HOST HOTELS & RESORTS, INC.
Form 10-Q
October 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

OR

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

Commission File Number: 001-14625 (Host Hotels & Resorts, Inc.)

0-25087 (Host Hotels & Resorts, L.P.)

HOST HOTELS & RESORTS, INC.

HOST HOTELS & RESORTS, L.P.

(Exact name of registrant as specified in its charter)

Maryland (Host Hotels & Resorts, Inc.)	53-008595
Delaware (Host Hotels & Resorts, L.P.)	52-2095412

(State or Other Jurisdiction of	(I.R.S. Employer
Incorporation or Organization)	Identification No.)
6903 Rockledge Drive, Suite 1500	20817
Bethesda, Maryland	(Zip Code)
(Address of Principal Executive Offices)	

(240) 744-1000

(Registrant’s telephone number, including area code)

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.

Host Hotels & Resorts, Inc.	Yes þ	No ¨
Host Hotels & Resorts, L.P.	Yes þ	No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Host Hotels & Resorts, Inc.	Yes þ	No ¨
Host Hotels & Resorts, L.P.	Yes þ	No ¨

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.

Host Hotels & Resorts, Inc.			
Large accelerated filer þ		Accelerated filer	¨
Non-accelerated filer (Do not check if a smaller reporting company)	¨	Smaller reporting company	¨
Host Hotels & Resorts, L.P.			
Large accelerated filer ¨		Accelerated filer	¨
Non-accelerated filer (Do not check if a smaller reporting company)	þ	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Host Hotels & Resorts, Inc.	Yes ¨	No þ
Host Hotels & Resorts, L.P.	Yes ¨	No þ

As of October 28, 2015 there were 751,610,719 shares of Host Hotels & Resorts, Inc.’s common stock, $.01 par value per share, outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q of Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. Unless stated otherwise or the context requires otherwise, references to “Host Inc.” mean Host Hotels & Resorts, Inc., a Maryland corporation, and references to “Host L.P.” mean Host Hotels & Resorts, L.P., a Delaware limited partnership, and its consolidated subsidiaries, in cases where it is important to distinguish between Host Inc. and Host L.P. We use the terms “we” or “our” or “the company” to refer to Host Inc. and Host L.P. together, unless the context indicates otherwise.

Host Inc. operates as a self-managed and self-administered real estate investment trust (“REIT”). Host Inc. owns properties and conducts operations through Host L.P., of which Host Inc. is the sole general partner and of which it holds approximately 99% of the partnership interests (“OP units”). The remaining OP units are owned by various unaffiliated limited partners. As the sole general partner of Host L.P., Host Inc. has the exclusive and complete responsibility for Host L.P.’s day-to-day management and control. Management operates Host Inc. and Host L.P. as one enterprise. The management of Host Inc. consists of the same persons who direct the management of Host L.P. As general partner with control of Host L.P., Host Inc. consolidates Host L.P. for financial reporting purposes, and Host Inc. does not have significant assets other than its investment in Host L.P. Therefore, the assets and liabilities of Host Inc. and Host L.P. are substantially the same on their respective condensed consolidated financial statements and the disclosures of Host Inc. and Host L.P. also are substantially similar. For these reasons, we believe that the combination into a single report of the quarterly reports on Form 10-Q of Host Inc. and Host L.P. results in benefits to management and investors.

The substantive difference between Host Inc.’s and Host L.P.’s filings is the fact that Host Inc. is a REIT with public stock, while Host L.P. is a partnership with no publicly traded equity. In the condensed consolidated financial statements, this difference primarily is reflected in the equity (or partners’ capital for Host L.P.) section of the consolidated balance sheets and in the consolidated statements of equity (or partners’ capital for Host L.P.). Apart from the different equity treatment, the condensed consolidated financial statements of Host Inc. and Host L.P. nearly are identical.

This combined Form 10-Q for Host Inc. and Host L.P. includes, for each entity, separate interim financial statements (but combined footnotes), separate reports on disclosure controls and procedures and internal control over financial reporting and separate CEO/CFO certifications. In addition, with respect to any other financial and non-financial disclosure items required by Form 10-Q, any material differences between Host Inc. and Host L.P. are discussed separately herein. For a more detailed discussion of the substantive differences between Host Inc. and Host L.P. and why we believe the combined filing results in benefits to investors, see the discussion in the combined Annual Report on Form 10-K for the year ended December 31, 2014 under the heading “Explanatory Note.”

HOST HOTELS & RESORTS, INC. AND HOST HOTELS & RESORTS, L.P.

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PART I. FINANCIAL INFORMATION

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

September 30, 2015 and December 31, 2014

(in millions, except share and per share amounts)

	September 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Property and equipment, net	$ 10,683	$ 10,575
Assets held for sale	24	—
Due from managers	130	70
Advances to and investments in affiliates	400	433
Deferred financing costs, net	32	35
Furniture, fixtures and equipment replacement fund	165	129
Other	267	281
Restricted cash	14	—
Cash and cash equivalents	265	684
Total assets	$ 11,980	$ 12,207
LIABILITIES, NON-CONTROLLING INTERESTS AND EQUITY		
Debt		
Senior notes, including $391 million and $386 million, respectively, net of discount, of Exchangeable Senior Debentures	$ 2,890	$ 2,884
Credit facility, including the term loan of $800 million and $500 million, respectively	1,009	704
Mortgage debt	379	404
Total debt	4,278	3,992
Accounts payable and accrued expenses	248	298
Other	318	324
Total liabilities	4,844	4,614
Non-controlling interests - Host Hotels & Resorts, L.P.	148	225
Host Hotels & Resorts, Inc. stockholders' equity:		
Common stock, par value $.01, 1,050 million shares authorized, 738.5 million shares and 755.8 million shares issued and outstanding, respectively	7	8
Additional paid-in capital	8,224	8,476

Accumulated other comprehensive loss	(119)	(50)
Deficit	(1,152)	(1,098)
Total equity of Host Hotels & Resorts, Inc. stockholders	6,960	7,336
Non-controlling interests—other consolidated partnerships	28	32
Total equity	6,988	7,368
Total liabilities, non-controlling interests and equity	$ 11,980	$ 12,207

See notes to condensed consolidated statements.

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HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Quarter and Year-to-date ended September 30, 2015 and 2014

(unaudited, in millions, except per share amounts)

	Quarter ended		Year-to-date ended	
	September 30,		September 30,	
	2015	2014	2015	2014
REVENUES				
Rooms	$870	$884	$2,625	$2,613
Food and beverage	337	330	1,160	1,150
Other	80	80	268	271
Total revenues	1,287	1,294	4,053	4,034
EXPENSES				
Rooms	228	236	681	696
Food and beverage	258	260	830	829
Other departmental and support expenses	322	314	973	949
Management fees	51	55	171	171
Other property-level expenses	99	94	296	289
Depreciation and amortization	180	178	535	524
Corporate and other expenses	21	(38)	68	25
Gain on insurance settlements	(4)	(7)	(4)	(10)
Total operating costs and expenses	1,155	1,092	3,550	3,473
OPERATING PROFIT	132	202	503	561
Interest income	—	1	2	3
Interest expense	(49)	(51)	(173)	(164)
Gain on sale of assets	5	1	62	112
Loss on foreign currency transactions and derivatives	(1)	(1)	(3)	(2)
Equity in earnings (losses) of affiliates	7	(1)	27	(4)
INCOME BEFORE INCOME TAXES	94	151	418	506
Provision for income taxes	(9)	(6)	(13)	(17)
NET INCOME	85	145	405	489
Less: Net income attributable to non-controlling interests	—	(1)	(10)	(11)
NET INCOME ATTRIBUTABLE TO HOST HOTELS & RESORTS, INC.	$85	$144	$395	$478
Basic earnings per common share	$.11	$.19	$.53	$.63
Diluted earnings per common share	$.11	$.19	$.53	$.63

See notes to condensed consolidated statements.

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HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Quarter and Year-to-date ended September 30, 2015 and 2014

(unaudited, in millions)

	Quarter ended		Year-to-date ended	
	September 30,		September 30,	
	2015	2014	2015	2014
NET INCOME	$85	$145	$405	$489
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Foreign currency translation and other comprehensive income (loss) of unconsolidated affiliates	(27)	(47)	(71)	(36)
Change in fair value of derivative instruments	(8)	12	7	13
Amounts reclassified from other comprehensive income (loss)	—	—	(5)	—
OTHER COMPREHENSIVE LOSS, NET OF TAX	(35)	(35)	(69)	(23)
COMPREHENSIVE INCOME	50	110	336	466
Less: Comprehensive income attributable to non-controlling interests	—	(1)	(10)	(11)
COMPREHENSIVE INCOME ATTRIBUTABLE TO HOST HOTELS & RESORTS, INC.	$50	$109	$326	$455

See notes to condensed consolidated statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Year-to-date ended September 30, 2015 and 2014

(unaudited, in millions)

	Year-to-date ended September 30, 2015	2014
OPERATING ACTIVITIES		
Net income	$405	$489
Adjustments to reconcile to cash provided by operations:		
Depreciation and amortization	535	524
Amortization of finance costs, discounts and premiums, net	19	18
Non-cash loss on extinguishment of debt	6	2
Stock compensation expense	9	15
Deferred income taxes	4	2
Gain on sale of assets	(62)	(112)
Loss on foreign currency transactions and derivatives	3	2
Gain on property insurance settlement	(4)	—
Equity in (earnings) losses of affiliates	(27)	4
Change in due from managers	(56)	(102)
Distributions from equity investments	9	—
Changes in other assets	23	(19)
Changes in other liabilities	(46)	(59)
Cash provided by operating activities	818	764
INVESTING ACTIVITIES		
Proceeds from sales of assets, net	183	274
Return of investment	21	42
Acquisitions	(402)	(137)
Advances to and investments in affiliates	(4)	(55)
Capital expenditures:		
Renewals and replacements	(297)	(218)
Redevelopment and acquisition-related investments	(175)	(69)
New development	—	(9)
Change in furniture, fixtures and equipment ("FF&E") replacement fund	(24)	2
Change in restricted cash for investing activities	(15)	—
Property insurance proceeds	11	2
Cash used in investing activities	(702)	(168)
FINANCING ACTIVITIES		
Financing costs	(7)	(4)
Issuances of debt	499	4

Draws on credit facility	485	4
Term loan issuance	300	—
Repayment of credit facility	(460)	(225)
Repurchase/redemption of senior notes	(500)	(150)
Mortgage debt and other prepayments and scheduled maturities	—	(373)
Common stock repurchase	(330)	—
Dividends on common stock	(498)	(318)
Other financing activities	(10)	(3)
Cash used in financing activities	(521)	(1,065)
Effects of exchange rate changes on cash held	(14)	(5)
DECREASE IN CASH AND CASH EQUIVALENTS	(419)	(474)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	684	861
CASH AND CASH EQUIVALENTS, END OF PERIOD	$265	$387

See notes to condensed consolidated statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Year-to-date ended September 30, 2015 and 2014

(unaudited)

Supplemental disclosure of cash flow information (in millions):

	Year-to-date ended September 30,	
	2015	2014
Interest paid - periodic interest expense	$133	$139
Interest paid - debt extinguishments	15	2
Total interest paid	$148	$141
Income taxes paid	$6	$20

Supplemental disclosure of noncash financing activities:

During the third quarter, holders of $8.7 million of our 2.5% Exchangeable Senior Debentures due 2029 elected to convert their debentures into 0.7 million shares of Host Inc. common stock.

Additionally, $22 million of the shares repurchased during the quarter were not settled until subsequent to September 30, 2015. Therefore, the corresponding cash payment did not occur until the fourth quarter.

See notes to condensed consolidated statements.

HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

September 30, 2015 and December 31, 2014

(in millions)

	September 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Property and equipment, net	$ 10,683	$ 10,575
Asset held for sale	24	—
Due from managers	130	70
Advances to and investments in affiliates	400	433
Deferred financing costs, net	32	35
Furniture, fixtures and equipment replacement fund	165	129
Other	267	281
Restricted cash	14	—
Cash and cash equivalents	265	684
Total assets	$ 11,980	$ 12,207
LIABILITIES, LIMITED PARTNERSHIP INTERESTS OF THIRD PARTIES AND CAPITAL		
Debt		
Senior notes, including $391 million and $386 million, respectively, net of discount, of Exchangeable Senior Debentures	$ 2,890	$ 2,884
Credit facility, including the term loan of $800 million and $500 million, respectively	1,009	704
Mortgage debt	379	404
Total debt	4,278	3,992
Accounts payable and accrued expenses	248	298
Other	318	324
Total liabilities	4,844	4,614
Limited partnership interests of third parties	148	225
Host Hotels & Resorts, L.P. capital:		
General partner	1	1
Limited partner	7,078	7,385

Accumulated other comprehensive loss	(119	)	(50)
Total Host Hotels & Resorts, L.P. capital	6,960		7,336
Non-controlling interests—consolidated partnerships	28	Brothers	Asset

	ment Joint Ventures	Joint Ventures	Realty Trust I and II	Joint Venture	Total
Cash and cash equivalents	$ 14,190	$ 10,663	$ 11,726	$ 48,780	$ 85,359
Inventory	37,340	170,239	5,501		213,080
Non-performing loan portfolio				295,044	295,044
Rental properties			178,339		178,339
Real estate owned			1,087	230,872	231,959
Other assets (1)	331,315	20,080	9,675	159,143	520,213
Total assets	$ 382,845	$ 200,982	$ 206,328	$ 733,839	$ 1,523,994
Debt (1)	$ 327,856	$ 50,515	$ 198,927	$ 310,847	$ 888,145
Other liabilities	5,352	9,745	3,427	382	18,906
Members equity	49,637	140,722	3,974	172,944	367,277
Non-controlling interest				249,666	249,666
Total liabilities and equity	$ 382,845	$ 200,982	$ 206,328	$ 733,839	$ 1,523,994
Company s net investment in unconsolidated entities (2)	$ 17,098	$ 72,734	$ 1,872	$ 34,651	$ 126,355

	October 31, 2010				
	Develop-ment Joint Ventures	Home Building Joint Ventures	Toll Brothers Realty Trust I and II	Structured Asset Joint Venture	Total
Cash and cash equivalents	$ 21,224	$ 14,831	$ 13,154	$ 21,287	$ 70,496
Inventory	486,394	343,463	5,340		835,197
Non-performing loan portfolio				498,256	498,256
Rental properties			185,658		185,658
Real estate owned			1,934	124,775	126,709
Other assets (1)	194,541	29,374	9,401	15,003	248,319
Total assets	$ 702,159	$ 387,668	$ 215,487	$ 659,321	$ 1,964,635
Debt (1)	$ 379,793	$ 208,295	$ 184,616	$ 303,192	$ 1,075,896
Other liabilities	60,385	11,207	3,952	265	75,809
Members equity	261,981	168,166	26,919	146,248	603,314
Non-controlling interest				209,616	209,616
Total liabilities and equity	$ 702,159	$ 387,668	$ 215,487	$ 659,321	$ 1,964,635

Company s net investment in unconsolidated entities (2)	$	58,551	$	99,259	$	11,382	$	29,250	$	198,442

(1) Included in other assets at October 31, 2011 and 2010 of the Structured Asset Joint Venture is $152.6 million and $8.5 million, respectively, of restricted cash held in a defeasance account which will be used to repay debt of the Structured Asset Joint Venture.

(2) Differences between the Company s net investment in unconsolidated entities and its underlying equity in the net assets of the entities is primarily a result of impairments related to the Company s investments in unconsolidated entities, a loan made to one of the entities by the Company, and distributions from entities in excess of the carrying amount of the Company s net investment.

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Condensed Statements of Operations:

	For the year ended October 31, 2011				
	Develop-ment Joint Ventures	Home Building Joint Ventures	Toll Brothers Realty Trust I and II	Structured Asset Joint Venture	Total
Revenues	$ 4,624	$ 242,326	$ 37,728	$ 46,187	$ 330,865
Cost of revenues	3,996	191,922	15,365	30,477	241,760
Other expenses	1,527	8,954	18,808	10,624	39,913
Gain on disposition of loans and REO				61,406	61,406
Income (loss) from operations	(899)	41,450	3,555	66,492.	110,598
Other income	9,498	1,605		252	11,355
Net income before noncontrolling interest	8,599	43,055	3,555	66,744.	121,953
Less: Net income attributable to noncontrolling interest				40,048	40,048
Net income	$ 8,599	$ 43,055	$ 3,555	$ 26,696	$ 81,905
Company s equity in (losses) earnings of unconsolidated entities (3)	$ (25,272)	$ 15,159	$ 3,580	$ 5,339	$ (1,194)

	For the year ended October 31, 2010				
	Develop-ment Joint Ventures	Home Building Joint Ventures	Toll Brothers Realty Trust I and II	Structured Asset Joint Venture	Total
Revenues	$ 7,370	$ 132,878	$ 34,755	$ 16,582	$ 191,585
Cost of revenues	6,402	106,638	13,375	6,693	133,108
Other expenses	1,522	8,121	18,693	2,977	31,313
Loss on disposition of loans and REO				(5,272)	(5,272)
Income (loss) from operations	(554)	18,119	2,687	1,640	21,892
Other income	13,616	572		5	14,193
Net income before noncontrolling interest	13,062	18,691	2,687	1,645	36,085
Less: Net income attributable to noncontrolling interest				987	987

Net income	$ 13,062	$ 18,691	$ 2,687	$ 658	$ 35,098
Company s equity in earnings of unconsolidated entities (3)	$ 10,664	$ 11,272	$ 1,402	$ 132	$ 23,470

	For the year ended October 31, 2009				
	Develop-ment Joint Ventures	Home Building Joint Ventures	Toll Brothers Realty Trust I and II	Structured Asset Joint Venture	Total
Revenues	$ 144	$ 48,719	$ 34,955	$	$ 83,818
Cost of revenues	141	76,525	13,943		90,609
Other expenses	1,025	8,482	17,994		27,501
Income (loss) from operations	(1,022)	(36,288)	3,018		(34,292)
Other income (loss)	15,483	(1,879)			13,604
Net (loss) income	$ 14,461	$ (38,167)	$ 3,018	$	$ (20,688)
Company s equity in (losses) earnings of unconsolidated entities (3)	$ (5,120)	$ (3,676)	$ 1,278	$	$ (7,518)

(3) Differences between the Company s equity in earnings (losses) of unconsolidated entities and the underlying net income of the entities is primarily a result of impairments related to the Company s investment in unconsolidated entities, distributions from entities in excess of the carrying amount of the Company s net investment, and the Company s share of the entities profits related to home sites purchased by the Company which reduces the Company s cost basis of the home sites.

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4. Investments in Non-Performing Loan Portfolios and Foreclosed Real Estate

In March 2011, the Company, through Gibraltar, acquired a 60% participation in a portfolio of non-performing loans. The portfolio of 83 loans, with an unpaid principal balance of approximately $200.3 million consisted primarily of residential acquisition, development and construction loans secured by properties at various stages of completion. The Company oversees the day-to-day management of the portfolio in accordance with the business plans which are jointly approved by the Company and the co-participant. The Company receives a management fee for such services. The Company recognizes income from the loan portfolio based upon its participation interest until such time as the portfolio meets certain internal rates of return as stipulated in the participation agreement. Upon reaching the stipulated internal rates of return, the Company will be entitled to receive additional income above its participation percentage from the portfolio. Since the acquisition of the loan portfolio, the Company sold its interest in one loan to a third party resulting in a gain of approximately $0.6 million. In fiscal 2011, the Company acquired an interest in four properties through foreclosure or obtaining deeds in lieu of foreclosure related to this loan portfolio. At October 31, 2011, the Company s pro-rata share of the carrying value of these properties was $5.9 million.

In September 2011, Gibraltar acquired three portfolios of non-performing loans consisting of 38 loans with an unpaid principal balance of approximately $71.4 million. The portfolios include residential acquisition, development, and construction loans secured by properties at various stages of completion.

The Company s earnings from the portfolios and management fees earned are included in interest and other income in its consolidated statements of operations. In fiscal 2011, the Company recognized $1.5 million of earnings from its investments in the loan portfolios.

The following summarizes the accretable yield and the nonaccretable difference on our investments in non-performing loans portfolios as of their acquisition dates (amounts in thousands):

Contractually required payments, including interest	$	200,047
Nonaccretable difference		(81,723)
Cash flows expected to be collected		118,324
Accretable difference		(51,462)
Non-performing loans carrying amount	$	66,862

The Company s investment in non-performing loan portfolios consisted of the following at October 31, 2011 (amounts in thousands):

Unpaid principal balance	$	171,559
Discount on acquired loans		(108,325)
Carrying value	$	63,234

The activity in the accretable yield for the Company s investment in the non-performing loan portfolios for the year ended October 31, 2011 was as follows (amounts in thousands):

Balance at November 1, 2010	$	
Additions		51,462
Accretion		(4,480)
Reductions from foreclosures and other dispositions		(4,599)
Other		(57)
Balance at October 31, 2011	$	42,326

The additions to accretable yield and the accretion of interest income are based on various estimates regarding loan performance and the value of the underlying real estate securing the loans. As the Company continues to gather additional information regarding the loans and the underlying collateral, the accretable yield may change. Therefore, the amount of accretable income recorded in the year ended October 31, 2011 is not necessarily indicative of expected future results.

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5. Credit Facility, Loans Payable, Senior Notes, Senior Subordinated Notes and Mortgage Company Warehouse Loan

Credit Facility

On October 22, 2010, the Company entered into an $885 million revolving credit facility (New Credit Facility) with 12 banks, which extends to October 2014. The New Credit Facility replaced a $1.89 billion credit facility consisting of a $1.56 billion unsecured revolving credit facility and a $331.7 million term loan facility (collectively, the Old Credit Facility) with 30 banks, which extended to March 17, 2011. Prior to the closing of the New Credit Facility, the Company repaid the term loan under the Old Credit Facility from cash on hand.

At October 31, 2011, the Company had no outstanding borrowings under the New Credit Facility but had outstanding letters of credit of approximately $100.3 million. At October 31, 2011, interest would have been payable on borrowings under the New Credit Facility at 2.75% (subject to adjustment based upon the Company s debt rating and leverage ratios) above the Eurodollar rate or at other specified variable rates as selected by the Company from time to time. Under the terms of the New Credit Facility, the Company is not permitted to allow its maximum leverage ratio (as defined in the credit agreement) to exceed 1.75 to 1.00 and is required to maintain a minimum tangible net worth (as defined in the New Credit Facility agreement) of approximately $1.87 billion at October 31, 2011. At October 31, 2011, the Company s leverage ratio was approximately 0.18 to 1.00 and its tangible net worth was approximately $2.55 billion. Based upon the minimum tangible net worth requirement, the Company s ability to pay dividends and repurchase its common stock was limited to an aggregate amount of approximately $680 million at October 31, 2011. The Company is obligated to pay an undrawn commitment fee of 0.50% (subject to adjustment based upon the Company s debt rating and leverage ratios) based on the average daily unused amount of the facility.

Loans Payable

The Company s loans payable represent purchase money mortgages on properties the Company has acquired that the seller has financed and various revenue bonds that were issued by government entities on behalf of the Company to finance community infrastructure and the Company s manufacturing facilities. Information regarding the Company s loans payable at October 31, 2011 and 2010 is included in the table below ($ amounts in thousands).

