5,484	$ 6,452	$ 5,320
Accumulated unrecognized loss, October 31	$ (2,288)	$ (3,273)	$ (2,567)
Accumulated benefit obligation, October 31	$ 47,705	$ 48,374	$ 45,070
Accrued benefit obligation, October 31	$ 47,705	$ 48,374	$ 45,070

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, 2031 in the aggregate (in thousands):

Year ending October 31,	Amount
2022	$ 2,597
2023	$ 2,809
2024	$ 3,062
2025	$ 3,327
2026	$ 3,629
November 1, 2026 – October 31, 2031	$ 17,506

14. 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.

We previously disclosed that the Pennsylvania Attorney General was conducting a review of our construction of stucco homes in Pennsylvania after January 1, 2005 and had requested that we voluntarily produce documents and information. The Company complied with the Attorney General's request by producing information and documents in response to a subpoena issued in the

second quarter of fiscal 2019. Because the Attorney General has requested no further information from the Company, we do not expect to include this disclosure in future filings unless a material development occurs.

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, 2021 and 2020, is provided in the table below (amounts in thousands):

	2021	2020
Aggregate purchase commitments:		
Unrelated parties	$ 4,442,804	$ 2,630,128
Unconsolidated entities that the Company has investments in	9,953	10,097
Total	$ 4,452,757	$ 2,640,225
Deposits against aggregate purchase commitments	$ 336,363	$ 223,571
Additional cash required to acquire land	4,116,394	2,416,654
Total	$ 4,452,757	$ 2,640,225
Amount of additional cash required to acquire land included in accrued expenses	$ 37,447	$ 19,590

In addition, we expect to purchase approximately 5,800 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, 2021, we also had similar purchase commitments to acquire land for apartment developments of approximately $143.7 million, of which we had outstanding deposits in the amount of $7.1 million. We intend to develop these projects in joint ventures with unrelated parties in the future.

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, 2021, 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, 2021, we had outstanding surety bonds amounting to $820.7 million, primarily related to our obligations to governmental entities to construct improvements in our communities. We estimate that $386.2 million of work remains on these improvements. We have an additional $236.0 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, 2021, we had outstanding letters of credit of $94.5 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.

At October 31, 2021, we had provided financial guarantees of $25.2 million related to fronted letters of credit to secure obligations related to certain of our insurance policy deductibles and other claims.

Backlog

At October 31, 2021, we had agreements of sale outstanding to deliver 10,302 homes with an aggregate sales value of $9.50 billion.

Mortgage Commitments

Our mortgage subsidiary provides mortgage financing for a portion of our home closings. For those home buyers to whom our mortgage subsidiary provides mortgages, we determine whether the home buyer qualifies for the mortgage based upon information provided by the home buyer and other sources. For those home buyers who qualify, our mortgage subsidiary provides the home buyer with a mortgage commitment that specifies the terms and conditions of a proposed mortgage loan based upon then-current market conditions. Prior to the actual closing of the home and funding of the mortgage, the home buyer will lock in an interest rate based upon the terms of the commitment. At the time of rate lock, our mortgage subsidiary agrees to sell the proposed mortgage loan to one of several outside recognized mortgage financing institutions ("investors") that is willing to honor the terms and conditions, including interest rate, committed to the home buyer. We believe that these investors have adequate financial resources to honor their commitments to our mortgage subsidiary.

Mortgage loans are sold to investors with limited recourse provisions derived from industry-standard representations and warranties in the relevant agreements. These representations and warranties primarily involve the absence of misrepresentations by the borrower or other parties, the appropriate underwriting of the loan and in some cases, a required minimum number of payments to be made by the borrower. The Company generally does not retain any other continuing interest related to mortgage loans sold in the secondary market.

Information regarding our mortgage commitments at October 31, 2021 and 2020, is provided in the table below (amounts in thousands):

	2021	2020
Aggregate mortgage loan commitments:		
IRLCs	$ 528,127	$ 381,116
Non-IRLCs	2,705,772	1,688,801
Total	$ 3,233,899	$ 2,069,917
Investor commitments to purchase:		
IRLCs	$ 528,127	$ 381,116
Mortgage loans receivable	244,376	217,876
Total	$ 772,503	$ 598,992

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 certain rental properties, have an initial term of 99 years. We recognize lease expense for these leases on a straight-line basis over the lease term. Right-of-use ("ROU") assets and lease liabilities are recorded on the balance sheet for all leases with an expected term over one year. A majority of our facility lease agreements include rental payments based on a pro-rata share of the lessor's operating costs which are variable in nature. Our lease agreements do not contain any residual value guarantees or material restrictive covenants.

