TOLL BROTHERS INC
Form 10-Q
June 04, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

þ	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 2015
or

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

For the transition period from to
Commission file number 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.)
250 Gibraltar Road, Horsham, Pennsylvania	19044
(Address of principal executive offices)	(Zip Code)

(215) 938-8000
(Registrant’s telephone number, including area code)
Not applicable
(Former name, former address and former fiscal year, if changed since last report)
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 þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ
Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date:
At June 1, 2015, there were approximately 176,103,000 shares of Common Stock, $0.01 par value, outstanding.

TOLL BROTHERS, INC.
TABLE OF CONTENTS

	Page No.
Statement on Forward-Looking Information	1
PART I. Financial Information	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets (Unaudited)	2
Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)	3
Condensed Consolidated Statements of Cash Flows (Unaudited)	4
Notes to Condensed Consolidated Financial Statements (Unaudited)	5
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	35
Item 3. Quantitative and Qualitative Disclosures About Market Risk	51
Item 4. Controls and Procedures	51
PART II. Other Information	
Item 1. Legal Proceedings	52
Item 1A. Risk Factors	52
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	52
Item 6. Exhibits	53
SIGNATURES	54

STATEMENT ON FORWARD-LOOKING INFORMATION

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

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

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

For a more detailed discussion of these factors, see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Annual Report on Form 10-K filed with the SEC and in this report.

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 2014," "fiscal 2013," "fiscal 2012," and "fiscal 2011" refer to our fiscal years ending October 31, 2014, October 31, 2013, October 31, 2012, and October 31, 2011, respectively. References herein to "fiscal 2015" refer to our fiscal year ending October 31, 2015.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
TOLL BROTHERS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	April 30, 2015 (unaudited)	October 31, 2014
ASSETS		
Cash and cash equivalents	$532,157	$586,315
Marketable securities	10,015	12,026
Restricted cash	17,962	18,342
Inventory	6,724,343	6,490,321
Property, construction, and office equipment, net	141,143	143,010
Receivables, prepaid expenses, and other assets	258,958	251,572
Mortgage loans held for sale	80,864	101,944
Customer deposits held in escrow	44,399	42,073
Investments in and advances to unconsolidated entities	467,259	447,078
Investments in distressed loans and foreclosed real estate	65,938	73,800
Deferred tax assets, net of valuation allowances	244,643	250,421
	$8,587,681	$8,416,902
LIABILITIES AND EQUITY		
Liabilities		
Loans payable	$674,817	$654,261
Senior notes	2,655,798	2,655,044
Mortgage company loan facility	70,052	90,281
Customer deposits	275,347	223,799
Accounts payable	233,675	225,347
Accrued expenses	586,411	581,477
Income taxes payable	37,641	125,996
Total liabilities	4,533,741	4,556,205
Equity		
Stockholders’ equity		
Preferred stock, none issued	—	—
Common stock, 177,930 shares issued at both April 30, 2015 and October 31, 2014	1,779	1,779
Additional paid-in capital	722,303	712,162
Retained earnings	3,381,290	3,232,035
Treasury stock, at cost — 1,830 and 2,884 shares at April 30, 2015 and October 31, 2014, respectively	(55,980)	(88,762)
Accumulated other comprehensive loss	(3,051)	(2,838)
Total stockholders’ equity	4,046,341	3,854,376
Noncontrolling interest	7,599	6,321
Total equity	4,053,940	3,860,697
	$8,587,681	$8,416,902

See accompanying notes.

TOLL BROTHERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Amounts in thousands, except per share data)
(Unaudited)

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Revenues	$1,706,035	$1,504,055	$852,583	$860,374
Cost of revenues	1,328,544	1,202,030	678,512	687,998
Selling, general and administrative	213,999	202,190	107,685	104,320
	1,542,543	1,404,220	786,197	792,318
Income from operations	163,492	99,835	66,386	68,056
Other:				
Income from unconsolidated entities	11,128	37,242	6,227	14,327
Other income - net	35,935	27,642	13,919	11,101
Income before income taxes	210,555	164,719	86,532	93,484
Income tax provision	61,300	53,917	18,602	28,262
Net income	$149,255	$110,802	$67,930	$65,222
Other comprehensive (loss) income, net of tax:				
Change in pension liability	(201)	156	(23)	103
Change in fair value of available-for-sale securities	2	(22)		9
Unrealized (loss) income on derivative held by equity investee	(14)	223	(7)	(18)
Other comprehensive (loss) income	(213)	357	(30)	94
Total comprehensive income	$149,042	$111,159	$67,900	$65,316
Income per share:				
Basic	$0.85	$0.63	$0.38	$0.37
Diluted	$0.81	$0.60	$0.37	$0.35
Weighted-average number of shares:				
Basic	176,267	177,278	176,458	178,082
Diluted	184,472	185,665	184,838	186,442

See accompanying notes.

TOLL BROTHERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Six months ended April 30, 2015	2014
Cash flow used in operating activities:		
Net income	$149,255	$110,802
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	11,772	11,095
Stock-based compensation	12,552	12,294
Excess tax benefits from stock-based compensation	(3,045)	(1,841)
Income from unconsolidated entities	(11,128)	(37,242)
Distributions of earnings from unconsolidated entities	11,490	39,471
Income from distressed loans and foreclosed real estate	(5,205)	(7,934)
Deferred tax provision	7,197	18,864
Change in deferred tax valuation allowances	(1,290)	(1,226)
Inventory impairments and write-offs	13,310	3,906
Change in fair value of mortgage loans held for sale and derivative instruments	245	429
Gain on sale of marketable securities		(6)
Changes in operating assets and liabilities		
Increase in inventory	(201,915)	(319,826)
Origination of mortgage loans	(382,718)	(308,466)
Sale of mortgage loans	403,197	352,349
Decrease in restricted cash	380	9,494
Increase in receivables, prepaid expenses, and other assets	(14,387)	(4,587)
Increase in customer deposits	49,222	28,994
Increase in accounts payable and accrued expenses	8,436	21,973
(Decrease) increase in income taxes payable	(85,310)	5,272
Net cash used in operating activities	(37,942)	(66,185)
Cash flow used in investing activities:		
Purchase of property and equipment — net	(5,884)	(5,767)
Sale and redemption of marketable securities	2,000	39,243
Investment in and advances to unconsolidated entities	(27,705)	(80,654)
Return of investments in unconsolidated entities	10,637	39,014
Investment in distressed loans and foreclosed real estate	(1,697)	(757)
Return of investments in distressed loans and foreclosed real estate	14,592	22,424
Net increase in cash from purchase of joint venture interest	3,848	
Acquisition of a business, net of cash acquired		(1,489,116)
Net cash used in investing activities	(4,209)	(1,475,613)
Cash flow (used in) provided by financing activities:		
Proceeds from issuance of senior notes		600,000
Debt issuance costs for senior notes		(4,700)
Proceeds from loans payable	529,053	1,597,562
Debt issuance costs for loans payable		(3,005)
Principal payments of loans payable	(572,838)	(1,046,677)
Redemption of senior notes		(267,960)
Net proceeds from issuance of common stock		220,357
Proceeds from stock-based benefit plans	34,057	23,333

Excess tax benefits from stock-based compensation	3,045	1,841
Purchase of treasury stock	(6,616)	(185)
Receipts related to noncontrolling interest	1,292	81
Net cash (used in) provided by financing activities	(12,007)	1,120,647
Net decrease in cash and cash equivalents	(54,158)	(421,151)
Cash and cash equivalents, beginning of period	586,315	772,972
Cash and cash equivalents, end of period	$532,157	$351,821

See accompanying notes.

4

TOLL BROTHERS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Significant Accounting Policies

Basis of Presentation

The accompanying condensed 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.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. The October 31, 2014 balance sheet amounts and disclosures included herein have been derived from our October 31, 2014 audited financial statements. Since the accompanying condensed consolidated financial statements do not include all the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements, we suggest that they be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2014. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, which are of a normal recurring nature, necessary to present fairly our financial position as of April 30, 2015, the results of our operations for the six-month and three-month periods ended April 30, 2015 and 2014, and our cash flows for the six-month periods ended April 30, 2015 and 2014. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the full year.

Recent Accounting Pronouncements

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

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

In April 2015, the FASB issued ASU No. 2015-03, "Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"), which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. ASU 2015-03 is effective for us beginning November 1, 2016. Upon adoption, we must apply the new guidance retrospectively to all prior periods presented in the financial statements. Early adoption is permitted. The adoption of ASU 2015-03 is not expected to have a material effect on our condensed consolidated financial statements or disclosures.