	2011	2010
Aggregate loans payable at October 31	$ 106,556	$ 94,491
Weighted-average interest rate	3.99%	3.75%
Interest rate range	0.16%-7.87%	0.50% - 8.00%
Loans secured by assets		
Carrying value of loans secured by assets	$ 105,092	$ 93,029
Carrying value of assets securing loans	$ 283,169	$ 257,563

Senior Notes

At October 31, 2011 and 2010, the Company s senior notes consisted of the following (amounts in thousands):

	2011	2010
6.875% Senior Notes due November 15, 2012	$ 139,776	$ 194,865
5.95% Senior Notes due September 15, 2013	141,635	141,635
4.95% Senior Notes due March 15, 2014	267,960	267,960
5.15% Senior Notes due May 15, 2015	300,000	300,000
8.91% Senior Notes due October 15, 2017	400,000	400,000
6.75% Senior Notes due November 1, 2019	250,000	250,000
Bond discount	(8,399)	(10,350)
	$ 1,490,972	$ 1,544,110

The senior notes are the unsecured obligations of Toll Brothers Finance Corp., a 100%-owned subsidiary of the Company. The payment of principal and interest is fully and unconditionally guaranteed, jointly and severally, by the

Company and a majority of its home building subsidiaries (together with Toll Brothers Finance Corp., the Senior Note Parties). The senior notes rank equally in right of payment with all the Senior Note Parties existing and future unsecured senior indebtedness, including the New Credit Facility. The senior notes are structurally subordinated to the prior claims of creditors, including trade creditors, of the subsidiaries of the Company that are not guarantors of the senior notes. The senior notes are redeemable in whole or in part at any time at the option of the Company, at prices that vary based upon the then-current rates of interest and the remaining original term of the notes.

The Company has repurchased, and may from time to time in the future repurchase, its senior notes in the open market or otherwise. The table below provides for the periods indicated, the amount of senior notes the Company has redeemed and the amount of expenses related to the retirement of the notes (amounts in thousands).

	2011	2010	2009
Fiscal year:			
6.875% Senior notes due 2012	$ 55,089		$ 105,135
5.95% Senior notes due 2013		$ 13,500	94,985
4.95% Senior notes due 2014		32,040	
	$ 55,089	$ 45,540	$ 200,120
Expenses related to retirement of debt	$ 3,827	$ 744	$ 11,626

Expenses related to the retirement of notes includes, if any, premium paid, write-off of unamortized debt issuance costs and other debt redemption costs.

Senior Subordinated Notes

The senior subordinated notes were the unsecured obligations of Toll Corp., a 100%-owned subsidiary of the Company; were guaranteed on a senior subordinated basis by the Company; were subordinated to all existing and future senior indebtedness of the Company; and were structurally subordinated to the prior claims of creditors, including trade creditors, of the Company s subsidiaries other than Toll Corp. The indentures governing these notes restricted certain payments by the Company, including cash dividends and repurchases of Company stock.

The table below provides for the periods indicated, the amount of senior subordinated notes the Company has redeemed and the amount of expenses related to the retirement of the notes (amounts in thousands).

	2010	2009
Fiscal year:		
8.25% Senior Subordinated Notes due December 2011	$ 47,872	$ 102,128
8 1/4% Senior Subordinated Notes due February 2011		193,000
Total	$ 47,872	$ 295,128
Expenses related to retirement of debt	$ 34	$ 2,067

Mortgage Company Loan Facilities

TBI Mortgage Company (TBI Mortgage), the Company s wholly-owned mortgage subsidiary, has a 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 it is accounted for as a secured borrowing under ASC 860. The Repurchase Agreement, as amended, provides for loan purchases up to $50 million, subject to certain sublimits. In addition, the Repurchase Agreement provides for an accordion feature under which TBI Mortgage may request that the aggregate commitments under the Repurchase Agreement be increased to an amount up to $75 million for a short period of time. The Repurchase Agreement, as amended, expires on July 25, 2012 and bears interest at LIBOR plus 1.25%, with a minimum rate of 3.50%. Borrowings under this facility are included in the fiscal 2012 maturities.

At October 31, 2011 and 2010, there were $57.4 million and $72.4 million, respectively, outstanding under the Repurchase Agreement, which are included in liabilities in the accompanying Consolidated Balance Sheets. At October 31, 2011 and 2010, amounts outstanding under the Repurchase Agreement are collateralized by $63.2 million and $93.6 million, respectively, of mortgage loans held for sale, which are included in assets in the Company s balance sheets. As of October 31, 2011, there were no aggregate outstanding purchase price limitations reducing the amount available to TBI Mortgage. There are several restrictions on purchased loans under the Repurchase Agreement, including that they cannot be sold to others, they cannot be pledged to anyone other than the agent, and they cannot support any other borrowing or repurchase agreement.

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General

As of October 31, 2011, the annual aggregate maturities of the Company s loans and notes during each of the next five fiscal years are as follows (amounts in thousands):

	Amount
2012	$ 92,827
2013	294,742
2014	271,969
2015	301,872
2016	1,955

6. Accrued Expenses

Accrued expenses at October 31, 2011 and 2010 consisted of the following (amounts in thousands):

	2011	2010
Land, land development and construction	$ 109,574	$ 110,301
Compensation and employee benefit	96,037	95,107
Insurance and litigation	130,714	143,421
Commitments to unconsolidated entities	60,130	88,121
Warranty	42,474	45,835
Interest	25,968	26,998
Other	56,154	60,538
	$ 521,051	$ 570,321

The Company accrues expected warranty costs at the time each home is closed and title and possession have been transferred to the home buyer. Changes in the warranty accrual during fiscal 2011, 2010 and 2009 were as follows (amounts in thousands):

	2011	2010	2009
Balance, beginning of year	$ 45,835	$ 53,937	$ 57,292
Additions homes closed during the year	8,809	9,147	10,499
Additions (reductions) to accruals for homes closed in prior years	(828)	(4,684)	1,697
Charges incurred	(11,342)	(12,565)	(15,551)
Balance, end of year	$ 42,474	$ 45,835	$ 53,937

7. Income Taxes

A reconciliation of the Company s effective tax rate from the federal statutory tax rate for the fiscal years ended October 31, 2011, 2010 and 2009 is set forth below ($ amounts in thousands).

	2011		2010		2009	
	$	%*	$	%*	$	%*
Federal tax benefit at statutory rate	(10,278)	35.0	(41,015)	35.0	(173,763)	35.0
State taxes, net of federal benefit	(954)	3.2	(3,809)	3.3	(14,522)	2.9
Reversal of accrual for uncertain tax positions	(52,306)	178.1	(39,485)	33.7	(77,337)	15.6
	3,055	(10.4)	9,263	(7.9)	6,828	(1.4)

Accrued interest on anticipated tax assessments						
Increase in unrecognized tax benefits			35,575	(30.3)	39,500	(8.0)
Increase in deferred tax assets, net	(25,948)	88.4				
Valuation allowance recognized	43,876	(149.4)	55,492	(47.4)	458,280	(92.3)
Valuation allowance reversed	(25,689)	87.5	(128,640)	109.7		
Reversal of tax credits					10,000	(2.0)
Other	(917)	3.1	(1,194)	1.0	10,374	(2.1)
Tax (benefit)provision	(69,161)	235.5	(113,813)	97.1	259,360	(52.3)

* Due to rounding, amounts may not add.

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The Company currently operates in 19 states and is subject to various state tax jurisdictions. The Company estimates its state tax liability based upon the individual taxing authorities regulations, estimates of income by taxing jurisdiction and the Company s ability to utilize certain tax-saving strategies. Due primarily to a change in the Company s estimate of the allocation of income or loss, as the case may be, among the various taxing jurisdictions and changes in tax regulations and their impact on the Company s tax strategies, the Company s estimated rate for state income taxes was 5.0% for each of fiscal 2011, and 2010 and 4.5% for fiscal 2009.

The (benefit) provision for income taxes for each of the fiscal years ended October 31, 2011, 2010 and 2009 is set forth below (amounts in thousands).

	2011	2010	2009
Federal	$ (21,517)	$ (67,318)	$ 333,311
State	(47,644)	(46,495)	(73,951)
	$ (69,161)	$ (113,813)	$ 259,360
Current	$ (43,212)	$ (156,985)	$ (229,003)
Deferred	(25,949)	43,172	488,363
	$ (69,161)	$ (113,813)	$ 259,360

A reconciliation of the change in the unrecognized tax benefits for the years ended October 31, 2011, 2010 and 2009 is set forth below (amounts in thousands).

	2011	2010	2009
Balance, beginning of year	$ 160,446	$ 171,366	$ 320,679
Increase in benefit as a result of tax positions taken in prior years	8,168	14,251	11,000
Increase in benefit as a result of tax positions taken in current year		15,675	47,500
Decrease in benefit as a result of settlements	(17,954)		(138,333)
Decrease in benefit as a result of completion of audits	(33,370)		
Decrease in benefit as a result of lapse of statute of limitation	(12,621)	(40,846)	(69,480)
Balance, end of year	$ 104,669	$ 160,446	$ 171,366

The Company has reached final settlement of its federal tax returns for fiscal years through 2009. The federal settlements resulted in a reduction in the Company s unrecognized tax benefits. The state impact of any amended federal return remains subject to examination by various states for a period of up to one year after formal notification of such amendments is made to the states.

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

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The Company recognizes in its tax provision, potential interest and penalties. Information as to the amounts recognized in its tax provision, before reduction for applicable taxes and reversal of previously accrued interest and penalties, of potential interest and penalties in the twelve-month periods ended October 31, 2011, 2010 and 2009, and the amounts accrued for potential interest and penalties at October 31, 2011 and 2010 is set forth in the table below (amounts in thousands).

Recognized in statements of operations:		
Fiscal year		
2011	$	4,700
2010	$	14,300
2009	$	11,000
Accrued at:		
October 31, 2011	$	29,200
October 31, 2010	$	39,209

The amounts accrued for interest and penalties are included in Income taxes payable on the Company s consolidated balance sheets.

Since the beginning of fiscal 2007, the Company has recorded significant deferred tax assets. These deferred tax assets were generated primarily by inventory impairments and impairments of investments in and advances to unconsolidated entities. In accordance with ASC 740, the Company assessed whether a valuation allowance should be established based on its determination of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company believes that the continued downturn in the housing market, the uncertainty as to its length and magnitude, the cumulative operating losses in recent years, and the Company s continued recognition of impairment charges, are significant evidence of the continued need for a valuation allowance against its net deferred tax assets. The Company has recorded valuation allowances against its entire net deferred tax asset as of October 31, 2011 and 2010.

The components of net deferred tax assets and liabilities at October 31, 2011 and 2010 are set forth below (amounts in thousands).

		2011		2010
Deferred tax assets:				
Accrued expenses	$	5,573	$	4,917
Impairment charges		427,807		415,801
Inventory valuation differences		10,036		13,093
Stock-based compensation expense		44,319		48,657
Amounts related to unrecognized tax benefits		47,387		55,090
State tax, net operating loss carryforward		18,406		11,159
Federal tax net operating loss carryforward		11,232		
Other		5,382		3,497
Total assets		570,142		552,214
Deferred tax liabilities:				
Capitalized interest		94,129		91,731
Deferred income		(10,553)		(10,097)
Depreciation		32,416		29,334
Deferred marketing		(9,295)		(3,635)
Other		36,074		35,698

Total liabilities	142,771	143,031
Net deferred tax assets before valuation allowances	427,371	409,183
Cumulative valuation allowance state	(74,030)	(45,030)
Cumulative valuation allowance federal	(353,341)	(364,153)
Net deferred tax assets	$	$

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On November 6, 2009, the Worker, Homeownership, and Business Assistance Act of 2009 (the Act) was enacted into law. The Act amended Section 172 of the Internal Revenue Code to allow net operating losses realized in a tax year ending after December 31, 2007 and beginning before January 1, 2010 to be carried back for up to five years (such losses were previously limited to a two-year carryback). This change allowed the Company to carry back its fiscal 2010 taxable loss against taxable income reported in fiscal 2006 and receive a federal tax refund in its second quarter of fiscal 2011 of $154.3 million. The tax losses generated in fiscal 2010 were primarily from the recognition for tax purposes of previously recognized book impairments and the recognition of stock option expenses recognized for book purposes in prior years**.**

For federal income tax purposes, the Company carried back tax losses incurred in fiscal 2009 against taxable income it reported in fiscal 2007 and received a tax refund in fiscal 2010 of $152.7 million. The tax losses generated in fiscal 2009 were primarily from the recognition for tax purposes of previously recognized book impairments and the recognition of stock option expenses not recognized for book purposes.