ROU assets are classified within "Receivables, prepaid expenses, and other assets" and the corresponding lease liability is included in "Accrued expenses" in our Consolidated Balance Sheets. We elected the short-term lease recognition exemption for all leases that, at the commencement date, have a lease term of 12 months or less and do not include an option to purchase the underlying asset that we are reasonably certain to exercise. For such leases, we do not recognize ROU assets or lease liabilities and instead recognize lease payments in our Consolidated Statements of Operations and Comprehensive Income on a straight-line basis. At October 31, 2021, ROU assets and lease liabilities were $96.3 million and $116.2 million, respectively. At October 31, 2020, ROU assets and lease liabilities were $105.0 million and $124.8 million, respectively. Payments on lease liabilities totaled $19.4 million and $16.6 million for the years ending October 31, 2021 and 2020, respectively.

Lease expense includes costs for leases with terms in excess of one year as well as short-term leases with terms of one year or less. For the fiscal years ending October 31, 2021, 2020, and 2019, our total lease expense was $22.2 million, $24.7 million, and $22.4 million, respectively, inclusive of variable lease costs of approximately $3.1 million, $3.1 million, and $2.3 million, respectively. Short-term lease costs and sublease income was de minimis.

Information regarding our remaining lease payments as of October 31, 2021 is provided in the table below (amounts in thousands):

Year ended October 31,		
2022	$	18,616
2023		15,920
2024		13,365
2025		10,880
2026		9,243
Thereafter		217,089
Total lease payments *(1)*	$	285,113
Less: Interest *(2)*		168,865
Present value of lease liabilities	$	116,248

(1) Lease payments include options to extend lease terms that are reasonably certain of being exercised.

(2) Our leases do not provide a readily determinable implicit rate. Therefore, we must estimate our discount rate for such leases to determine the present value of lease payments at the lease commencement date.

The majority of our facility leases give us the option to extend the lease term. The exercise of lease renewal options is at our discretion. For several of our facility leases we are reasonably certain the option will be exercised and thus the renewal term has been included in our calculation of the ROU asset and lease liability. The weighted average remaining lease term and weighted average discount rate used in calculating these facility lease liabilities, excluding our land leases, were 8.1 years and 4.0%, respectively, at October 31, 2021 and 8.8 years and 4.1%, respectively, at October 31, 2020.

We have a small number of land leases with initial terms of 99 years. We are not reasonably certain that, if given the option, we would extend these leases. We have therefore excluded the renewal terms from our ROU asset and lease liability for these leases. The weighted average remaining lease term and weighted average discount rate used in calculating these land lease liabilities were 93.4 years and 4.5%, respectively, at October 31, 2021 and 93.9 years and 4.5%, respectively, at October 31, 2020.

15. Other Income – Net

The table below provides the components of "Other income – net" for the years ended October 31, 2021, 2020, and 2019 (amounts in thousands):

	2021	2020	2019
Interest income	$ 4,320	$ 10,009	$ 19,017
Income from ancillary businesses	36,711	25,540	53,568
Management fee income from Home Building Joint Ventures, net	1,646	3,636	9,948
Directly expensed interest	—	(2,440)	—
Other	(2,063)	(1,052)	(1,031)
Total other income – net	$ 40,614	$ 35,693	$ 81,502

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 2021, 2020 and 2019, our apartment living operations earned fees from unconsolidated entities of $20.2 million, $14.0 million, and $11.9 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, smart home technology, 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, 2021, 2020, and 2019 (amounts in thousands):

	2021	2020	2019
Revenues	$ 139,640	$ 118,855	$ 150,114
Expenses	$ 102,929	$ 106,285	$ 132,823
Other income	$ —	$ 12,970	$ 36,277

In fiscal 2020, we sold one of our golf club properties to a third party for $15.6 million and recognized a gain of $9.1 million. In addition, we recognized a previously deferred gain of $3.8 million related to the sale of a golf club property from fiscal 2019.

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.

16. 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, 2021, 2020, and 2019 (amounts in thousands).

	Revenue			Income (loss) before income taxes		
	2021	2020	2019	2021	2020	2019
Traditional Home Building:						
North	$ 1,645,724	$ 1,364,750	$ 1,484,430	$ 154,298	$ 57,826	$ 81,350
Mid-Atlantic	1,072,300	845,597	804,342	129,056	50,621	50,737
South	1,183,272	1,041,204	991,915	153,799	108,399	106,082
Mountain	2,003,045	1,535,757	1,130,874	276,360	167,687	112,979
Pacific	2,156,114	2,029,851	2,416,629	384,036	352,831	509,760
Traditional Home Building	8,060,455	6,817,159	6,828,190	1,097,549	737,364	860,908
City Living *(1)*	370,772	120,946	253,188	157,653	29,679	70,133
Corporate and other	519	(748)	(999)	(154,887)	(180,142)	(143,871)
	8,431,746	6,937,357	7,080,379	1,100,315	586,901	787,170
Land sales and other revenue	358,615	140,302	143,587			
Total	$ 8,790,361	$ 7,077,659	$ 7,223,966	$ 1,100,315	$ 586,901	$ 787,170

(1) In the first quarter of fiscal 2021, we sold certain commercial assets associated with our Hoboken, New Jersey condominium projects for $82.4 million which is included in Land sales and other revenues above. City Living recognized net gains of $38.3 million from these sales.