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

ASU 2015-02 will have on our condensed consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”), which provides guidance for revenue recognition. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition,” and most industry-specific guidance. ASU 2014-09 also supersedes some cost guidance included in Subtopic 605-35, “Revenue Recognition-Construction-Type and Production-Type Contracts.” The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in

5

an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for us beginning November 1, 2017, and, at that time, we may adopt the new standard under the full retrospective approach or the modified retrospective approach. Early adoption is not permitted. We are currently evaluating the method of adoption and the impact the adoption of ASU 2014-09 will have on our condensed consolidated financial statements and disclosures.

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

2. Acquisition

On February 4, 2014, we completed our acquisition of Shapell Industries, Inc. ("Shapell") pursuant to the Purchase and Sale Agreement (the "Purchase Agreement") dated November 6, 2013 with Shapell Investment Properties, Inc. ("SIPI"). We acquired all of the equity interests in Shapell from SIPI for $1.49 billion, net of cash acquired (the "Acquisition"). We acquired the single-family residential real property development business of Shapell, including a portfolio of approximately 4,950 home sites in California, some of which we have sold to other builders. As part of the Acquisition, we assumed contracts to deliver 126 homes with an aggregate value of approximately $105.3 million. We did not acquire the apartment and commercial rental properties owned and operated by Shapell (the "Shapell Commercial Properties") or Shapell's mortgage lending activities relating to its home building operations. Accordingly, the Purchase Agreement provides that SIPI will indemnify us for any loss arising out of or resulting from, among other things, (i) any liability (other than environmental losses, subject to certain exceptions) related to the Shapell Commercial Properties, and (ii) any liability (other than environmental losses, subject to certain exceptions) to the extent related to Shapell Mortgage, Inc. See Note 2, "Acquisitions" in our Annual Report on Form 10-K for the year ended October 31, 2014 for additional information regarding the Acquisition.

In the six-month and three-month periods ended April 30, 2014, we recorded acquisition-related costs of $5.9 million and $5.1 million, respectively, which are included in the Condensed Consolidated Statements of Operations and Comprehensive Income within "Selling, general and administrative." Such costs were expensed as incurred in accordance with FASB Accounting Standards Codification ("ASC") 805, "Business Combinations." There were no acquisition-related costs incurred in the six-month and three-month periods ended April 30, 2015.

3. Inventory

Inventory at April 30, 2015 and October 31, 2014 consisted of the following (amounts in thousands):

	April 30, 2015	October 31, 2014
Land controlled for future communities	$58,985	$122,533
Land owned for future communities	2,229,518	2,355,874
Operating communities	4,435,840	4,011,914
	$6,724,343	$6,490,321

Operating communities include communities offering homes for sale; communities that have sold all available home sites but have not completed delivery of the homes; communities that were previously offering homes for sale but are temporarily closed due to business conditions or non-availability of improved home sites and that are expected to reopen within twelve months of the end of the fiscal period 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 that do not have any remaining backlog and are not expected to reopen within twelve months of the end of the fiscal period being reported on have been classified as land owned for future communities. Backlog consists of homes under contract but not yet delivered to our home buyers (“backlog”).

Information regarding the classification, number, and carrying value of these temporarily closed communities, as of the dates indicated, is provided in the table below.

	April 30, 2015	October 31, 2014
Land owned for future communities:		
Number of communities	18	16
Carrying value (in thousands)	$156,267	$122,015
Operating communities:		
Number of communities	8	9
Carrying value (in thousands)	$23,025	$42,092

The amounts we have provided for inventory impairment charges and the expensing of costs that we believed not to be recoverable, for the periods indicated, are shown in the table below (amounts in thousands):

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Land controlled for future communities	$610	$1,006	$366	$324
Land owned for future communities	700		700	
Operating communities	12,000	2,900	11,100	1,600
	$13,310	$3,906	$12,166	$1,924

See Note 13, “Fair Value Disclosures,” for information regarding the number of operating communities that we tested for potential impairment, the number of operating communities in which we recognized impairment charges, the amount of impairment charges recognized, and the fair values of those communities, net of impairment charges.
See Note 15, “Commitments and Contingencies,” for information regarding land purchase commitments.
At April 30, 2015, we evaluated our land purchase contracts to determine if any of the selling entities were VIEs and, if they were, whether we were the primary beneficiary of any of them. Under these land purchase contracts, we do not possess legal title to the land; our risk is generally limited to deposits paid to the sellers; and the creditors of the sellers generally have no recourse against us. At April 30, 2015, we determined that 55 land purchase contracts, with an aggregate purchase price of $629.3 million, on which we had made aggregate deposits totaling $29.7 million, were VIEs and that we were not the primary beneficiary of any VIE related to our land purchase contracts. At October 31, 2014, we determined that 63 land purchase contracts, with an aggregate purchase price of $578.2 million, on which we had made aggregate deposits totaling $30.7 million, were VIEs, and that we were not the primary beneficiary of any VIE related to our land purchase contracts.
Interest incurred, capitalized, and expensed, for the periods indicated, was as follows (amounts in thousands):

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Interest capitalized, beginning of period	$356,180	$343,077	$364,228	$356,618
Interest incurred	80,458	82,628	39,954	42,684
Interest expensed to cost of revenues	(57,953)	(54,585)	(29,576)	(29,145)
Write-off against other income	(1,738)	(1,039)	(410)	(722)
Interest capitalized on investments in unconsolidated entities	(4,825)	(4,757)	(2,074)	(2,300)
Previously capitalized interest on investments in unconsolidated entities transferred to inventory	772	1,811	772	
Interest capitalized, end of period	$372,894	$367,135	$372,894	$367,135

Inventory impairment charges are recognized against all inventory costs of a community, such as land, land improvements, cost of home construction, and capitalized interest. The amounts included in the table directly above reflect the gross amount of capitalized interest without allocation of any impairment charges recognized. We estimate that, had inventory impairment charges been allocated on a pro rata basis to the individual components of inventory,

capitalized interest at April 30, 2015 and 2014 would have been reduced by approximately $33.7 million and $35.4 million, respectively.

4. Investments in and Advances to Unconsolidated Entities

We have investments in and advances to various unconsolidated entities. These joint ventures (i) develop land for use by certain joint venture participants and, in other cases, for sale to other third party builders (“Land Development Joint Ventures”); (ii) develop for-sale homes and condominiums (“Home Building Joint Ventures”); (iii) develop luxury for-rent residential apartments, commercial space and a hotel (“Rental Property Joint Ventures”), which includes our investments in Toll Brothers Realty Trust (the “Trust”) and Toll Brothers Realty Trust II (“Trust II”); and (iv) invest in a portfolio of distressed loans and real estate (“Structured Asset Joint Venture”).

The table below provides information, as of April 30, 2015, regarding active joint ventures that we are invested in, by joint venture category ($ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Number of investments in unconsolidated entities	7	4	10	1	22
Investment in unconsolidated entities	$144,103	$205,253	$100,939	$16,964	$467,259
Number of unconsolidated entities with funding commitments by the Company	4	2	4	—	10
Company's remaining funding commitment to unconsolidated entities	$31,180	$29,887	$19,807	$—	$80,874

Certain joint ventures in which we have investments obtained debt financing to finance a portion of their activities. The table below provides information at April 30, 2015 regarding the debt financing obtained by category ($ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Total
Number of joint ventures with debt financing	3	2	8	13
Aggregate loan commitments	$175,000	$222,000	$734,685	$1,131,685
Amounts borrowed under commitments	$111,506	$78,906	$431,584	$621,996

More specific and/or recent information regarding our investments in, advances to, and future commitments to these entities is provided below; such activity is also included in the summary information provided above.

Land Development Joint Ventures

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

In the first quarter of fiscal 2015, we received approximately 48 home sites from a Land Development Joint Venture in consideration of our previous investment in the joint venture. In the third quarter of fiscal 2014, we received approximately 515 home sites from this venture. We have a commitment to this joint venture to fund approximately $15.5 million which represents our expected share of the major infrastructure improvements related to this community. Contributions to this joint venture related to these improvements will be included in “Inventory” in our Condensed Consolidated Balance Sheets when they are actually made.

Home Building Joint Ventures

In the first quarter of fiscal 2015, we entered into a joint venture with an unrelated party to complete the development of a high-rise luxury condominium project in New York City on property that we owned. We contributed $15.9 million as our initial contribution for a 25% interest in this joint venture. We sold the property to the joint venture for $78.5 million and we were reimbursed for development and construction costs incurred by us prior to the sale. The gain of $9.3 million that we achieved on the sale was deferred and will be recognized in our results of operations as units are sold and delivered to the ultimate home buyer. At April 30, 2015, we had an investment of $16.7 million in

this joint venture. The joint venture entered into a construction loan agreement of $124.0 million to fund the land purchase and a portion of the cost of the development of the property. At April 30, 2015, the joint venture had $52.1 million borrowed under the construction loan.