The Company is allowed to carry forward tax losses for 20 years and apply such tax losses to future taxable income to realize federal deferred tax assets. As of October 31, 2011, the Company estimates that it will have approximately $45.0 million of tax loss carryforwards, resulting from losses that it expects to recognize on its fiscal 2011 tax return. In addition, the Company expects to be able to reverse its previously recognized valuation allowances against future tax provisons during any future period in which it reports book income before income taxes. The Company will continue to review its deferred tax assets in accordance with ASC 740.

For state tax purposes, due to past and projected losses in certain jurisdictions where the Company does not have carryback potential and/or cannot sufficiently forecast future taxable income, the Company has recognized net cumulative valuation allowances against its state deferred tax assets of $74.0 million as of October 31, 2011 and $45.0 million as of October 31, 2010. In 2011, the Company took steps to merge a number of entities to better align financial and tax reporting and to reduce administrative complexity going forward. Some of these mergers occurred in higher state tax jurisdictions creating additional state tax deferred assets of $28.9 million, offset entirely by an increase in the state tax valuation allowance. Future valuation allowances in these jurisdictions may continue to be recognized if the Company believes it will not generate sufficient future taxable income to utilize any future state deferred tax assets.

8. Stockholders Equity

The Company s authorized capital stock consists of 400 million shares of common stock, $.01 par value per share and 15 million shares of preferred stock, $.01 par value per share. At October 31, 2011, the Company had 165.7 million shares of common stock issued and outstanding (excluding 2.9 million shares of treasury stock), 13.7 million shares of common stock reserved for outstanding stock options and restricted stock units, 6.7 million shares of common stock reserved for future stock option and award issuances and 0.6 million shares of common stock reserved for issuance under the Company s employee stock purchase plan. As of October 31, 2011, the Company had not issued any shares of preferred stock.

Issuance of Common Stock

In each of fiscal 2011, 2010 and 2009, the Company issued 1,250 shares of restricted common stock pursuant to its stock incentive plans to certain outside directors. The Company is amortizing the fair market value of the awards on the date of grant over the period of time that each award vests. At October 31, 2011, 1,875 shares of the restricted stock awards were unvested.

Stock Repurchase Program

In March 2003, the Company s Board of Directors authorized the repurchase of up to 20 million shares of its common stock from time to time, in open market transactions or otherwise, for the purpose of providing shares for its various benefit plans.

Information about the Company s share repurchase program for the fiscal years ended October 31, 2011, 2010 and 2009 is in the table below.

	2011	2010	2009
Number of shares purchased (in thousands)	3,068	31	79

Average price per share	$	16.00	$	19.24	$	18.70
Remaining authorization at October 31(in thousands):		8,786		11,855		11,885

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Stockholder Rights Plan and Transfer Restriction

In June 2007, the Company adopted a shareholder rights plan (2007 Rights Plan). The rights issued pursuant to the 2007 Rights Plan will become exercisable upon the earlier of (i) ten days following a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of the Company s common stock or (ii) ten business days following the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning 15% or more of the outstanding shares of common stock. No rights were exercisable at October 31, 2011.

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

9. Stock-Based Benefit Plans

The Company has two active stock incentive plans, one for employees (including officers) and one for non-employee directors. The Company s active stock incentive plans provide for the granting of incentive stock options (solely to employees) and non-qualified stock options with a term of up to ten years at a price not less than the market price of the stock at the date of grant. The Company s active stock incentive plans also provide for the issuance of stock appreciation rights and restricted and unrestricted stock awards and stock units, which may be performance based.

The Company has two additional stock incentive plans for employees, officers and directors that are inactive except for outstanding stock option grants at October 31, 2011. No additional options may be granted under these plans. Stock options granted under these plans were made with a term of up to ten years at a price not less than the market price of the stock at the date of grant and generally vested over a four-year period for employees and a two-year period for non-employee directors.

Stock Options

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

The Company used a lattice model for the valuation for all option grants in fiscal 2011, 2010 and 2009. Expected volatilities are based on implied volatilities from traded options on the Company s stock and the historical volatility of the Company s stock. The expected life of options granted is derived from the historical exercise patterns and anticipated future patterns and represents the period of time that options granted are expected to be outstanding; the range given above results from certain groups of employees exhibiting different behavior. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The weighted-average assumptions and fair value used for stock option grants in each of the fiscal years ended October 31, 2011, 2010 and 2009 are set forth below.

	2011	2010	2009
Expected volatility	45.38% - 49.46%	46.74% - 51.41%	46.74% - 50.36%
Weighted-average volatility	47.73%	49.51%	48.06%
Risk-free interest rate	1.64% - 3.09%	2.15% - 3.47%	1.24% - 1.90%
Expected life (years)	4.29 - 8.75	4.44 - 8.69	4.29 - 8.52
Dividends	none	none	none
Weighted-average fair value per share of options granted	$7.94	$7.63	$8.60

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The fair value of stock option grants is recognized evenly over the vesting period of the options or over the period between the grant date and the time the option becomes non-forfeitable by the employee, whichever is shorter. Stock option expense is included in the Company s selling, general and administrative expenses in the accompanying Consolidated Statements of Operations. Information regarding the stock-based compensation for fiscal 2011, 2010 and 2009 is set forth below (amounts in thousands).

	2011	2010	2009
Stock-based compensation expense recognized	$ 8,626	$ 9,332	$ 10,925
Income tax benefit recognized	(a)	$ 3,266	$ 4,370

(a) Due to the losses recognized by the Company over the past several years and its inability to forecast future pre-tax profits, the Company has not recognized or estimated a tax benefit on its stock based compensation expense in fiscal 2011.

In fiscal 2010 and 2009, as part of severance plans for certain employees, the Company extended the period in which an option could be exercised on 175,813 options and 46,052 options, respectively. The Company expensed $552,000 and $322,000 of stock option expense related to these extensions in fiscal 2010 and 2009, respectively. These amounts are included in the stock-based compensation in the table above.

At October 31, 2011, total compensation cost related to non-vested awards not yet recognized was approximately $7.4 million and the weighted-average period over which the Company expects to recognize such compensation costs and tax benefit is 2.5 years.

The following table summarizes stock option activity for the Company s plans during each of the fiscal years ended October 31, 2011, 2010 and 2009 (amounts in thousands, except per share amounts):

	2011		2010		2009	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Balance, beginning	14,339	$ 19.36	16,123	$ 17.73	19,854	$ 14.73
Granted	1,103	19.32	1,015	18.39	1,092	21.68
Exercised	(2,467)	11.07	(2,498)	8.72	(4,436)	5.03
Cancelled	(107)	20.12	(301)	17.03	(387)	20.49
Balance, ending	12,868	$ 20.94	14,339	$ 19.36	16,123	$ 17.73
Options exercisable, at October 31,	10,365	$ 21.24	11,670	$ 19.00	13,171	$ 16.53
Options available for grant at October 31,	6,712		8,038		9,168	

The following table summarizes information about stock options outstanding and exercisable at October 31, 2011:

	Options outstanding			Options exercisable		
Range of	Number	Weighted-average remaining contractual	Weighted-average	Number	Weighted-average remaining contractual	Weighted-average

exercise prices	outstanding (in 000s)	life (in years)	exercise price	exercisable (in 000s)	life (in years)	exercise price
$10.35 - $10.88	2,484	0.8	$ 10.66	2,484	0.8	$ 10.66
$18.38 - $20.21	5,249	5.1	$ 19.36	3,489	3.3	$ 19.57
$20.76 - $22.18	2,376	6.5	$ 21.13	1,648	2.3	$ 21.06
$31.82 - $35.97	2,759	4.0	$ 33.04	2,744	4.0	$ 33.05
	12,868	4.3	$ 20.94	10,365	3.4	$ 21.24

The intrinsic value of options outstanding and exercisable is the difference between the fair market value of the Company s common stock on the applicable date (Measurement Value) and the exercise price of those options that had an exercise price that was less than the Measurement Value. The intrinsic value of options exercised is the difference between the fair market value of the Company s common stock on the date of exercise and the exercise price. Information pertaining to the intrinsic value of options outstanding and exercisable at October 31, 2011, 2010 and 2009 is provided below (amounts in thousands):

	2011	2010	2009
Intrinsic value of options outstanding	$ 16,839	$ 35,214	$ 54,646
Intrinsic value of options exercisable	$ 16,839	$ 35,214	$ 54,646

Information pertaining to the intrinsic value of options exercised and the fair value of options which became vested or modified in each of the fiscal years ended October 31, 2011, 2010 and 2009 is provided below (amounts in thousands):

	2011	2010	2009
Intrinsic value of options exercised	$ 23,573	$ 25,327	$ 74,659
Fair value of options vested	$ 11,027	$ 12,336	$ 15,528

The Company s stock incentive plans permit optionees to exercise stock options using a net exercise method at the discretion of the Executive Compensation Committee of the Board of Directors (Executive Compensation Committee). In a net exercise, the Company withholds from the total number of shares that otherwise would be issued to an optionee upon exercise of the stock option that number of shares having a fair market value at the time of exercise equal to the option exercise price and applicable income tax withholdings and remits the remaining shares to the optionee. Information regarding the use of the net exercise method for fiscal 2011, 2010 and 2009 is set forth below.

	2011	2010	2009
Options exercised	194,000	1,201,372	93,000
Shares withheld	98,918	798,420	21,070
Shares issued	95,082	402,952	71,930
Average market value per share withheld	$ 18.94	$ 17.96	$ 21.29
Aggregate market value of shares withheld (in thousands)	$ 1,873	$ 14,341	$ 400

In addition, pursuant to the provisions of the Company s stock incentive plans, optionees are permitted to use the value of the Company s common stock that they own to pay for the exercise of options (stock swap method). Information regarding the use of the stock swap method for fiscal 2011, 2010 and 2009 is set forth below.

	2011	2010	2009
Options exercised	28,900	29,512	38,379
Shares tendered	14,807	14,459	9,237
Shares issued	14,093	15,053	29,142
Average market value per share withheld	$ 20.53	$ 19.71	$ 21.40
Aggregate market value of shares tendered (in thousands)	$ 304	$ 285	$ 198

Performance Based Restricted Stock Units:

In December 2010, 2009 and 2008, the Executive Compensation Committee of the Company s Board of Directors approved awards of performance-based restricted stock units (Performance-Based RSUs) relating to shares of the Company s common stock. The Performance-Based RSUs will vest and the recipients will be entitled to receive the underlying shares if the average closing price of the Company s common stock on the New York Stock Exchange (NYSE), measured over any 20 consecutive trading days ending on or prior to five years from date of issuance of the Performance-Based RSUs increases 30% or more over the closing price of the Company s common stock on the NYSE on the date of issuance (Target Price); provided the recipients continue to be employed by the Company or serve on the board of directors of the Company (as applicable) as stipulated in the award document. The Company determined the aggregate value of the Performance-Based RSUs using a lattice-based option pricing model.