"Corporate and other" is comprised principally of general corporate expenses such as our executive offices; 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, and income from our Rental Property Joint Ventures and Gibraltar Joint Ventures.

Total assets for each of our segments at October 31, 2021 and 2020, are shown in the table below (amounts in thousands):

	2021	2020
Traditional Home Building:		
North	$ 1,357,168	$ 1,427,523
Mid-Atlantic	976,887	918,641
South	1,421,612	1,176,962
Mountain	2,397,484	1,961,348
Pacific	2,174,997	2,226,685
Traditional Home Building	8,328,148	7,711,159
City Living	332,972	539,750
Corporate and other	2,876,730	2,814,824
	$ 11,537,850	$ 11,065,733

"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 communities	Land owned for future communities	Operating communities	Total
Balances at October 31, 2021				
Traditional Home Building:				
North	$ 24,791	$ 56,803	$ 1,193,052	$ 1,274,646
Mid-Atlantic	51,267	90,735	776,746	918,748
South	34,567	44,304	1,135,370	1,214,241
Mountain	40,483	85,631	2,126,863	2,252,977
Pacific	34,548	76,091	1,897,214	2,007,853
Traditional Home Building	185,656	353,564	7,129,245	7,668,465
City Living	—	211,173	36,246	247,419
	$ 185,656	$ 564,737	$ 7,165,491	$ 7,915,884
Balances at October 31, 2020				
Traditional Home Building:				
North	$ 40,753	$ 155,737	$ 1,140,833	$ 1,337,323
Mid-Atlantic	31,572	142,196	647,481	821,249
South	13,964	122,671	847,360	983,995
Mountain	8,811	38,370	1,840,830	1,888,011
Pacific	128,425	379,916	1,656,682	2,165,023
Traditional Home Building	223,525	838,890	6,133,186	7,195,601
City Living	—	197,953	265,352	463,305
	$ 223,525	$ 1,036,843	$ 6,398,538	$ 7,658,906

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, 2021, 2020, and 2019, are shown in the table below (amounts in thousands):

	2021	2020	2019
Traditional Home Building:			
North	$ 12,194	$ 28,352	$ 25,472
Mid-Atlantic	10,922	17,905	1,535
South	662	2,869	8,452
Mountain	379	790	984
Pacific	1,278	5,967	1,117
Traditional Home Building	25,435	55,883	37,560
City Living	1,100	—	4,800
	$ 26,535	$ 55,883	$ 42,360

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):

	Investments in unconsolidated entities		Equity in earnings (losses) from unconsolidated entities		
	At October 31,		Year ended October 31,		
	2021	2020	2021	2020	2019
Traditional Home Building:					
Mid-Atlantic	$ 27,313	$ 33,523	$ 5,953	$ (11)	$ —
South	128,777	93,734	12,619	14,012	19,098
Mountain	14,612	—	—	381	—
Pacific	73,066	433	(17)	1,280	(37)
Traditional Home Building	243,768	127,690	18,555	15,662	19,061
City Living	12,944	33,819	(641)	(7,674)	4,103
Corporate and other	342,389	269,192	56,121	(7,040)	1,704
	$ 599,101	$ 430,701	$ 74,035	$ 948	$ 24,868

"Corporate and other" is comprised of our investments in the Rental Property Joint Ventures and the Gibraltar Joint Ventures.

17. 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, 2021, 2020 and 2019 (amounts in thousands):

	2021	2020	2019
Cash flow information:			
Income tax paid, net	$ 229,742	$ 46,687	$ 137,337
Noncash activity:			
Cost of inventory acquired through seller financing, municipal bonds, or included in accrued expenses, net	$ 174,726	$ 158,435	$ 213,824
Increase in receivables, prepaid expenses, and other assets and accrued expenses related to the adoption of ASU 2016-02 and other lease activity	$ —	$ 122,269	$ —
Reclassification from inventory to property, construction, and office equipment, net due to the adoption of ASC 606	$ —	$ —	$ 104,807
Non-controlling interest	$ (1,320)	$ 7,092	$ 38,134
Reclassification of inventory to property, construction, and office equipment, net	$ 39,309	$ 16,558	$ —
Transfer of other assets to inventory, net	$ —	$ —	$ 7,100
Transfer of inventory to investment in unconsolidated entities	$ 50,841	$ 13,690	$ —
Transfer of other assets to investment in unconsolidated entities, net	$ 94,332	$ 52,345	$ 44,139
Unrealized gain on derivatives	$ 10,330	$ —	$ —
Business Acquisitions:			
Fair value of assets purchased	$ —	$ 63,854	$ 173,516
Liabilities assumed	$ —	$ 3,505	$ 11,143
Cash paid	$ —	$ 60,349	$ 162,373