We have an investment in a joint venture in which we have a 50% interest to develop a high-rise luxury condominium project in conjunction with a luxury hotel in New York City. At April 30, 2015, we had invested $28.6 million in this joint venture and

expect to make additional investments of approximately $21.6 million for the development of this project. In November 2014, this joint venture, along with the hotel joint venture discussed in Rental Property Joint Ventures below, entered into a $160.0 million construction loan agreement to complete the construction of the condominiums and hotel. At April 30, 2015, this joint venture had $26.8 million of outstanding borrowings under the loan agreement.
We have invested in a joint venture in which we have a 50% voting interest to develop 400 Park Avenue South, a high-rise luxury for-sale/rental project in New York City. At April 30, 2015, we had an investment of $132.0 million in this joint venture. Pursuant to the terms of the joint venture agreement, following completion of the construction of the building's structure, we will acquire, with no additional consideration due from us, ownership of the top 18 floors of the building to sell, for our own account, luxury condominium units. Our partner will receive ownership of the lower floors containing residential rental units and retail space, with no additional consideration due from them. We expect to receive title to our floors during our third quarter of fiscal 2015. At the time of transfer, our investment in this joint venture will be reclassified from "Investments in and advances to unconsolidated entities" on our Condensed Consolidated Balance Sheet to "Inventory." Contracts at 400 Park Avenue South have always been reported as if the project was wholly owned.
Rental Property Joint Ventures
In the second quarter of fiscal 2015, we entered into two joint ventures with an unrelated party to develop luxury for-rent residential apartment buildings. Prior to the formation of these joint ventures, we acquired the properties, through two 100%-owned entities, and incurred $18.8 million of land and land development costs. Our partner acquired a 75% interest in each of these entities for $14.5 million, of which $2.3 million was unpaid as of April 30, 2015. At April 30, 2015, we had a combined investment of $5.0 million and funding commitments of $5.5 million in these ventures. In addition, in the second quarter of fiscal 2015, one of the joint ventures entered into a $39.0 million construction loan agreement with two banks to finance the development of this project. At April 30, 2015, this joint venture had no borrowings under the construction loan agreement. The second joint venture expects to enter into a construction loan agreement during the second half of fiscal 2015.
We have an investment in a joint venture in which we have a 50% interest to develop a luxury hotel in conjunction with a high-rise luxury condominium project in the urban New York market. At April 30, 2015, we had invested $16.8 million in this joint venture and expect to make additional investments of approximately $13.9 million for the development of the hotel. In November 2014, this joint venture, along with a joint venture discussed in Home Building Joint Ventures above, entered into a $160.0 million construction loan agreement to complete the construction of the condominiums and the hotel. At April 30, 2015, this joint venture had $12.4 million of outstanding borrowings under the loan agreement.
In fiscal 2005, we, together with an unrelated party, formed Trust II to invest in commercial real estate opportunities. Trust II is owned 50% by us and 50% by our partner. In December 2013, Trust II sold substantially all of its assets to an unrelated party. As a result of this sale, we realized income of approximately $23.5 million in the first quarter of fiscal 2014, representing our share of the gain on the sale. Our share of the gain on sale of assets is included in "Income from unconsolidated entities" for the six months ended April 30, 2014 in our Condensed Consolidated Statement of Operations and Comprehensive Income. In December 2013, we received a $20.0 million cash distribution from Trust II. In addition, in the first quarter of fiscal 2014, we recognized $2.9 million in previously deferred gains on our initial sales of the properties to Trust II. This gain is included in "Other income - net," for the six months ended April 30, 2014, in our Condensed Consolidated Statement of Operations and Comprehensive Income. At April 30, 2015, we had an investment of $0.7 million in Trust II.
In 1998, prior to the formation of Trust II, we formed the Trust to invest in commercial real estate opportunities. The Trust is effectively owned one-third by us; one-third by Robert I. Toll, Bruce E. Toll (and members of his family), Douglas C. Yearley, Jr. and former members of our senior management; and one-third by an unrelated party. As of April 30, 2015, our investment in the Trust was zero as distributions received from the Trust were in excess of the carrying amount of our net investment. We provide development, finance, and management services to the Trust and recognized fees under the terms of various agreements in the amounts of $1.2 million and $1.7 million in the six-month periods ended April 30, 2015 and 2014, respectively, and $0.6 million and $1.1 million in the three-month periods ended April 30, 2015 and 2014, respectively. In the first quarter of fiscal 2015, we received a $2.0 million

distribution from the Trust which is included in "Income from unconsolidated entities" in our Consolidated Statements of Operations and Comprehensive Income. In the second quarter of fiscal 2014, the Trust refinanced the mortgage on one of its properties and distributed $36.0 million of the net proceeds from the refinancing to its partners. We received $12.0 million as our share of the proceeds and recognized this distribution as income in the second quarter of fiscal 2014.

Guarantees

The unconsolidated entities in which we have investments generally finance their activities with a combination of partner equity and debt financing. In some instances, we and our partners have guaranteed debt of certain unconsolidated entities. These guarantees may include any, or all, of the following: (i) project completion guarantees, including any cost overruns; (ii)

repayment guarantees, generally covering a percentage of the outstanding loan; (iii) guarantees of indemnities provided to the lender by the unconsolidated entity with regard to environmental matters; (iv) a hazardous material indemnity that holds the lender harmless for any liability it may suffer from the threat or presence of any hazardous or toxic substances at or near the property covered by a loan; and (v) indemnification of the lender from “bad boy acts” of the unconsolidated entity.

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

We believe that, as of April 30, 2015, in the event we become legally obligated to perform under a guarantee of the obligation of an unconsolidated entity due to a triggering event, the collateral in such entity should be sufficient to repay a significant portion of the obligation. If it is not, we and our partners would need to contribute additional capital to the venture. At April 30, 2015, the unconsolidated entities that have guarantees related to debt had loan commitments aggregating $922.2 million and had borrowed an aggregate of $412.5 million. The terms of these guarantees generally range from seven months to 60 months. We estimate that the maximum potential exposure under these guarantees, if the full amount of the loan commitments were borrowed, would be $922.2 million before any reimbursement from our partners. Based on the amounts borrowed at April 30, 2015, our maximum potential exposure under these guarantees is estimated to be approximately $412.5 million before any reimbursement from our partners. In addition, we have guaranteed approximately $10.9 million of ground lease payments and insurance deductibles for three joint ventures.

As of April 30, 2015, the estimated aggregate fair value of the guarantees provided by us related to debt and other obligations of certain unconsolidated entities was approximately $4.5 million. We have not made payments under any of the guarantees, nor have we been called upon to do so.

Variable Interest Entities

At April 30, 2015, we determined that one of our joint ventures was a VIE under the guidance within ASC 810, “Consolidation.” At October 31, 2014, we had determined that three of our joint ventures were VIEs under this guidance; we have concluded that we were not the primary beneficiary of the VIEs because the power to direct the activities of these VIEs that most significantly impact their performance was shared by us and the VIEs’ other members. Business plans, budgets, and other major decisions are required to be unanimously approved by all members. Management and other fees earned by us are nominal and believed to be at market rates, and there is no significant economic disproportionality between us and the other members. The information presented below regarding the investments, commitments, and guarantees in unconsolidated entities deemed to be VIEs is also included in the information provided above.

At April 30, 2015 and October 31, 2014, our investments in unconsolidated joint ventures deemed to be VIEs, which are included in “Investments in and advances to unconsolidated entities” in the accompanying Condensed Consolidated Balance Sheets, totaled $7.0 million and $46.4 million, respectively. At April 30, 2015, the maximum exposure of loss to our investment in the unconsolidated joint venture that is a VIE is limited to our investment in the unconsolidated VIE, except with regard to $0.4 million of additional commitments to the VIE. At October 31, 2014, the maximum exposure of loss to our investment in unconsolidated joint ventures that are VIEs is limited to our investment in the unconsolidated VIEs, except with regard to $43.4 million of additional commitments to fund the joint ventures and a $9.1 million guaranty of ground lease payments.