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The Company used a lattice based option pricing model to determine the fair value of the 2009 and 2008 Performance-Based RSUs. Expenses related to the performance-based RSUs are included in the Company s selling, general and administrative expenses. Information regarding the issuance, valuation assumptions, amortization and unamortized balances of the Company s Performance-Based RSUs in and at the relevant periods and dates in fiscal 2011, 2010 and 2009 is as follows:

	2011	2010	2009
Performance-Based RSUs issued:			
Number issued	306,000	200,000	200,000
Closing price of the Company s common stock on date of issuance	$ 19.32	$ 18.38	$ 21.70
Target price	$ 25.12	$ 23.89	$ 28.21
Volatility	48.22%	49.92%	48.14%
Risk-free interest rate	1.99%	2.43%	1.35%
Expected life	3.0 years	3.0 years	3.0 years
Aggregate fair value of Performance-Based RSUs issued (in thousands)	$ 4,994	$ 3,160	$ 3,642
Performance-Based RSU expense recognized (in thousands):			
Twelve months ended October 31,	$ 3,701	$ 2,121	$ 1,045

	2011	2010	2009
At October 31:			
Aggregate outstanding Performance-Based RSUs	706,000	400,000	200,000
Cumulative unamortized value of Performance- Based RSUs (in thousands)	$ 4,929	$ 3,636	$ 2,597

Non-Performance Based Restricted Stock Units:

In December 2010 and 2009, the Company issued restricted stock units (RSUs) relating to shares of the Company s common stock to several employees. These RSUs generally vest in annual installments over a four-year period. The value of the RSUs was determined to be equal to the number of shares of the Company s common stock to be issued pursuant to the RSUs, multiplied by the closing price of the Company s common stock on the NYSE on the date the RSUs were awarded. Information regarding these RSUs is as follows:

	2011	2010
Non-Performance-Based RSUs issued:		
Number issued	15,497	19,663
Closing price of the Company s common stock on date of issuance	$ 19.32	$ 18.38
Aggregate fair value of RSUs issued (in thousands)	$ 299	$ 361
Non-Performance-Based RSU expense recognized (in thousands)**:**		
Twelve months ended October 31,	$ 144	$ 138
At October 31:		
Aggregate Non-Performance-Based RSUs outstanding	30,994	19,663
Cumulative unamortized value of Non-Performance-Based RSUs (in thousands)	$ 379	$ 224

Restricted Stock Units in Lieu of Compensation

In December 2008, the Company issued restricted stock units (RSUs) relating to 62,051 shares of the Company s common stock to a number of employees in lieu of a portion of the employees bonuses and in lieu of a portion of one employee s 2009 salary. These RSUs, although not subject to forfeiture, will vest in annual installments over a four-year period, unless accelerated due to death, disability or termination of employment, as more fully described in the RSU award document. Because the RSUs are non-forfeitable, the value of the RSUs was determined to be equal to the number of shares of the Company s common stock to be issued pursuant to the RSUs, multiplied by $21.70, the closing price of the Company s common stock on the NYSE on December 19, 2008, the date the RSUs were awarded. The amount applicable to employee bonuses was charged to the Company s accrual for bonuses that it made in fiscal 2008 and the amount applicable to salary deferral ($130,000) was charged to selling, general and administrative expense in the three-month period ended January 31, 2009. The Company s stock incentive plan permits the Company to withhold from the total number of shares that otherwise would be issued to a RSU recipient upon distribution that number of shares having a fair value at the time of distribution equal to the applicable income tax withholdings due and remit the remaining shares to the RSU participant. Information relating to the distribution of shares and the withholding of taxes on the RSUs for fiscal 2011, 2010 and 2009 is set forth below.

	2011	2010	2009
Shares withheld	741	924	836
Shares issued	8,975	2,749	1,509
Value of shares withheld (in thousands)	$ 15	$ 17	$ 15

Employee Stock Purchase Plan

The Company s employee stock purchase plan enables substantially all employees to purchase the Company s common stock at 95% of the market price of the stock on specified offering dates without restriction, or at 85% of the market price of the stock on specified offering dates subject to restrictions. The plan, which terminates in December 2017, provides that 1.2 million shares be reserved for purchase. At October 31, 2011, 612,000 shares were available for issuance.

Information regarding the Company s employee stock purchase plan for fiscal 2011, 2010 and 2009 is set forth below.

	2011	2010	2009
Shares issued	23,079	23,587	25,865
Average price per share	$ 15.59	$ 16.20	$ 16.49
Compensation expense recognized (in thousands)	$ 54	$ 57	$ 64

10. Income (Loss) Per Share Information

Information pertaining to the calculation of income (loss) per share for each of the fiscal years ended October 31, 2011, 2010 and 2009 is as follows (amounts in thousands):

	2011	2010	2009
Basic weighted-average shares	167,140	165,666	161,549
Common stock equivalents	1,241		
Diluted weighted-average shares	168,381	165,666	161,549
Common stock equivalents excluded from diluted weighted-average shares due to anti-dilutive effect (a)		1,968	3,936
Weighted average number of anti-dilutive options (b)	7,936	8,401	7,604
Shares issued under stock incentive and employee stock purchase plans	2,390	1,712	4,442

(a) Common stock equivalents represent the dilutive effect of outstanding in-the-money stock options using the treasury stock method. For fiscal 2010 and 2009, there were no incremental shares attributed to outstanding options to purchase common stock because the Company had a net loss in fiscal 2010 and fiscal 2009 and any incremental shares would be anti-dilutive.

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

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11. Fair Value Disclosures

A summary of assets and (liabilities) at October 31, 2011 and October 31, 2010 related to the Company s financial instruments, measured at fair value on a recurring basis, is set forth below (amounts in thousands).

Financial Instrument	Fair value hierarchy	Fair value October 31, 2011	Fair value October 31, 2010
Corporate Securities	Level 1	$ 233,572	
U.S. Treasury Securities	Level 1		$ 175,370
U.S. Agency Securities	Level 1		$ 22,497
Residential Mortgage Loans Held for Sale	Level 2	$ 63,175	$ 93,644
Forward Loan Commitments Residential Mortgage Loans Held for Sale	Level 2	$ 218	$ (459)
Interest Rate Lock Commitments (IRLCs)	Level 2	$ (147)	$ 130
Forward Loan Commitments IRLCs	Level 2	$ 147	$ (130)

At October 31, 2011 and 2010, the carrying value of cash and cash equivalents and restricted cash approximated fair value.

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

	Aggregate unpaid principal balance	Fair value	Excess
At October 31, 2011	$ 62,765	$ 63,175	$ 410
At October 31, 2010	$ 92,082	$ 93,644	$ 1,562

IRLCs represent individual borrower agreements that commit the Company 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. The Company utilizes 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 the Company agrees 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. The Company estimates 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. To manage the risk of nonperformance of investors regarding the Forward Commitments, the Company assesses the credit worthiness of the investors on a periodic basis.

As of October 31, 2011 and 2010, the amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of marketable securities were as follows (in thousands):

	October 31, 2011	October 31, 2010
Amortized cost	$ 233,852	$ 197,699
Gross unrealized holding gains	28	180
Gross unrealized holding losses	(308)	(12)
Fair value	$ 233,572	$ 197,867

The remaining contractual maturities of marketable securities as of October 31, 2011 ranged from less than one month to 12 months.

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The Company recognizes 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. See Note 1, Significant Accounting Policies, Inventory for additional information regarding the Company s methodology on determining fair value. The table below provides, for the periods indicated, the fair value of inventory whose carrying value was adjusted and the amount of impairment charges recognized (amounts in thousands).

Three months ended:	Fair value of communities, net of impairment charges	Impairment charges
Fiscal 2011:		
January 31	$ 56,105	$ 5,475
April 30	$ 40,765	10,725
July 31	$ 4,769	16,175
October 31	$ 5,718	1,710
		$ 34,085
Fiscal 2010:		
January 31	$ 82,509	$ 31,750
April 30	$ 64,964	41,770
July 31	$ 40,071	12,450
October 31	$ 67,850	23,219
		$ 109,189

Gibraltar s portfolio of non-performing loans was recorded at fair value at inception based on the acquisition price as determined by Level 3 inputs. The carrying amount and estimated fair value of the non-performing loan portfolios, as of October 31, 2011, is $63.2 million and $65.8 million, respectively. The estimated fair value was determined using Level 3 inputs and was based on discounted future cash flows generated by the loans discounted at the rates used to value the portfolios at the acquisition dates.

The book value and estimated fair value of the Company s debt at October 31, 2011 and October 31, 2010 was as follows (amounts in thousands):

	October 31, 2011		October 31, 2010	
	Book value	Estimated fair value	Book value	Estimated fair value
Loans payable (a)	$ 106,556	$ 98,950	$ 94,491	$ 87,751
Senior notes (b)	1,499,371	1,614,010	1,554,460	1,679,052
Mortgage company warehouse loan (c)	57,409	57,409	72,367	72,367
	$ 1,663,336	$ 1,770,369	$ 1,721,318	$ 1,839,170

(a) The estimated fair value of loans payable was based upon their indicated market prices or the interest rates that the Company believed were available to it for loans with similar terms and remaining maturities as of the applicable valuation date.

(b) The estimated fair value of the Company s senior notes is based upon their indicated market prices.

(c) The Company believes that the carrying value of its mortgage company loan borrowings approximates their fair value.

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12. Employee Retirement and Deferred Compensation Plans

The Company has two unfunded defined benefit retirement plans. Retirement benefits generally vest when the participant has completed 20 years of service with the Company and reaches normal retirement age (age 62). Unrecognized prior service costs are being amortized over the period from the date participants enter the plans until their interests are fully vested. The Company used a 4.06%, 4.99% and 5.30% discount rate in its calculation of the present value of its projected benefit obligations at October 31, 2011, 2010 and 2009, respectively, which represented the approximate long-term investment rate at October 31 of the fiscal year for which the present value was calculated. Information related to the plans is based on actuarial information calculated as of October 31, 2011, 2010 and 2009. Information related to the Company s defined benefit retirement plans for each of the fiscal years ended October 31, 2011, 2010 and 2009 is as follows (amounts in thousands):

	2011	2010	2009
Plan costs:			
Service cost	$ 305	$ 270	$ 132
Interest cost	1,290	1,396	1,366
Amortization of prior service cost	694	1,248	1,076
Acceleration of benefits		72	
Amortization of unrecognized gains			(1,272)
	$ 2,289	$ 2,986	$ 1,302
Projected benefit obligation:			
Beginning of year	$ 26,037	$ 25,161	$ 19,005
Plan amendments adopted during year		202	
Service cost	305	270	132
Interest cost	1,290	1,396	1,366
Benefit payments	(504)	(125)	(125)
Change in unrecognized gain/loss	2,638	(867)	4,783
Projected benefit obligation, end of year	$ 29,766	$ 26,037	$ 25,161
Unamortized prior service cost:			
Beginning of year	$ 4,027	$ 5,145	$ 6,221
Plan amendments adopted during year		130	
Amortization of prior service cost	(694)	(1,248)	(1,076)
Unamortized prior service cost, end of year	$ 3,333	$ 4,027	$ 5,145
Accumulated unrecognized (loss) gain, October 31	$ (1,064)	$ 1,574	$ 707
Accumulated benefit obligation, October 31	$ 29,766	$ 26,037	$ 25,161
Accrued benefit obligation, October 31	$ 29,766	$ 26,037	$ 25,161

The table below provides, based upon the estimated retirement dates of the participants in the unfunded defined benefit retirement plans, the amounts of benefits the Company would be required to pay in each of the next five fiscal years and for the five fiscal years ended October 31, 2021 in the aggregate (in thousands).