	At October 31,		
	2021	2020	2019
Cash, cash equivalents, and restricted cash			
Cash and cash equivalents	$ 1,638,494	$ 1,370,944	$ 1,286,014
Restricted cash and cash held by our captive title company included in receivables, prepaid expenses, and other assets	$ 45,918	$ 25,660	$ 33,629
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	$ 1,684,412	$ 1,396,604	$ 1,319,643

18. Summary Consolidated Quarterly Financial Data (Unaudited)

The table below provides summary income statement data for each quarter of fiscal 2021 and 2020 (amounts in thousands, except per share data):

	Three Months Ended			
	October 31	July 31	April 30	January 31
Fiscal 2021:				
Revenue:				
Home sales	$ 2,950,417	$ 2,234,365	$ 1,836,260	$ 1,410,704
Land sales and other	$ 90,963	$ 21,116	$ 93,864	$ 152,672
Gross profit:				
Home sales	$ 694,373	$ 508,241	$ 401,767	$ 288,911
Land sales and other	$ 4,490	$ 2,407	$ 1,773	$ 40,938
Income before income taxes	$ 499,689	$ 303,395	$ 169,826	$ 127,405
Net income	$ 374,330	$ 234,932	$ 127,866	$ 96,499
Earnings per share *(a)*				
Basic	$ 3.06	$ 1.90	$ 1.03	$ 0.77
Diluted	$ 3.02	$ 1.87	$ 1.01	$ 0.76
Weighted-average number of shares				
Basic	122,218	123,826	124,295	126,060
Diluted	124,057	125,610	125,999	127,562
Fiscal 2020:				
Revenue:				
Home sales	$ 2,495,974	$ 1,627,812	$ 1,516,234	$ 1,297,337
Land sales and other	$ 49,693	$ 23,677	$ 32,838	$ 34,094
Gross profit				
Home sales	$ 502,079	$ 341,704	$ 295,256	$ 264,215
Land sales and other	$ 4,798	$ 1,418	$ 6,420	$ 1,812
Income before income taxes	$ 266,991	$ 151,865	$ 102,113	$ 65,932
Net income	$ 199,317	$ 114,761	$ 75,670	$ 56,876
Earnings per share *(a)*				
Basic	$ 1.57	$ 0.91	$ 0.59	$ 0.41
Diluted	$ 1.55	$ 0.90	$ 0.59	$ 0.41
Weighted-average number of shares				
Basic	127,310	126,722	128,205	138,145
Diluted	128,892	127,399	128,809	139,889

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

RECONCILIATION OF NON-GAAP MEASURES

Adjusted Home Sales Gross Margin Reconciliation
(Amounts in thousands, except percentages)

	Years Ended October 31,	
	2021	2020
Revenues - home sales	$ 8,431,746	$ 6,937,357
Cost of revenues - home sales	6,538,454	5,534,103
Home sales gross margin	1,893,292	1,403,254
Add: Interest recognized in cost of revenues - home sales	187,237	174,375
Inventory write-downs	26,535	55,883
Adjusted home sales gross margin	$ 2,107,064	$ 1,633,512
Home sales gross margin as a percentage of home sale revenues	22.5 %	20.2 %
Adjusted home sales gross margin as a percentage of home sale revenues	25.0 %	23.5 %

Net Debt-to-Capital Ratio Reconciliation
(Amounts in thousands, except percentages)

	October 31,	
	2021	2020
Loans payable	$ 1,011,534	$ 1,147,955
Senior notes	2,403,989	2,661,718
Mortgage company loan facility	147,512	148,611
Total debt	3,563,035	3,958,284
Total stockholders' equity	5,295,024	4,875,235
Total capital	$ 8,858,059	$ 8,833,519
Ratio of debt-to-capital	40.2 %	44.8 %
Total debt	$ 3,563,035	$ 3,958,284
Less: Mortgage company loan facility	(147,512)	(148,611)
Cash and cash equivalents	(1,638,494)	(1,370,944)
Total net debt	1,777,029	2,438,729
Total stockholders' equity	5,295,024	4,875,235
Total net capital	$ 7,072,053	$ 7,313,964
Net debt-to-capital ratio	25.1 %	33.3 %

Toll Brothers Board of Directors

Robert I. Toll, *Chairman Emeritus, Toll Brothers, Inc.*

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Corporate Information

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Independent Auditors
Ernst & Young LLP
Philadelphia, PA

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

Investor Relations Information Request

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:

Frederick N. Cooper, *Senior Vice President, Finance, International Development and Investor Relations*
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

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