Joint Venture Condensed Financial Information

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

Condensed Balance Sheets:

	April 30, 2015				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Cash and cash equivalents	$29,519	$13,378	$32,607	$13,347	$88,851
Inventory	245,998	627,461			873,459
Non-performing loan portfolio				41,522	41,522
Rental properties			245,087		245,087
Rental properties under development			330,394		330,394
Real estate owned (“REO”)				162,843	162,843
Other assets (1)	55,346	69,551	12,773	77,990	215,660
Total assets	$330,863	$710,390	$620,861	$295,702	$1,957,816
Debt (1)	$112,620	$86,186	$431,584	$77,950	$708,340
Other liabilities	31,308	56,870	29,922	5	118,105
Members’ equity	186,935	567,334	159,355	87,111	1,000,735
Noncontrolling interest				130,636	130,636
Total liabilities and equity	$330,863	$710,390	$620,861	$295,702	$1,957,816
Company’s net investment in unconsolidated entities (2)	$144,103	$205,253	$100,939	$16,964	$467,259

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

(1) Included in other assets of the Structured Asset Joint Venture at April 30, 2015 and October 31, 2014 is $78.0 million of restricted cash held in a defeasance account which will be used to repay debt of the Structured Asset

Joint Venture.

(2) Differences between our net investment in unconsolidated entities and our underlying equity in the net assets of the entities are primarily a result of the acquisition price of an investment in a land development joint venture in fiscal 2012 that was in excess of our pro-rata share of the underlying equity; impairments related to our investment in unconsolidated entities; a loan made to one of the entities by us; interest capitalized on our investment; the estimated fair value of the guarantees provided to the joint ventures; and distributions from entities in excess of the carrying amount of our net investment.

Condensed Statements of Operations and Comprehensive Income:

	For the six months ended April 30, 2015				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Revenues	$31,759	$36,259	$15,327	$2,961	$86,306
Cost of revenues	16,116	31,358	7,227	8,848	63,549
Other expenses	533	2,876	8,698	592	12,699
Total expenses	16,649	34,234	15,925	9,440	76,248
Gain on disposition of loans and REO				23,586	23,586
Income (loss) from operations	15,110	2,025	(598)	17,107	33,644
Other income	11	341		1,355	1,707
Net income (loss)	15,121	2,366	(598)	18,462	35,351
Less: income attributable to noncontrolling interest				(11,077)	(11,077)
Net income (loss) attributable to controlling interest	15,121	2,366	(598)	7,385	24,274
Other comprehensive loss			(45)		(45)
Total comprehensive income (loss)	$15,121	$2,366	$(643)	$7,385	$24,229
Company's equity in earnings of unconsolidated entities (3)	$5,381	$1,458	$2,815	$1,474	$11,128

	For the six months ended April 30, 2014				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Revenues	$111,950	$23,228	$17,006	$3,789	$155,973
Cost of revenues	62,170	21,825	7,390	6,482	97,867
Other expenses	465	2,047	21,558	874	24,944
Total expenses	62,635	23,872	28,948	7,356	122,811
Gain on disposition of loans and REO				6,458	6,458
Income (loss) from operations	49,315	(644)	(11,942)	2,891	39,620
Other income	5	201	43,199	1,533	44,938
Net income (loss)	49,320	(443)	31,257	4,424	84,558
Less: income attributable to noncontrolling interest				(2,654)	(2,654)
Net income (loss) attributable to controlling interest	49,320	(443)	31,257	1,770	81,904
Other comprehensive income			729		729
Total comprehensive income (loss)	$49,320	$(443)	$31,986	$1,770	$82,633
Company's equity in earnings of unconsolidated entities (3)	$103	$327	$36,622	$190	$37,242

	For the three months ended April 30, 2015				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Revenues	$13,484	$16,965	$7,716	$2,072	$40,237
Cost of revenues	6,486	14,445	3,958	2,773	27,662
Other expenses	299	1,301	4,309	266	6,175
Total expenses	6,785	15,746	8,267	3,039	33,837
Gain on disposition of loans and REO				15,955	15,955
Income (loss) from operations	6,699	1,219	(551)	14,988	22,355
Other income	11	268		768	1,047
Net income (loss)	6,710	1,487	(551)	15,756	23,402
Less: income attributable to noncontrolling interest				(9,454)	(9,454)
Net income (loss) attributable to controlling interest	6,710	1,487	(551)	6,302	13,948
Other comprehensive loss			(23)		(23)
Total comprehensive income (loss)	$6,710	$1,487	$(574)	$6,302	$13,925
Company's equity in earnings of unconsolidated entities (3)	$2,939	$916	$1,114	$1,258	$6,227

	For the three months ended April 30, 2014				
	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Structured Asset Joint Venture	Total
Revenues	$110,406	$11,647	$7,557	$3,505	$133,115
Cost of revenues	61,488	11,451	3,419	4,132	80,490
Other expenses	210	1,047	9,504	415	11,176
Total expenses	61,698	12,498	12,923	4,547	91,666
Gain on disposition of loans and REO				2,551	2,551
Income (loss) from operations	48,708	(851)	(5,366)	1,509	44,000
Other income	4	162	342	1,409	1,917
Net income (loss)	48,712	(689)	(5,024)	2,918	45,917
Less: income attributable to noncontrolling interest				(1,751)	(1,751)
Net income (loss) attributable to controlling interest	48,712	(689)	(5,024)	1,167	44,166
Other comprehensive loss			(56)		(56)
Total comprehensive income (loss)	$48,712	$(689)	$(5,080)	$1,167	$44,110
Company's equity in earnings of unconsolidated entities (3)	$135	$145	$12,872	$1,175	$14,327

(3) Differences between our equity in earnings of unconsolidated entities and the underlying net income (loss) of the entities are primarily a result of a basis difference of an acquired joint venture interest, distributions from entities in excess of the carrying amount of our net investment, 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. Investments in Distressed Loans and Foreclosed Real Estate

Investments in distressed loans and REO consisted of the following as of the dates indicated (amounts in thousands):

	April 30, 2015	October 31, 2014
Investment in distressed loans	$2,258	$4,001
Investment in REO	63,680	69,799
	$65,938	$73,800

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

Investments in Distressed Loans

Our investments in distressed loans represent non-performing loans classified as nonaccrual in accordance with ASC 310-10, "Receivable." Interest income is not recognized on nonaccrual loans. When a loan is classified as nonaccrual, any subsequent cash receipt is accounted for using the cost recovery method.

Investments in REO

The table below provides, for the periods indicated, the activity in REO (amounts in thousands):

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Balance, beginning of period	$69,799	$72,972	$66,934	$79,267
Additions	1,904	8,036	227	871
Sales	(7,668)	(4,192)	(3,382)	(3,384)
Impairments	(183)	(2)	(14)	(2)
Depreciation	(172)	(162)	(85)	(100)
Balance, end of period	$63,680	$76,652	$63,680	$76,652

As of April 30, 2015, approximately $10.2 million and $53.5 million of REO was classified as held-for-sale and held-and-used, respectively. As of April 30, 2014, approximately $7.2 million and $69.5 million of REO was classified as held-for-sale and held-and-used, respectively. The table below provides, for the periods indicated, gains we recorded from the acquisitions of REO through foreclosure (amounts in thousands):

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Gains from acquisition of REO through foreclosure	$230	$1,523	$—	$5

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

Loans Payable

At April 30, 2015 and October 31, 2014, loans payable consisted of the following (amounts in thousands):

	April 30, 2015	October 31, 2014
Senior unsecured term loan	$500,000	$500,000
Loans payable - other	174,817	154,261
	$674,817	$654,261

Senior Unsecured Term Loan

On February 3, 2014, we entered into a five-year senior, $485.0 million, unsecured term loan facility (the "Term Loan Facility") with a syndicate of banks. We borrowed the full amount of the Term Loan Facility on February 3, 2014. In October 2014, we increased the Term Loan Facility by $15.0 million and borrowed the full amount of the increase. At April 30, 2015, the interest rate on borrowings under the Term Loan Facility was 1.59% 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 our Credit Facility, as described below. The Term Loan Facility will mature and amounts owing thereunder will become due and payable on February 3, 2019.

Loans Payable - Other

Our “Loans payable - other” represent purchase money mortgages on properties we acquired that the seller had financed and various revenue bonds that were issued by government entities on our behalf to finance community infrastructure and our manufacturing facilities. At April 30, 2015, the weighted-average interest rate on “Loans payable - other” was 4.20% per annum.