Year ending October 31,	Amount
2012	$ 641
2013	$ 1,551
2014	$ 1,638
2015	$ 1,645
2016	$ 1,761
November 1, 2016 - October 31, 2021	$ 11,522

The Company maintains salary deferral savings plans covering substantially all employees. The plans provide for discretionary Company contributions of up to 2% of all eligible compensation, plus 2% of eligible compensation above the Social Security wage base, plus matching contributions of up to 2% of eligible compensation of employees electing to contribute via salary deferrals. During the first quarter of fiscal 2009, due to the continued downturn in the Company s business, the Company suspended its matching contributions and discretionary contributions to one of the plans. In fiscal 2011, the Company elected to make a discretionary contribution for the plans year ended December 31, 2010, and beginning in the third quarter of fiscal 2011, to resume a matching contribution of eligible compensation of employees electing to contribute via salary deferrals. The Company recognized an expense, net of plan forfeitures, with respect to the plans of $2.7 million and $0.5 million for the fiscal years ended October 31, 2011 and 2009, respectively. The Company recognized $38,000 of expense for one plan in fiscal 2010.

The Company has an unfunded, non-qualified deferred compensation plan that permits eligible employees to defer a portion of their compensation. The deferred compensation, together with certain Company contributions, earns various rates of return depending upon when the compensation was deferred and the length of time that it has been deferred. A portion of the deferred compensation and interest earned may be forfeited by a participant if he or she elects to withdraw the compensation prior to the end of the deferral period. At October 31, 2011 and 2010, the Company had accrued $19.1 million and $18.4 million, respectively, for its obligations under the plan.

13. Accumulated Other Comprehensive Loss and Total Comprehensive Income (Loss)

Accumulated other comprehensive loss at October 31, 2011 and 2010 was $2.9 million and $0.6 million, respectively, and was primarily related to employee retirement plans.

The table below provides, for each of the fiscal years ended October 31, 2011, 2010 and 2009, the components of total comprehensive income (loss) (amounts in thousands):

	2011	2010	2009
Net income (loss) per consolidated statements of operations	$ 39,795	$ (3,374)	$ (755,825)
Changes in pension liability, net of tax benefit provision	(1,934)	1,986	(2,988)
Change in fair value of available-for-sale securities, net of tax provision	(192)	74	26
Total comprehensive income (loss)	$ 37,669	$ (1,314)	$ (758,787)
Tax benefit recognized in total comprehensive loss			$ 1,975

14. Legal Proceedings

The Company is involved in various claims and litigation arising principally in the ordinary course of business.

In January 2006, the Company received a request for information pursuant to Section 308 of the Clean Water Act from Region 3 of the U.S. Environmental Protection Agency (EPA) concerning storm water discharge practices in connection with its homebuilding projects in the states that comprise EPA Region 3. The Company provided information to the EPA pursuant to the request. The U.S. Department of Justice (DOJ) has assumed responsibility for the oversight of this matter and has alleged that the Company has violated regulatory requirements applicable to storm water discharges and that it may seek injunctive relief and/or civil penalties. The Company is presently engaged in settlement discussions with representatives from the DOJ and the EPA.

On November 4, 2008, a shareholder derivative action was filed in the Chancery Court of Delaware by Milton Pfeiffer against Robert I. Toll, Zvi Barzilay, Joel H. Rassman, Bruce E. Toll, Paul E. Shapiro, Robert S. Blank, Carl B. Marbach, and Richard J. Braemer. The plaintiff purports to bring his claims on behalf of Toll Brothers, Inc. and alleges that the director and officer defendants breached their fiduciary duties to the Company and its stockholders with respect to their sales of shares of the Company s common stock during the period beginning on December 9, 2004 and ending on November 8, 2005. The plaintiff alleges that such stock sales were made while in possession of non-public, material information about the Company. The plaintiff seeks contribution and indemnification from the individual director and officer defendants for costs and expenses incurred by us in connection with defending a now-settled related class action. In addition, again purportedly on the Company s behalf, the plaintiff seeks disgorgement of the defendants profits from their stock sales.

On March 4, 2009, a second shareholder derivative action was brought by Oliverio Martinez in the U.S. District Court for the Eastern District of Pennsylvania. The case was brought against the eleven then-current members of the

Company s board of directors and its Chief Accounting Officer. This complaint alleges breaches of fiduciary duty, waste of corporate assets, and unjust enrichment during the period from February 2005 to November 2006. The complaint further alleges that certain of the defendants sold the Company s stock during this period while in possession of allegedly non-public, material information and plaintiff seeks disgorgement of profits from these sales. The complaint also asserts a claim for equitable indemnity for costs and expenses incurred by the Company in connection with a now-settled related class action lawsuit.

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On April 1, 2009, a third shareholder derivative action was filed by William Hall, also in the U.S. District Court for the Eastern District of Pennsylvania, against the eleven then-current members of the Company s board of directors and its Chief Accounting Officer. This complaint is identical to the previous shareholder complaint filed in Philadelphia and, on July 14, 2009, the two cases were consolidated. On April 30, 2010, the plaintiffs filed an amended consolidated complaint. The Company s Certificate of Incorporation and Bylaws provide for indemnification of its directors and officers. The Company has also entered into individual indemnification agreements with each of its directors.

Due to the high degree of judgment required in determining the amount of potential loss related to the various claims and litigation in which the Company is involved, including those noted above, and the inherent variability in predicting future settlements and judicial decisions, the Company cannot estimate a range of reasonably possible losses in excess of its accruals for these matters. The Company believes that adequate provision for resolution of all claims and pending litigation has been made for probable losses and the disposition of these matters is not expected to have a material adverse effect on the Company s results of operations and liquidity or on its financial condition.

15. Commitments and Contingencies

Generally, the Company s option and purchase agreements to acquire land parcels do not require the Company to purchase those land parcels, although the Company may, in some cases, forfeit any deposit balance outstanding if and when it terminates an option and purchase agreement. If market conditions are weak, approvals needed to develop the land are uncertain or other factors exist that make the purchase undesirable, the Company may not expect to acquire the land. Whether an option and purchase agreement is legally terminated or not, the Company reviews the amount recorded for the land parcel subject to the option and purchase agreement to determine if the amount is recoverable. While the Company may not have formally terminated the option and purchase agreements for those land parcels that it does not expect to acquire, it has written off any non-refundable deposits and costs previously capitalized to such land parcels in the periods that it determined such costs were not recoverable.

Information regarding the Company s purchase commitments at October 31, 2011 and 2010 is provided in the table below (amounts in thousands).

	2011	2010
Aggregate purchase commitments		
Unrelated parties	$ 551,905	$ 419,194
Unconsolidated entities that the Company has investments in	12,471	131,217
Total	$ 564,376	$ 550,411
Deposits against aggregate purchase commitments	$ 37,987	$ 47,111
Credits to be received from unconsolidated entities		37,272
Additional cash required to acquire land	526,389	466,028
Total	$ 564,376	$ 550,411
Amount of additional cash required to acquire land included in accrued expenses	$ 44	$ 77,618

The Company has additional land parcels under option that have been excluded from the aforementioned aggregate purchase amounts since it does not believe that it will complete the purchase of these land parcels and no additional funds will be required from the Company to terminate these contracts.

At October 31, 2011, the Company had investments in and advances to a number of unconsolidated entities, was committed to invest or advance additional funds and had guaranteed a portion of the indebtedness and/or loan commitments of these entities. See Note 3, Investments in and Advances to Unconsolidated Entities, for more information regarding the Company s commitments to these entities.

At October 31, 2011, the Company had outstanding surety bonds amounting to $367.2 million, primarily related to its obligations to various governmental entities to construct improvements in the Company s various communities. The Company estimates that $202.5 million of work remains on these improvements. The Company has an additional $73.6 million of surety bonds outstanding that guarantee other obligations of the Company. The Company does not believe it is probable that any outstanding bonds will be drawn upon.

At October 31, 2011, the Company had outstanding letters of credit of $113.2 million, including $100.3 million under its New Credit Facility and $13.0 million collateralized by restricted cash. These letters of credit were issued to secure various financial obligations of the Company including insurance policy deductibles and other claims, land deposits and security to complete improvements in communities which it is operating. The Company believes it is not probable that any outstanding letters of credit will be drawn upon.

At October 31, 2011, the Company had agreements of sale outstanding to deliver 1,667 homes with an aggregate sales value of $981.1 million.

The Company s mortgage subsidiary provides mortgage financing for a portion of the Company s home closings. For those home buyers to whom the Company s mortgage subsidiary provides mortgages, it determines whether the home buyer qualifies for the mortgage he or she is seeking based upon information provided by the home buyer and other sources. For those home buyers that qualify, the Company s 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, the Company s mortgage subsidiary agrees to sell the proposed mortgage loan to one of several outside recognized mortgage financing institutions (investors), which is willing to honor the terms and conditions, including interest rate, committed to the home buyer. The Company believes that these investors have adequate financial resources to honor their commitments to its mortgage subsidiary.

Information regarding the Company s mortgage commitments at October 31, 2011 and 2010 is provided in the table below (amounts in thousands).

	2011	2010
Aggregate mortgage loan commitments		
IRLCs	$ 129,553	$ 169,525
Non-IRLCs	306,722	263,477
Total	$ 436,275	$ 433,002
Investor commitments to purchase:		
IRLCs	$ 129,553	$ 169,525
Mortgage loans receivable	60,680	91,689
Total	$ 190,233	$ 261,214

The Company leases certain facilities and equipment under non-cancelable operating leases. Rental expense incurred by the Company under these operating leases were (amounts in thousands):

Year ending October 31,	Amount
2011	$ 12,059
2010	$ 13,972
2009	$ 14,923

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At October 31, 2011, future minimum rent payments under the Company s operating leases were (amounts in thousands):

Year ending October 31,	Amount
2012	$ 10,444
2013	8,355
2014	7,107
2015	6,024
2016	3,838
Thereafter	8,973
	$ 44,741

16. Subsequent Event

In November 2011, the Company acquired substantially all of the assets of CamWest Development LLC (CamWest) for approximately $143.7 million in cash. The assets acquired were primarily inventory. As part of the acquisition, the Company assumed contracts to deliver approximately 29 homes with an aggregate value of $13.7 million. The average price of the homes in backlog was approximately $471,000. The assets the Company acquired included approximately 1,245 home sites owned and 254 home sites controlled through land purchase agreements. This acquisition increased the Company s selling community count by 15 communities.

17. Interest and Other Income

Interest and other income includes the activity of the Company s non-core ancillary businesses which include its mortgage, title, landscaping, security monitoring, golf course and country club operations and Gibraltar. Revenues and expenses for the years ended October 31, 2011, 2010 and 2009 were as follows (amounts in thousands):

	2011	2010	2009
Revenue	$ 66,224	$ 51,458	$ 53,619
Expense	$ 60,967	$ 46,059	$ 46,296

18. Information on Geographic Segments

The table below summarizes revenue and (loss) income before income taxes for each of the Company s geographic segments for each of the fiscal years ended October 31, 2011, 2010 and 2009 (amounts in millions):

	Revenues			(Loss) income before income taxes		
	2011	2010	2009	2011	2010	2009
North	$ 381.6	$ 407.7	$ 585.3	$ 42.5	$ (2.3)	$ (103.3)
Mid-Atlantic	499.7	488.4	492.7	57.6	33.9	(25.0)
South	285.0	264.3	288.2	(25.9)	(35.2)	(49.4)
West	309.6	334.4	389.1	(27.1)	(11.9)	(209.0)
Corporate and other				(76.5)	(101.7)	(109.8)
Total	$ 1,475.9	$ 1,494.8	$ 1,755.3	$ (29.4)	$ (117.2)	$ (496.5)

Corporate and other is comprised principally of general corporate expenses such as the Offices of the Executive Chairman, the Chief Executive Officer and President, and the corporate finance, accounting, audit, tax, human resources, risk management, marketing and legal groups, directly expensed interest, offset in part by interest income and income from the Company s ancillary businesses and income from a number of its unconsolidated entities.