Credit Facility

On August 1, 2013, we entered into a $1.035 billion unsecured, five-year revolving credit facility (“Credit Facility”) with a syndicate of banks (“Aggregate Credit Commitment”). The commitments under the Credit Facility are scheduled to expire on August 1, 2018. We are obligated to pay an undrawn commitment fee to the lenders under the Credit Facility which is based on the average daily unused amount of the Aggregate Credit Commitment and our leverage ratio. Any proceeds from borrowings under the Credit Facility may be used for general corporate purposes. We and substantially all of our 100%-owned home building subsidiaries are guarantors under the Credit Facility.

Under the terms of the Credit Facility, our maximum leverage ratio (as defined in the credit agreement) may not exceed 1.75 to 1.00 and we are required to maintain a minimum tangible net worth (as defined in the credit agreement) of no less than approximately $2.57 billion. Under the terms of the Credit Facility, at April 30, 2015, our leverage ratio was approximately 0.70 to 1.00 and our tangible net worth was approximately $4.00 billion. Based upon the minimum tangible net worth requirement in the Credit Facility, our ability to repurchase our common stock was limited to approximately $1.89 billion as of April 30, 2015.

At April 30, 2015, we had no outstanding borrowings under the Credit Facility and had outstanding letters of credit of approximately $97.8 million. See “Subsequent Events” below.

Senior Notes

At April 30, 2015, we, through Toll Brothers Finance Corp, had eight issues of Senior Notes outstanding with an aggregate principal amount of $2.66 billion.

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

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

Subsequent Events

In May 2015, we repaid, at maturity, the $300.0 million of outstanding 5.15% Senior Notes due May 15, 2015 using available cash and $250.0 million of borrowings under the Credit Facility.

Mortgage Company Loan Facility

In July 2014, TBI Mortgage® Company (“TBI Mortgage”), our wholly-owned mortgage subsidiary, amended its Master Repurchase Agreement (the “Repurchase Agreement”) with Comerica Bank. The purpose of the Repurchase Agreement is to finance the origination of mortgage loans by TBI Mortgage, and the Repurchase Agreement is accounted for as a secured borrowing under ASC 860, “Transfers and Servicing.” The Repurchase Agreement, as amended, provides for loan purchases up to $50.0 million, subject to certain sublimits. In addition, the Repurchase Agreement provides for an accordion feature under which TBI Mortgage may request that the aggregate commitments under the Repurchase Agreement be increased to an amount up to $100.0 million for a short period of time. The Repurchase Agreement, as amended, expires on July 21, 2015 and borrowings thereunder bear interest at LIBOR plus 2.00% per annum, with a minimum rate of 2.00%. At April 30, 2015, the interest rate on the Repurchase Agreement was 2.18% per annum. At April 30, 2015, we had $70.1 million of outstanding borrowings under the Repurchase Agreement.

7. Accrued Expenses

Accrued expenses at April 30, 2015 and October 31, 2014 consisted of the following (amounts in thousands):

	April 30, 2015	October 31, 2014
Land, land development and construction	$107,041	$124,816
Compensation and employee benefits	125,306	118,607
Self-insurance	108,575	100,407
Warranty	83,057	86,282
Interest	33,436	33,993
Commitments to unconsolidated entities	4,919	3,293
Other	124,077	114,079
	$586,411	$581,477

Prior to the third quarter of fiscal 2014, we received stucco-related claims in certain completed communities located in Pennsylvania and Delaware, which are in our Mid-Atlantic region. During the third quarter of fiscal 2014, the rate of claims increased. Through the third quarter of fiscal 2014, we believed that our warranty accruals, self-insurance accruals, and our liability insurance were adequate to cover our cost of repairs for those claims. The rate of claims continued to increase during the fourth quarter of fiscal 2014. In response, we undertook a comprehensive review of homes in completed communities built during fiscal 2003 through fiscal 2009 in Pennsylvania and Delaware. Our review revealed that additional stucco-related repairs will likely be needed in certain communities. As of October 31, 2014, we estimated our potential liability for known and unknown claims to be approximately $54.0 million, of which we expect to recover approximately 40% from our outside insurance carriers. In addition to previously recognized warranty and self-insurance accruals, we recognized a $25.0 million additional charge in the fourth quarter of fiscal 2014 for estimated repair costs. Our review included an analysis of the number of claims received, our inspection to-date of homes, an estimate of the number of homes we expect to repair and the extent of such repairs, and the amount of warranty and self-insurance reserves already recorded. We continue to review our potential liability for these claims and at April 30, 2015, we believe that our existing reserves and insurance were sufficient. We will continue to review and analyze these claims as they are submitted, and, due to the degree of judgment required and the potential for variability in our underlying assumptions, our actual future costs could differ from those estimated. The above charge was included in “Cost of revenues” in our Consolidated Statements of Operations and Comprehensive Income included in our Annual Report on Form 10-K for the year ended October 31, 2014.

We have received construction claims brought by three related multifamily community associations in the West region alleging issues with design and construction and damage to exterior common area elements. Our investigations of these matters are in the very early stages. We believe we have coverage under multiple owner controlled insurance policies with deductibles or self-insured retention requirements that vary from policy year to policy year. Our review of these matters is ongoing, and, due to the degree of judgment required, the potential for variability in our underlying assumptions, and the availability of insurance coverage, our actual future costs could differ from our estimates.

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

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

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Balance, beginning of period	$86,282	$43,819	$84,695	$42,688
Additions - homes closed during the period	8,253	7,302	4,335	4,205
Addition - Shapell liabilities acquired		9,244		9,244
	1,309	1,421	441	1,077

Increase in accruals for homes closed in prior years				
Charges incurred	(12,787)	(9,207)	(6,414)	(4,635)
Balance, end of period	$83,057	$52,579	$83,057	$52,579

16

8. Income Taxes

We recorded an income tax provision of $61.3 million and $53.9 million for the six months ended April 30, 2015 and 2014, respectively. The effective tax rate for the six months ended April 30, 2015 was 29.1%, compared to 32.7% for the six months ended April 30, 2014. The income tax provisions for both periods included tax benefits related to the utilization of domestic production activities deductions and other permanent differences, offset by the provision for state income taxes and interest accrued on unrecognized tax benefits. The income tax provision for the six months ended April 30, 2015 also benefited from a $13.7 million reversal of a previously recognized tax provision related to a settlement with a taxing jurisdiction. The income tax provision for the six months ended April 30, 2014 also benefited from the reversal of a previously recognized tax provision related to the expiration of the statute of limitations and the settlement of a state income tax audit.

We recorded an income tax provision of $18.6 million and $28.3 million for the three months ended April 30, 2015 and 2014, respectively. The effective tax rate for the three months ended April 30, 2015 was 21.5%, compared to 30.2% for the three months ended April 30, 2014. The income tax provisions for both periods included tax benefits related to the utilization of domestic production activities deductions and other permanent differences, offset by the provision for state income taxes and interest accrued on unrecognized tax benefits. The income tax provision for three months ended April 30, 2015 also benefited from a $13.7 million reversal of a previously recognized tax provision related to a settlement with a taxing jurisdiction. The income tax provision for the three months ended April 30, 2014 also benefited from the reversal of a previously recognized tax provision related to the expiration of the statute of limitations and the settlement of a state income tax audit.

We currently operate in 19 states and are subject to various state tax jurisdictions. We estimate our state tax liability based upon the individual taxing authorities' regulations, estimates of income by taxing jurisdiction, and our ability to utilize certain tax-saving strategies. Based on our estimate of the allocation of income or loss among the various taxing jurisdictions and changes in tax regulations and their impact on our tax strategies, we estimate our rate for the full fiscal year for state income taxes at 6.7% and 7.2% for fiscal 2015 and 2014, respectively.

For state tax purposes, due to past and projected losses in certain jurisdictions where we do not have carryback potential and/or cannot sufficiently forecast future taxable income, we recognized net cumulative valuation allowances against our state deferred tax assets of $42.5 million and $43.8 million as of April 30, 2015 and October 31, 2014, respectively.

At April 30, 2015, we had $45.6 million of gross unrecognized tax benefits, including interest and penalties. 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 our unrecognized tax benefits may decrease by up to $10.8 million, primarily due to the expiration of certain statutes of limitations and potential settlements with taxing jurisdictions.

9. Stock-Based Benefit Plans

We grant stock options and various types of restricted stock units to our employees and our non-employee directors. Additionally, we have an employee stock purchase plan that allows employees to purchase our stock at a discount. Information regarding the amount of total stock-based compensation expense and tax benefit recognized by us, for the periods indicated, is as follows (amounts in thousands):

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Total stock-based compensation expense recognized	$12,552	$12,294	$5,106	$4,625
Income tax benefit recognized	$4,736	$4,619	$1,927	$1,647

At April 30, 2015 and October 31, 2014, the aggregate unamortized value of outstanding stock-based compensation awards was approximately $34.8 million and $24.0 million, respectively.

10. Accumulated Other Comprehensive Loss

The tables below provide, for the periods indicated, the components of accumulated other comprehensive loss (amounts in thousands):

	Six months ended April 30, 2015			
	Employee retirement plans	Available-for-sale securities	Derivative instruments	Total
Balance, beginning of period	$(2,789)	$ (2)	$(47)	$(2,838)
Other comprehensive (loss) income before reclassifications	(754)	3	(22)	(773)
Gross amounts reclassified from accumulated other comprehensive income	432			432
Income tax benefit (expense)	121	(1)	8	128
Other comprehensive (loss) income, net of tax	(201)	2	(14)	(213)
Balance, end of period	$(2,990)	$ —	$(61)	$(3,051)

	Six months ended April 30, 2014			
	Employee retirement plans	Available-for-sale securities	Derivative instruments	Total
Balance, beginning of period	$(2,112)	$ (5)	$(270)	$(2,387)
Other comprehensive income (loss) before reclassifications	(77)	(29)	365	259
Gross amounts reclassified from accumulated other comprehensive income (loss)	328	(6)		322
Income tax (expense) benefit	(95)	13	(142)	(224)
Other comprehensive income (loss), net of tax	156	(22)	223	357
Balance, end of period	$(1,956)	$ (27)	$(47)	$(2,030)

	Three months ended April 30, 2015			
	Employee retirement plans	Available-for-sale securities	Derivative instruments	Total
Balance, beginning of period	$(2,967)	$ —	$(54)	$(3,021)
Other comprehensive loss before reclassifications	(253)		(11)	(264)
Gross amounts reclassified from accumulated other comprehensive income	216			216
Income tax benefit	14		4	18
Other comprehensive loss, net of tax	(23)	—	(7)	(30)
Balance, end of period	$(2,990)	$ —	$(61)	$(3,051)

	Three months ended April 30, 2014			
	Employee retirement plans	Available-for-sale securities	Derivative instruments	Total
Balance, beginning of period	$(2,059)	$ (36)	$(29)	$(2,124)
Other comprehensive loss before reclassifications			(28)	(28)
Gross amounts reclassified from accumulated other comprehensive income	164	15		179
Income tax (expense) benefit	(61)	(6)	10	(57)
Other comprehensive income (loss), net of tax	103	9	(18)	94

Balance, end of period	$(1,956)	$ (27)	$(47)	$(2,030)

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

11. Stock Issuance and Stock Repurchase Program

Stock Issuance

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

Stock Repurchase Program

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

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Number of shares purchased (in thousands)	211	5	10	3
Average price per share	$31.40	$34.71	$37.83	$36.04
Remaining authorization at April 30 (in thousands)	19,989	8,263	19,989	8,263

12. Income per Share Information

The table below provides, for the periods indicated, information pertaining to the calculation of income per share, common stock equivalents, weighted-average number of antidilutive options, and shares issued (amounts in thousands):

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Numerator:				
Net income as reported	$149,255	$110,802	$67,930	$65,222
Plus interest and costs attributable to 0.5% Exchangeable Senior Notes, net of income tax benefit	786	789	392	392
Numerator for diluted earnings per share	$150,041	$111,591	$68,322	$65,614
Denominator:				
Basic weighted-average shares	176,267	177,278	176,458	178,082
Common stock equivalents (a)	2,347	2,529	2,522	2,502
Shares attributable to 0.5% Exchangeable Senior Notes	5,858	5,858	5,858	5,858
Diluted weighted-average shares	184,472	185,665	184,838	186,442
Other information:				
Weighted-average number of antidilutive options and restricted stock units (b)	2,091	1,426	1,814	1,249
	1,265	1,225	588	212

Shares issued under stock incentive and employee stock purchase plans

(a) Common stock equivalents represent the dilutive effect of outstanding in-the-money stock options using the treasury stock method and shares expected to be issued under performance-based restricted stock units and nonperformance-based restricted stock units.

(b) Based upon the average closing price of our common stock on the NYSE for the period.

13. Fair Value Disclosures

Financial Instruments

The table below provides, as of the dates indicated, a summary of assets (liabilities) related to our financial instruments, measured at fair value on a recurring basis (amounts in thousands):

Financial Instrument	Fair value hierarchy	Fair value April 30, 2015	October 31, 2014
Marketable Securities	Level 2	$10,015	$12,026
Residential Mortgage Loans Held for Sale	Level 2	$80,864	$101,944
Forward Loan Commitments—Residential Mortgage Loans Held for Sale	Level 2	$16	$(341)
Interest Rate Lock Commitments (“IRLCs”)	Level 2	$(969)	$(108)
Forward Loan Commitments—IRLCs	Level 2	$969	$108

At April 30, 2015 and October 31, 2014, the carrying value of cash and cash equivalents and restricted cash approximated fair value.

Marketable Securities

The fair value of our marketable securities approximates the amortized cost basis as of April 30, 2015 and October 31, 2014. The estimated fair values of marketable securities are based on quoted prices provided by brokers. The remaining contractual maturity of marketable securities as of April 30, 2015 was seven months.

Mortgage Loans Held for Sale

The table below provides, as of the dates indicated, the aggregate unpaid principal and fair value of mortgage loans held for sale (amounts in thousands):

	Aggregate unpaid principal balance	Fair value	Excess
At April 30, 2015	$79,984	$80,864	$880
At October 31, 2014	$100,463	$101,944	$1,481

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 by applying such pricing to the mortgage loan portfolio. We recognize the difference between the fair value and the unpaid principal balance of mortgage loans held for sale as a gain or loss. In addition, we recognize the fair value of our forward loan commitments as a gain or loss. These gains and losses are included in “Other income - net” in our Condensed Consolidated Statements of Operations and Comprehensive Income. Interest income on mortgage loans held for sale is calculated based upon the stated interest rate of each loan and is included in “Other income - net.”

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 Condensed Consolidated Balance Sheets, as appropriate. To manage the risk of non-performance of investors regarding the Forward Commitments, we assess the credit worthiness 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" in our Annual Report on Form 10-K for the year ended October 31, 2014 for additional information regarding our methodology on determining fair value. As further discussed in Note 1 in our Annual Report on Form 10-K for the year ended October 31, 2014, determining the fair value of a community's inventory involves a number of variables, many of which are interrelated. If we used a different input for any of the various unobservable inputs used in our impairment analysis, the results of the analysis may have been different, absent any other changes. The table below summarizes, for the periods indicated, the ranges of certain quantitative unobservable inputs utilized in determining the fair value of impaired communities:

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

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

		Impaired operating communities		
Three months ended:	Number of communities tested	Number of communities	Fair value of communities, net of impairment charges	Impairment charges
Fiscal 2015:				
January 31	58	4	$24,968	$900
April 30	52	1	$16,235	11,100
				$12,000
Fiscal 2014:				
January 31	67	1	$7,131	$1,300
April 30	65	2	$6,211	1,600
July 31	63	1	$14,122	4,800
October 31	55	7	$38,473	9,855
				$17,555

The impairment charge recorded in the three-month period ended April 30, 2015 related to one community located in the North geographic segment.

Debt

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

	Fair value hierarchy	April 30, 2015		October 31, 2014	
		Book value	Estimated fair value	Book value	Estimated fair value
Loans payable (a)	Level 2	$674,817	$674,649	$654,261	$652,944
Senior notes (b)	Level 1	2,657,376	2,852,929	2,657,376	2,821,559
Mortgage company loan facility (c)	Level 2	70,052	70,052	90,281	90,281
		$3,402,245	$3,597,630	$3,401,918	$3,564,784

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

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

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

14. Other Income - Net

The table below provides, for the periods indicated, the components of other income - net (amounts in thousands):

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Interest income	$1,186	$1,889	$698	$825
Income from ancillary businesses	13,725	3,950	2,886	2,337
Gibraltar	4,019	5,714	3,197	1,382
Management fee income from unconsolidated entities	6,390	2,454	3,411	1,227
Retained customer deposits	2,312	1,310	972	422
Income from land sales	7,350	11,187	2,533	4,929
Directly expensed interest		(656)		(656)
Other	953	1,794	222	635
Total other income - net	$35,935	$27,642	$13,919	$11,101

In the six months ended April 30, 2015, our security monitoring business recognized an $8.1 million gain from a bulk sale of security monitoring accounts, which is included in income from ancillary businesses above. In the six-month period ended April 30, 2014, income from land sales includes $2.9 million of previously deferred gains on our initial sales of the properties to Trust II as further described in Note 4, "Investments in and Advances to Unconsolidated Entities."