Total assets for each of the Company s geographic segments at October 31, 2011 and 2010 are shown in the table below (amounts in millions):

	2011	2010
North	$ 1,060.2	$ 961.3
Mid-Atlantic	1,235.9	1,161.5
South	760.1	693.8
West	650.8	712.4
Corporate and other	1,348.2	1,642.6
Total	$ 5,055.2	$ 5,171.6

Corporate and other is comprised principally of cash and cash equivalents, marketable securities, income tax refund recoverable and the assets of the Company s manufacturing facilities and mortgage subsidiary.

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The Company provided for inventory impairment charges and the expensing of costs that it believed not to be recoverable and write-downs of investments in unconsolidated entities (including the Company s pro-rata share of impairment charges recognized by the unconsolidated entities in which it has an investment) for the years ended October 31, 2011, 2010 and 2009 as shown in the table below; the net carrying value of inventory and investments in and advances to unconsolidated entities for each of the Company s geographic segments at October 31, 2011 and 2010 is also shown (amounts in millions).

	Net Carrying Value At October 31,		Impairments Year ended October 31,		
	2011	2010	2011	2010	2009
Inventory:					
Land controlled for future communities:					
North	$ 19.4	$ 3.6	$ 0.9	$ 4.0	$ 17.3
Mid-Atlantic	21.6	14.8	0.3	(0.1)	7.8
South	3.8	11.0	0.3	(0.2)	0.4
West	1.8	2.5	16.2	2.4	3.0
	46.6	31.9	17.7	6.1	28.5
Land owned for future communities:					
North	231.1	208.5		$ 15.9	51.0
Mid-Atlantic	455.8	452.9	$ 0.3	9.0	23.8
South	125.4	119.8	16.7	14.0	1.2
West	166.8	142.8		16.8	93.5
	979.1	924.0	17.0	55.7	169.5
Operating communities:					
North	738.5	685.3	$ 2.9	$ 9.6	77.1
Mid-Atlantic	659.1	662.4	3.7	2.1	28.0
South	539.6	443.3	3.8	23.4	51.2
West	453.8	494.8	6.7	18.4	111.1
	2,391.0	2,285.8	17.1	53.5	267.4
Total	$ 3,416.7	$ 3,241.7	$ 51.8	$ 115.3	$ 465.4
Investments in and advances to unconsolidated entities:					
North	$ 40.8	$ 47.6			$ 6.0
South	32.0	51.7	$ 15.2		
West	17.1	58.5	25.7		5.3
Corporate	36.5	40.6			
Total	$ 126.4	$ 198.4	$ 40.9	$	$ 11.3

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19. Supplemental Disclosure to Statements of Cash Flows

The following are supplemental disclosures to the statements of cash flows for each of the fiscal years ended October 31, 2011, 2010 and 2009 (amounts in thousands):

	2011	2010	2009
Cash flow information:			
Interest paid, net of amount capitalized	$ 18,666	$ 34,333	$ 33,003
Income taxes paid		$ 3,994	$ 144,753
Income taxes refunded	$ 154,524	$ 152,770	$ 105,584
Non-cash activity:			
Cost of inventory acquired through seller financing, municipal bonds or recorded due to VIE criteria, net	$ 29,320	$ 41,276	$ 6,263
Cost of inventory acquired under specific performance contracts		$ (4,889)	$ 14,889
Miscellaneous changes in inventory	$ 1,781	$ 1,725	$ 431
Reclassification of inventory to property, construction and office equipment	$ 20,005	$ 18,711	
Increase in inventory for reclassification of minority interest contribution			$ 5,283
Reduction in inventory related to debt cancellation			$ 16,150
Increase (decrease) in unrecognized gains in defined benefit plans	$ (2,638)	$ 867	$ (4,783)
Defined benefit retirement plan amendment		$ 202	
Income tax benefit related to exercise of employee stock options		$ 27,150	$ 2,672
Reduction of investment in unconsolidated entities due to reduction of letters of credit or accrued liabilities	$ 13,423	$ 7,679	$ 20,489
Reversal of litigation costs previously accrued		$ 10,981	
Reclassification of stock-based compensation from accrued liabilities to additional paid in capital	$ 4,233		
Reclassification of accrued liabilities to loans payable			$ 7,800
Miscellaneous increases (decreases) to investments in unconsolidated entities	$ (2,212)	$ 2,495	$ 1,759
Stock awards	$ 24	$ 22	$ 27

20. Supplemental Guarantor Information

A 100% owned subsidiary of the Company, Toll Brothers Finance Corp. (the Subsidiary Issuer), issued $300 million of 6.875% Senior Notes due 2012 on November 22, 2002; $250 million of 5.95% Senior Notes due 2013 on September 3, 2003; $300 million of 4.95% Senior Notes due 2014 on March 16, 2004; $300 million of 5.15% Senior Notes due 2015 on June 2, 2005; $400 million of 8.91% Senior Notes due 2017 on April 13, 2009; and $250 million of 6.75% Senior Notes due 2019 on September 22, 2009. Through October 31, 2011, the Subsidiary Issuer has redeemed $160.2 million of its 6.875% Senior Notes due 2012, $108.4 million of its 5.95% Senior Notes due 2013 and $32.0 million of its 4.95% Senior Notes due 2014. The obligations of the Subsidiary Issuer to pay principal, premiums, if any, and interest is guaranteed jointly and severally on a senior basis by the Company and substantially all of the Company s 100% owned home building subsidiaries (the Guarantor Subsidiaries). The guarantees are full and unconditional.

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The Company s non-home building subsidiaries and several of its home building subsidiaries (the Non-Guarantor Subsidiaries) do not guarantee the debt. 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. Prior to the above described senior debt issuances, the Subsidiary Issuer did not have any operations. Supplemental consolidating financial information of Toll Brothers, Inc., the Subsidiary Issuer, the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries and the eliminations to arrive at Toll Brothers, Inc. on a consolidated basis is presented below ($ amounts in thousands).

Consolidating Balance Sheet at October 31, 2011

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents			775,300	131,040		906,340
Marketable securities			233,572			233,572
Restricted cash			19,084	676		19,760
Inventory			2,911,211	505,512		3,416,723
Property, construction and office equipment, net			77,001	22,711		99,712
Receivables, prepaid expenses and other assets		6,768	74,980	26,067	(2,239)	105,576
Mortgage loans receivable				63,175		63,175
Customer deposits held in escrow			10,682	4,177		14,859
Investments in and advances to unconsolidated entities			86,481	39,874		126,355
Investments in non-performing loan portfolios				69,174		69,174
Investments in and advances to consolidated entities	2,694,419	1,508,550	(727,258)	(467,395)	(3,008,316)	
	2,694,419	1,515,318	3,461,053	395,011	(3,010,555)	5,055,246
LIABILITIES AND EQUITY						
Liabilities:						
Loans payable			61,994	44,562		106,556
Senior notes		1,490,972				1,490,972
Mortgage company warehouse loan				57,409		57,409
Customer deposits			71,388	12,436		83,824
Accounts payable			96,645	172		96,817
Accrued expenses		24,346	320,021	178,965	(2,281)	521,051
Income taxes payable	108,066			(2,000)		106,066

Total liabilities	108,066	1,515,318	550,048	291,544	(2,281)	2,462,695
Equity:						
Stockholders equity:						
Common stock	1,687			2,003	(2,003)	1,687
Additional paid-in capital	400,382		4,420	2,734	(7,154)	400,382
Retained earnings	2,234,251		2,909,487	92,532	(3,002,019)	2,234,251
Treasury stock, at cost	(47,065)					(47,065)
Accumulated other comprehensive loss	(2,902)		(2,902)		2,902	(2,902)
Total stockholders equity	2,586,353		2,911,005	97,269	(3,008,274)	2,586,353
Noncontrolling interest				6,198		6,198
Total equity	2,586,353		2,911,005	103,467	(3,008,274)	2,592,551
	2,694,419	1,515,318	3,461,053	395,011	(3,010,555)	5,055,246

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Consolidating Balance Sheet at October 31, 2010

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents			930,387	108,673		1,039,060
Marketable securities			197,867			197,867
Restricted cash			60,906			60,906
Inventory			2,862,796	378,929		3,241,725
Property, construction and office equipment, net			79,516	400		79,916
Receivables, prepaid expenses and other assets	27	8,104	66,280	24,565	(1,937)	97,039
Mortgage loans receivable				93,644		93,644
Customer deposits held in escrow			13,790	7,576		21,366
Investments in and advances to unconsolidated entities			116,247	82,195		198,442
Income tax refund recoverable	141,590					141,590
Investments in and advances to consolidated entities	2,578,195	1,562,109	(871,125)	(315,074)	(2,954,105)	
	2,719,812	1,570,213	3,456,664	380,908	(2,956,042)	5,171,555
LIABILITIES AND EQUITY						
Liabilities:						
Loans payable			63,442	31,049		94,491
Senior notes		1,544,110				1,544,110
Mortgage company warehouse loan				72,367		72,367
Customer deposits			72,819	4,337		77,156
Accounts payable			91,498	240		91,738
Accrued expenses		26,103	242,793	303,413	(1,988)	570,321
Income taxes payable	164,359			(2,000)		162,359
Total liabilities	164,359	1,570,213	470,552	409,406	(1,988)	2,612,542
Equity:						
Stockholders equity:						
Common stock	1,664			2,003	(2,003)	1,664

Additional paid-in capital	360,006		4,420	2,734	(7,154)	360,006
Retained earnings	2,194,456		2,982,269	(36,795)	(2,945,474)	2,194,456
Treasury stock, at cost	(96)					(96)
Accumulated other comprehensive loss	(577)		(577)		577	(577)
Total stockholders equity	2,555,453		2,986,112	(32,058)	(2,954,054)	2,555,453
Noncontrolling interest				3,560		3,560
Total equity	2,555,453		2,986,112	(28,498)	(2,954,054)	2,559,013
	2,719,812	1,570,213	3,456,664	380,908	(2,956,042)	5,171,555

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Consolidating Statement of Operations for the fiscal year ended October 31, 2011

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues			1,418,883	56,998		1,475,881
Cost of revenues			1,203,435	64,847	(7,512)	1,260,770
Selling, general and administrative	137	1,345	270,710	42,026	(52,863)	261,355
Interest expense		103,604	1,504		(103,604)	1,504
	137	104,949	1,475,649	106,873	(163,979)	1,523,629
Loss from operations	(137)	(104,949)	(56,766)	(49,875)	163,979	(47,748)
Other:						
(Loss) income from unconsolidated entities			6,129	(7,323)		(1,194)
Interest and other income		108,776	21,408	44,699	(151,480)	23,403
Expenses related to early retirement of debt		(3,827)				(3,827)
Loss from consolidated subsidiaries	(29,229)				29,229	
Loss before income tax benefit	(29,366)		(29,229)	(12,499)	41,728	(29,366)
Income tax benefit	(69,161)		(68,837)	(29,436)	98,273	(69,161)
Net income	39,795		39,608	16,937	(56,545)	39,795

Consolidating Statement of Operations for the fiscal year ended October 31, 2010

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues			1,441,773	52,998		1,494,771
Cost of revenues			1,311,709	69,521	(4,672)	1,376,558
Selling, general and administrative	77	1,365	261,236	22,661	(22,115)	263,224
Interest expense		106,411	22,751		(106,411)	22,751
	77	107,776	1,595,696	92,182	(133,198)	1,662,533
Loss from operations	(77)	(107,776)	(153,923)	(39,184)	133,198	(167,762)
Other:						
			5,905	17,565		23,470

Income from unconsolidated entities						
Interest and other income		108,520	31,372	31,460	(143,039)	28,313
Expenses related to early retirement of debt		(744)	(464)			(1,208)
Loss from consolidated subsidiaries	(117,110)				117,110	
Loss before income tax benefit	(117,187)		(117,110)	9,841	107,269	(117,187)
Income tax (benefit) provision	(113,813)		(124,695)	9,596	115,099	(113,813)
Net (loss) income	(3,374)		7,585	245	(7,830)	(3,374)