Income from ancillary businesses include our mortgage, title, landscaping, security monitoring, and golf course and country club operations. The table below provides, for the periods indicated, revenues and expenses for our ancillary businesses (amounts in thousands):

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Revenue	$56,227	$43,748	$24,947	$22,808
Expense	$42,502	$39,798	$22,061	$20,471

The table below provides, for the periods indicated, revenues and expenses recognized from land sales (amounts in thousands):

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Revenue	$126,746	$98,152	$22,725	$87,124
Deferred gain on land sale to joint venture	(9,260)			

Expense	(110,136)	(86,965)	(20,192)	(82,195)
Income from land sales	$7,350	$11,187	$2,533	$4,929

22

Land sale revenues, for the six months ended April 30, 2015, include $78.5 million related to property sold to a Home Building Joint Venture in which we have a 25% interest. Due to our continued involvement in the joint venture through our ownership interest and guarantees provided on the joint venture's debt, we deferred the $9.3 million gain realized on the sale. We will recognize the gain as units are sold to the ultimate home buyers. See Note 4, "Investments in and Advances to Unconsolidated Entities" for more information on this transaction.

15. Commitments and Contingencies

Legal Proceedings

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

Investments in and Advances to Unconsolidated Entities

At April 30, 2015, we had investments in and advances to 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 and Advances to Unconsolidated Entities," for more information regarding our commitments to these entities.

Land Purchase Commitments

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

Information regarding our land purchase commitments, as of the dates indicated, is provided in the table below (amounts in thousands):

	April 30, 2015	October 31, 2014
Aggregate purchase commitments:		
Unrelated parties	$882,723	$1,043,654
Unconsolidated entities that the Company has investments in	178,825	184,260
Total	$1,061,548	$1,227,914
Deposits against aggregate purchase commitments	$71,126	$103,422
Additional cash required to acquire land	990,422	1,124,492
Total	$1,061,548	$1,227,914
Amount of additional cash required to acquire land in accrued expenses	$1,120	$764

At April 30, 2015, we had a purchase commitment or understandings to acquire 536 home sites from three of our Land Development Joint Ventures for an aggregate purchase price of $178.8 million. In addition, we expect to purchase approximately 3,300 additional home sites from several joint ventures in which we have interests; the purchase prices of these home sites will be determined at a future date.

At April 30, 2015, we also had purchase commitments to acquire land for apartment developments of approximately $29.9 million, of which we had outstanding deposits in the amount of $0.9 million.

In November 2014, we closed on a 99-year ground lease on land located within New York City where we intend to develop a high-rise luxury cooperative-owned residential building. In August 2014, we paid $4.7 million representing two years of prepaid rent under the ground lease, which is included in "Deposits against aggregate purchase commitments" above. Under the terms of the ground lease, once final approvals are received, we will be required to make an additional payment of $17.5 million. This additional required payment is included in "Aggregate purchase commitments - Unrelated parties" above. As we deliver homes to our home buyers, the obligation under this lease will

transfer to the building's cooperative. We expect to deliver all homes by the end of our fiscal year 2018; therefore, we have included two years of additional rent payments totaling $4.7 million that we expect to pay which is also included in "Aggregate purchase commitments - Unrelated parties" above.

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

Surety Bonds and Letters of Credit

At April 30, 2015, we had outstanding surety bonds amounting to $610.5 million, primarily related to our obligations to governmental entities to construct improvements in our communities. We estimate that $389.1 million of work remains on these improvements. We have an additional $106.3 million of surety bonds outstanding that guarantee other obligations. We do not believe that it is probable that any outstanding bonds will be drawn upon.

At April 30, 2015, we had outstanding letters of credit of $97.8 million under our Credit Facility. These letters of credit were issued to secure our various financial obligations including insurance policy deductibles and other claims, land deposits, and security to complete improvements in communities which we are operating. We do not believe that it is probable that any outstanding letters of credit will be drawn upon.

Warranty and Self-Insurance

See Note 7, “Accrued Expenses,” for additional information regarding our obligations related to warranty and self-insurance matters.

Backlog

At April 30, 2015, we had agreements of sale outstanding to deliver 4,387 homes with an aggregate sales value of $3.48 billion.

Mortgage Commitments

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

Information regarding our mortgage commitments, as of the dates indicated, is provided in the table below (amounts in thousands):

	April 30, 2015	October 31, 2014
Aggregate mortgage loan commitments:		
IRLCs	$355,901	$191,604
Non-IRLCs	861,097	709,401
Total	$1,216,998	$901,005
Investor commitments to purchase:		
IRLCs	$355,901	$191,604
Mortgage loans receivable	72,844	93,261
Total	$428,745	$284,865

16. Information on Operating Segments

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

We have determined that our Traditional Home Building operations operate in four geographic segments: North, Mid-Atlantic, South, and West. The states comprising each geographic segment are as follows:

North: Connecticut, Illinois, Massachusetts, Michigan, Minnesota, New Jersey, and New York

Mid-Atlantic: Delaware, Maryland, Pennsylvania, and Virginia

South: Florida, North Carolina, and Texas

West: Arizona, California, Colorado, Nevada, and Washington

Revenue and income (loss) before income taxes for each of our reportable and geographic segments, for the periods indicated, were as follows (amounts in thousands):

	Six months ended April 30,		Three months ended April 30,	
	2015	2014	2015	2014
Revenues:				
Traditional Home Building:				
North	$282,454	$264,885	$150,018	$137,241
Mid-Atlantic	350,891	349,571	187,503	180,475
South	377,784	336,688	215,917	186,129
West	570,409	507,835	282,467	321,609
Traditional Home Building	1,581,538	1,458,979	835,905	825,454
City Living	124,497	45,076	16,678	34,920
Total	$1,706,035	$1,504,055	$852,583	$860,374
Income (loss) before income taxes:				
Traditional Home Building:				
North	$13,431	$17,152	$2,864	$8,806
Mid-Atlantic	40,819	45,909	22,095	24,358
South	62,600	40,952	39,276	23,584
West	91,619	78,714	46,270	44,844
Traditional Home Building	208,469	182,727	110,505	101,592
City Living	58,005	8,964	6,660	10,022
Corporate and other	(55,919)	(26,972)	(30,633)	(18,130)
Total	$210,555	$164,719	$86,532	$93,484

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

Total assets for each of our reportable and geographic segments, as of the dates indicated, are shown in the table below (amounts in thousands).

	April 30, 2015	October 31, 2014
Traditional Home Building:		
North	$1,063,041	$1,053,787
Mid-Atlantic	1,272,448	1,267,563
South	1,246,795	1,165,600
West	2,821,400	2,676,164
Traditional Home Building	6,403,684	6,163,114
City Living	873,725	834,949
Corporate and other	1,310,272	1,418,839
Total	$8,587,681	$8,416,902

"Corporate and other" is comprised principally of cash and cash equivalents, marketable securities, restricted cash, deferred tax assets, the assets of our Gibraltar investments, manufacturing facilities, and our mortgage subsidiary.
Inventory for each of our reportable and geographic 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 April 30, 2015:				
Traditional Home Building:				
North	$11,749	$167,766	$851,577	$1,031,092
Mid-Atlantic	27,536	246,580	959,620	1,233,736
South	3,614	225,363	841,185	1,070,162
West	15,147	1,138,539	1,582,696	2,736,382
Traditional Home Building	58,046	1,778,248	4,235,078	6,071,372
City Living	939	451,270	200,762	652,971
	$58,985	$2,229,518	$4,435,840	$6,724,343
Balances at October 31, 2014:				
Traditional Home Building:				
North	$12,007	$171,780	$834,266	$1,018,053
Mid-Atlantic	29,169	209,506	994,859	1,233,534
South	10,971	219,904	793,835	1,024,710
West	22,122	1,391,028	1,177,820	2,590,970
Traditional Home Building	74,269	1,992,218	3,800,780	5,867,267
City Living	48,264	363,656	211,134	623,054
	$122,533	$2,355,874	$4,011,914	$6,490,321

Investments in and advances to unconsolidated entities for each of our reportable and geographic segments, as of the dates indicated, are shown in the table below (amounts in thousands):

	April 30, 2015	October 31, 2014
Traditional Home Building:		
Mid-Atlantic	$11,929	$11,841
South	101,541	98,362
West	58,575	59,573
Traditional Home Building	172,045	169,776
City Living	177,311	159,953
Corporate and other	117,903	117,349
Total	$467,259	$447,078

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

17. Supplemental Disclosure to Condensed Consolidated Statements of Cash Flows

The following are supplemental disclosures to the Condensed Consolidated Statements of Cash Flows, for the periods indicated (amounts in thousands):

	Six months ended April 30, 2015	2014
Cash flow information:		
Interest paid, net of amount capitalized	$8,034	
Interest capitalized, net of amount paid		$3,798
Income tax payments	$140,867	$30,968
Income tax refunds	$165	
Noncash activity:		
Cost of inventory acquired through seller financing or municipal bonds, net	$45,732	$71,662
Reduction in inventory for our share of joint venture earnings in land purchased from unconsolidated entities and allocation of basis difference	$2,346	$1,229
Defined benefit plan amendment	$754	$77
Increase in accrued expenses related to Stock Price-Based Restricted Stock Units paid		$4,972
Transfer of inventory to investment in unconsolidated entities		$700
Transfer of other assets to investment in unconsolidated entities	$4,824	
Unrealized (loss) gain on derivatives held by equity investees	$(22)	$365
Increase in investments in unconsolidated entities for change in the fair value of debt guarantees	$1,577	$428
Miscellaneous decreases to investments in unconsolidated entities	$(1,403)	$(965)
Acquisition of a Business:		
Fair value of assets purchased, excluding cash acquired		$1,520,664
Liabilities assumed		$31,548
Cash paid, net of cash acquired		$1,489,116

18. Supplemental Guarantor Information

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

	Original amount issued and amount outstanding at April 30, 2015
5.15% Senior Notes due 2015	$300,000
8.91% Senior Notes due 2017	$400,000
4.0% Senior Notes due 2018	$350,000
6.75% Senior Notes due 2019	$250,000
5.875% Senior Notes due 2022	$419,876
4.375% Senior Notes due 2023	$400,000
5.625% Senior Notes due 2024	$250,000
0.50% Exchangeable Senior Notes due 2032	$287,500

The obligations of the Subsidiary Issuer to pay principal, premiums, if any, and interest are guaranteed jointly and severally on a senior basis by us and substantially all of our 100%-owned home building subsidiaries (the "Guarantor Subsidiaries"). The guarantees are full and unconditional. Our non-home building subsidiaries and several of our home building subsidiaries (together, the "Non-Guarantor Subsidiaries") do not guarantee the debt. The Subsidiary Issuer generates no operating revenues and does not have any independent operations other than the financing of our other subsidiaries by lending the proceeds from the above-described debt issuances. The indentures under which the Senior Notes were issued provide that any of our subsidiaries that provide a guarantee of the Credit Facility will guarantee the Senior Notes. The indentures further provide that any Guarantor Subsidiary may be released from its guarantee so long as (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 our and our subsidiaries' home building business; and (v) the Guarantor Subsidiary is released from its guaranty under the Credit Facility. If there are no guarantors under the Credit Facility, all Guarantor Subsidiaries under the indentures will be released from their guarantees.

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

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

Condensed Consolidating Balance Sheet at April 30, 2015:

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents	—	—	389,236	142,921	—	532,157
Marketable securities				10,015		10,015
Restricted cash	15,206		1,297	1,459		17,962
Inventory			6,417,066	307,277		6,724,343
Property, construction and office equipment, net			123,887	17,256		141,143
Receivables, prepaid expenses and other assets	56	15,029	156,260	118,588	(30,975)	258,958
Mortgage loans held for sale				80,864		80,864
Customer deposits held in escrow			42,241	2,158		44,399
Investments in and advances to unconsolidated entities			125,691	341,568		467,259
Investments in distressed loans and foreclosed real estate				65,938		65,938
Investments in and advances to consolidated entities	3,824,138	2,681,738	4,740		(6,510,616)	—
Deferred tax assets, net of valuation allowances	244,643					244,643
	4,084,043	2,696,767	7,260,418	1,088,044	(6,541,591)	8,587,681
LIABILITIES AND EQUITY						
Liabilities						
Loans payable			674,817			674,817
Senior notes		2,631,124			24,674	2,655,798
Mortgage company loan facility				70,052		70,052
Customer deposits			266,530	8,817		275,347
Accounts payable			233,509	166		233,675
Accrued expenses		31,906	377,933	209,217	(32,645)	586,411
Advances from consolidated entities			1,946,002	751,619	(2,697,621)	—
Income taxes payable	37,641					37,641
Total liabilities	37,641	2,663,030	3,498,791	1,039,871	(2,705,592)	4,533,741
Equity						
Stockholders' equity						
Common stock	1,779		48	3,006	(3,054)	1,779
Additional paid-in capital	722,303	49,400		1,734	(51,134)	722,303
Retained earnings (deficits)	3,381,290	(15,663)	3,761,640	35,834	(3,781,811)	3,381,290
Treasury stock, at cost	(55,980)					(55,980)
Accumulated other comprehensive loss	(2,990)		(61)			(3,051)
Total stockholders' equity	4,046,402	33,737	3,761,627	40,574	(3,835,999)	4,046,341
Noncontrolling interest				7,599		7,599
Total equity	4,046,402	33,737	3,761,627	48,173	(3,835,999)	4,053,940
	4,084,043	2,696,767	7,260,418	1,088,044	(6,541,591)	8,587,681

Condensed Consolidating Balance Sheet at October 31, 2014:

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents	—	—	455,714	130,601	—	586,315
Marketable securities			1,997	10,029		12,026
Restricted cash	15,211		2,070	1,061		18,342
Inventory			6,260,303	230,018		6,490,321
Property, construction and office equipment, net			126,586	16,424		143,010
Receivables, prepaid expenses and other assets		16,802	114,863	137,496	(17,589)	251,572
Mortgage loans held for sale				101,944		101,944
Customer deposits held in escrow			39,912	2,161		42,073
Investments in and advances to unconsolidated entities			132,096	314,982		447,078
Investments in distressed loans and foreclosed real estate				73,800		73,800
Investments in and advances to consolidated entities	3,714,788	2,677,448	4,740		(6,396,976)	—
Deferred tax assets, net of valuation allowances	250,421					250,421
	3,980,420	2,694,250	7,138,281	1,018,516	(6,414,565)	8,416,902
LIABILITIES AND EQUITY						
Liabilities						
Loans payable			653,269	992		654,261
Senior notes		2,625,712			29,332	2,655,044
Mortgage company loan facility				90,281		90,281
Customer deposits			221,084	2,715		223,799
Accounts payable			225,106	241		225,347
Accrued expenses		31,906	386,223	181,649	(18,301)	581,477
Advances from consolidated entities			2,018,981	708,167	(2,727,148)	—
Income taxes payable	125,996					125,996
Total liabilities	125,996	2,657,618	3,504,663	984,045	(2,716,117)	4,556,205
Equity						
Stockholders' equity						
Common stock	1,779		48	3,006	(3,054)	1,779
Additional paid-in capital	712,162	49,400		1,734	(51,134)	712,162
Retained earnings (deficits)	3,232,035	(12,768)	3,633,618	23,410	(3,644,260)	3,232,035
Treasury stock, at cost	(88,762)					(88,762)
Accumulated other comprehensive loss	(2,790)		(48)			(2,838)
Total stockholders' equity	3,854,424	36,632	3,633,618	28,150	(3,698,448)	3,854,376
Noncontrolling interest				6,321		6,321
Total equity	3,854,424	36,632	3,633,618	34,471	(3,698,448)	3,860,697
	3,980,420	2,694,250	7,138,281	1,018,516	(6,414,565)	8,416,902

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss) for the six months ended April 30, 2015:

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Revenues			1,724,050	33,152	(51,167)	1,706,035
Cost of revenues			1,332,727	3,095	(7,278)	1,328,544
Selling, general and administrative	37	1,822	226,194	27,090	(41,144)	213,999
	37	1,822	1,558,921	30,185	(48,422)	1,542,543
Income (loss) from operations	(37)	(1,822)	165,129	2,967	(2,745)	163,492
Other:						
Income from unconsolidated entities			7,434	3,694		11,128
Other income - net	4,670		18,033	13,588	(356)	35,935
Intercompany interest income		72,393			(72,393)	—
Interest expense		(75,228)		(266)	75,494	—
Income from subsidiaries	205,922		15,326		(221,248)	—
Income (loss) before income taxes	210,555	(4,657)	205,922	19,983	(221,248)	210,555
Income tax provision (benefit)	61,300	(1,762)	77,900	7,559	(83,697)	61,300
Net income (loss)	149,255	(2,895)	128,022	12,424	(137,551)	149,255
Other comprehensive loss	(201)		(12)			(213)
Total comprehensive income (loss)	149,054					