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Consolidating Statement of Operations for the fiscal year ended October 31, 2009

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues			1,596,491	158,819		1,755,310
Cost of revenues			1,767,228	181,825	2,259	1,951,312
Selling, general and administrative	47	1,033	320,019	25,028	(32,918)	313,209
Interest expense		87,501	7,949		(87,501)	7,949
	47	88,534	2,095,196	206,853	(118,160)	2,272,470
Loss from operations	(47)	(88,534)	(498,705)	(48,034)	118,160	(517,160)
Other:						
Loss from unconsolidated entities			(2,218)	(5,300)		(7,518)
Interest and other income		100,160	6,572	27,776	(92,602)	41,906
Expenses related to early retirement of debt		(11,626)	(2,067)			(13,693)
Loss from consolidated subsidiaries	(496,418)				496,418	
Loss before income tax benefit	(496,465)		(496,418)	(25,558)	521,976	(496,465)
Income tax provision (benefit)	259,360		(259,329)	(13,351)	272,680	259,360
Net loss	(755,825)		(237,089)	(12,207)	249,296	(755,825)

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Consolidating Statement of Cash Flows for the fiscal year ended October 31, 2011

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow provided by (used in) operating activities:						
Net income	39,795		39,608	16,937	(56,545)	39,795
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization		3,210	19,343	589		23,142
Stock-based compensation	12,768					12,768
Impairments of investments in unconsolidated entities			15,170	25,700		40,870
Income from unconsolidated entities			(21,299)	(18,377)		(39,676)
Distributions of earnings from unconsolidated entities			12,747	(666)		12,081
Income from non-performing loan portfolios				(5,113)		(5,113)
Change in deferred tax asset	(18,188)					(18,188)
Deferred tax valuation allowance	18,188					18,188
Inventory impairments			51,837			51,837
Change in fair value of mortgage loans receivable and derivative instruments				475		475
Expenses related to early retirement of debt		3,827				3,827
Changes in operating assets and liabilities:						
Increase in inventory			(89,869)	(125,869)		(215,738)
Origination of mortgage loans				(630,294)		(630,294)
Sale of mortgage loans				659,610		659,610
Decrease (increase) in restricted cash			41,822	(676)		41,146
(Increase) decrease in receivables, prepaid expenses and other assets	(116,644)	53,557	(267,889)	264,496	54,959	(11,521)
Increase in customer deposits			1,677	11,498		13,175
(Decrease) increase in accounts payable and	2,287	(1,757)	80,257	(111,272)	1,586	(28,899)

accrued expenses						
Decrease in income tax refund recoverable	141,590					141,590
Decrease in current income taxes payable	(56,225)					(56,225)
Net cash provided by (used in) operating activities	23,571	58,837	(116,596)	87,038		52,850
Cash flow used in investing activities:						
Purchase of property and equipment, net			(6,658)	(2,895)		(9,553)
Purchase of marketable securities			(452,864)			(452,864)
Redemption of marketable securities			408,831			408,831
Investments in and advances to unconsolidated entities			(70)	(62)		(132)
Return of investment in unconsolidated entities			23,859	19,450		43,309
Investment in non-performing loan portfolio and foreclosed real estate				(66,867)		(66,867)
Return of investment in non-performing loan portfolio and foreclosed real estate				2,806		2,806
Net cash used in investing activities			(26,902)	(47,568)		(74,470)
Cash flow used in financing activities:						
Proceeds from loans payable				921,251		921,251
Principal payments of loans payable			(11,589)	(941,032)		(952,621)
Redemption of senior notes		(58,837)				(58,837)
Proceeds from stock-based benefit plans	25,531					25,531
Purchase of treasury stock	(49,102)					(49,102)
Change in noncontrolling interest				2,678		2,678
Net cash used in financing activities	(23,571)	(58,837)	(11,589)	(17,103)		(111,100)
			(155,087)	22,367		(132,720)

Net (decrease) increase in cash and cash equivalents			
Cash and cash equivalents, beginning of year	930,387	108,673	1,039,060
Cash and cash equivalents, end of year	775,300	131,040	906,340

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Consolidating Statement of Cash Flows for the fiscal year ended October 31, 2010

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow (used in) provided by operating activities:						
Net loss	(3,374)		7,585	245	(7,830)	(3,374)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:						
Depreciation and amortization	28	3,262	15,961	793		20,044
Stock-based compensation	11,677					11,677
Excess tax benefit from stock-based compensation	(4,954)					(4,954)
Loss from unconsolidated entities			(5,773)	(17,697)		(23,470)
Distributions of earnings from unconsolidated entities			10,297			10,297
Change in deferred tax asset	60,697					60,697
Deferred tax valuation allowance	(60,697)					(60,697)
Inventory impairments			107,508	7,750		115,258
Change in fair value of mortgage loans receivable and derivative instruments				(970)		(970)
Expenses related to early retirement of debt		744	464			1,208
Changes in operating assets and liabilities:						
Decrease in inventory			(16,730)	(123,614)		(140,344)
Origination of mortgage loans				(628,154)		(628,154)
Sale of mortgage loans				579,221		579,221
Increase in restricted cash			(60,906)			(60,906)
(Increase) decrease in receivables, prepaid expenses and other assets	(50,136)	36,330	(143,435)	144,502	9,624	(3,115)
Decrease in customer deposits			(9,713)	(5,469)		(15,182)
(Decrease) increase in accounts payable and accrued expenses	(274)	5,778	(133,422)	91,114	(1,794)	(38,598)
Decrease in income tax refund recoverable	20,250					20,250
	14,828					14,828

Decrease in current income taxes payable						
Net cash (used in) provided by operating activities	(11,955)	46,114	(228,164)	47,721		(146,284)
Cash flow used in investing activities:						
Purchase of property and equipment, net			(4,750)	(80)		(4,830)
Purchase of marketable securities			(157,962)			(157,962)
Redemption of marketable securities			60,000			60,000
Investments in and advances to unconsolidated entities			(28,493)	(29,793)		(58,286)
Return of investment in unconsolidated entities			9,696			9,696
Net cash used in investing activities			(121,509)	(29,873)		(151,382)
Cash flow (used in) provided by financing activities:						
Proceeds from issuance of senior notes						
Proceeds from loans payable				927,233		927,233
Principal payments of loans payable			(372,419)	(944,095)		(1,316,514)
Redemption of senior subordinated notes			(47,872)			(47,872)
Redemption of senior notes		(46,114)				(46,114)
Proceeds from stock-based benefit plans	7,589					7,589
Excess tax benefit from stock-based compensation	4,954					4,954
Purchase of treasury stock	(588)					(588)
Change in noncontrolling interest				320		320
Net cash (used in) provided by financing activities	11,955	(46,114)	(420,291)	(16,542)		(470,992)
Net (decrease) increase in cash and cash equivalents			(769,964)	1,306		(768,658)
Cash and cash equivalents, beginning of year			1,700,351	107,367		1,807,718
Cash and cash equivalents, end of year			930,387	108,673		1,039,060

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Consolidating Statement of Cash Flows for the fiscal year ended October 31, 2009

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow provided by (used in) operating activities:						
Net loss	(755,825)		(237,089)	(11,327)	248,416	(755,825)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:						
Depreciation and amortization	28	2,652	20,363	882		23,925
Stock-based compensation	10,987					10,987
Excess tax benefit from stock-based compensation	(24,817)					(24,817)
Impairment of investment in unconsolidated entities			6,000	5,300		11,300
(Loss) earnings from unconsolidated entities			1,518	(5,300)		(3,782)
Distributions of earnings from unconsolidated entities			816			816
Change in deferred tax asset	(52,577)					(52,577)
Deferred tax valuation allowance	458,280					458,280
Inventory impairments			419,311	46,100		465,411
Expenses related to early retirement of debt		11,626	2,067			13,693
Changes in operating assets and liabilities:						
Decrease in inventory			377,146	112,067		489,213
Origination of mortgage loans				(571,158)		(571,158)
Sale of mortgage loans				577,263		577,263
Decrease (increase) in receivables, prepaid expenses and other assets	508,224	(439,154)	185,744	16,228	(250,997)	20,045
Decrease in customer deposits			(22,842)	(22,864)		(45,706)
Decrease in accounts payable and accrued expenses	(4,979)	(249)	(111,030)	(35,388)	2,581	(149,065)
Increase in income tax refund recoverable	(161,840)					(161,840)
	(22,972)					(22,972)

Decrease in current income taxes payable						
Net cash provided by (used in) operating activities	(45,491)	(425,125)	642,004	111,803		283,191
Cash flow used in investing activities:						
Purchase of property and equipment, net			(2,719)	7		(2,712)
Purchase of marketable securities			(101,324)			(101,324)
Investments in and advances to unconsolidated entities			(31,342)			(31,342)
Return of investment in unconsolidated entities			3,205			3,205
Net cash used in investing activities			(132,180)	7		(132,173)
Cash flow provided by (used in) financing activities:						
Proceeds from issuance of senior notes		635,765				635,765
Proceeds from loans payable				636,975		636,975
Principal payments of loans payable			(28,587)	(757,296)		(785,883)
Redemption of senior subordinated notes			(296,503)			(296,503)
Redemption of senior notes		(210,640)				(210,640)
Proceeds from stock-based benefit plans	22,147					22,147
Excess tax benefit from stock-based compensation	24,817					24,817
Purchase of treasury stock	(1,473)					(1,473)
Change in noncontrolling interest				(2,000)		(2,000)
Net cash provided by (used in) financing activities	45,491	425,125	(325,090)	(122,321)		23,205
Net increase (decrease) in cash and cash equivalents			184,734	(10,511)		174,223
Cash and cash equivalents, beginning of year			1,515,617	117,878		1,633,495

Cash and cash equivalents, end of year	1,700,351	107,367	1,807,718

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21. Summary Consolidated Quarterly Financial Data (Unaudited)

The table below provides summary income statement data for each quarter of fiscal 2011 and 2010 (amounts in thousands, except per share data).

	Three Months Ended,			
	October 31	July 31	April 30	January 31
Fiscal 2011				
Revenue	$ 427,785	$ 394,305	$ 319,675	$ 334,116
Gross profit	$ 65,281	$ 54,358	$ 43,321	$ 52,151
Income (loss) before income taxes	$ 15,277	$ 3,888	$ (31,484)	$ (17,047)
Net income (loss)	$ 15,043	$ 42,108	$ (20,773)	$ 3,417
Income (loss) per share (1)				
Basic	$ 0.09	$ 0.25	$ (0.12)	$ 0.02
Diluted	$ 0.09	$ 0.25	$ (0.12)	$ 0.02
Weighted-average number of shares				
Basic	166,896	168,075	166,910	166,677
Diluted (2)	167,525	169,338	166,910	168,121
Fiscal 2010				
Revenue	$ 402,600	$ 454,202	$ 311,271	$ 326,698
Gross profit	$ 38,617	$ 64,697	$ 5,688	$ 9,211
(Loss) income before income taxes	$ (9,467)	$ 823	$ (51,789)	$ (56,754)
Net income (loss)	$ 50,479	$ 27,302	$ (40,401)	$ (40,754)
Income (loss) per share (1)				
Basic	$ 0.30	$ 0.16	$ (0.24)	$ (0.25)
Diluted	$ 0.30	$ 0.16	$ (0.24)	$ (0.25)
Weighted-average number of shares				
Basic	166,269	165,752	165,407	165,237
Diluted (2)	167,777	167,658	165,407	165,237

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

(2) For the three months ended April 30, 2011, April 30, 2010 and January 31, 2010, there were no incremental shares attributed to outstanding options to purchase common stock because the Company reported a net loss for each period, and any incremental shares would be anti-dilutive.

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