THERMO FISHER SCIENTIFIC INC.
Form 4
November 20, 2006

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
BROADBENT GUY

(Last) (First) (Middle)

81 WYMAN STREET, P.O. BOX 9046

(Street)

WALTHAM, MA 024549046

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
THERMO FISHER SCIENTIFIC INC. [TMO]

3. Date of Earliest Transaction (Month/Day/Year)
11/16/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/16/2006		M		50,000	A	$ 22.71	83,005	D	
Common Stock	11/16/2006		S		27,900	D	$ 43.75	55,105	D	
Common Stock	11/16/2006		S		3,000	D	$ 43.78	52,105	D	
Common Stock	11/16/2006		S		2,000	D	$ 43.79	50,105	D	
Common Stock	11/16/2006		S		700	D	$ 43.8	49,405	D	

Common Stock	11/16/2006		S	11,500	D	$ 43.81	37,905	D
Common Stock	11/16/2006		S	4,900	D	$ 43.82	33,005	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8 D S (I
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Option (Right to Buy)	$ 22.71	11/16/2006		M			50,000	(1)	10/13/2007	Common Stock	50,000	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BROADBENT GUY 81 WYMAN STREET P.O. BOX 9046 WALTHAM, MA 024549046			Senior Vice President	

Signatures

By: Barbara J. Lucas, Attorney-in-Fact for Guy Broadbent	11/20/2006
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The option vests in three equal annual installments beginning on October 13, 2001.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. /div>

17,041

1,281

33,416

Inventory

4,494,099

22,909

4,517,008

Property, construction and office equipment, net

111,836

14,524

126,360

Receivables, prepaid expenses and other assets
120

16,524

86,904

98,424

(27,012
)

174,960

Mortgage loans held for sale

72,163

72,163

Customer deposits held in escrow

48,878

48,878

Investments in and advances to unconsolidated entities

173,118

183,719

Explanation of Responses:

356,837

Investments in distressed loans

42,500

42,500

Investments in foreclosed real estate

72,912

72,912

Investments in and advances to consolidated entities
2,953,381

2,455,063

4,740

(5,413,184
)

—

Deferred tax assets, net of valuation allowances
320,641

320,641

3,289,236

2,471,587

5,821,852

645,064

(5,440,196
)

6,787,543

LIABILITIES AND EQUITY

Liabilities:

Explanation of Responses:

Loans payable

97,679

97,679

Senior notes

2,384,717

41,089

2,425,806

Mortgage company warehouse loan

65,654

65,654

Customer deposits

231,493

231,493

Accounts payable

153,200

(37
)

153,163

Accrued expenses

43,023

350,209

152,336

(27,121
)

518,447

Advances from consolidated entities

1,750,366

402,694

(2,153,060
)

—

Income taxes payable
78,973

78,973

Total liabilities
78,973

2,427,740

2,582,947

620,647

(2,139,092
)

3,571,215

Equity:

Stockholders’ equity:

Common stock
1,693

48

3,006

(3,054
)

1,693

Additional paid-in capital
430,191

49,400

1,734

(51,134
)

430,191

Retained earnings (deficits)
2,797,098

(5,553
)

3,238,967

13,502

(3,246,916
)

2,797,098

Treasury stock, at cost
(14,218
)

(14,218
)
Accumulated other comprehensive loss
(4,501
)

(110
)

(19
)

(4,630
)
Total stockholders’ equity
3,210,263

43,847

3,238,905

18,223

(3,301,104
)

3,210,134

Noncontrolling interest

6,194

6,194

Total equity
3,210,263

43,847

3,238,905

24,417

(3,301,104
)

3,216,328

3,289,236

2,471,587

5,821,852

645,064

(5,440,196
)

6,787,543

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Revised Condensed Consolidating Balance Sheet at October 31, 2012:

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents	—	—	712,024	66,800	—	778,824
Marketable securities			378,858	60,210		439,068
Restricted cash	28,268		17,561	1,447		47,276
Inventory			3,740,181	21,006		3,761,187
Property, construction and office equipment, net			106,963	3,008		109,971
Receivables, prepaid expenses and other assets	134	15,130	76,192	64,543	(11,441)	144,558
Mortgage loans held for sale				86,386		86,386
Customer deposits held in escrow			27,312	2,267		29,579
Investments in and advances to unconsolidated entities			180,159	150,458		330,617
Investments in distressed loans				37,169		37,169
Investments in foreclosed real estate				58,353		58,353
Investments in and advances to consolidated entities	2,816,607	2,092,810	4,740		(4,914,157)	—
Deferred tax assets, net of valuation allowances	358,056					358,056
	3,203,065	2,107,940	5,243,990	551,647	(4,925,598)	6,181,044
LIABILITIES AND EQUITY						
Liabilities:						
Loans payable			99,817			99,817
Senior notes		2,032,335			48,128	2,080,463
Mortgage company warehouse loan				72,664		72,664
Customer deposits			142,919	58		142,977
Accounts payable			99,889	22		99,911
Accrued expenses		27,476	344,555	115,922	(11,603)	476,350
Advances from consolidated entities			1,385,475	348,909	(1,734,384)	—
Income taxes payable	80,991					80,991
Total liabilities	80,991	2,059,811	2,072,655	537,575	(1,697,859)	3,053,173
Equity:						
Stockholders' equity:						
Common stock	1,687		48	3,006	(3,054)	1,687
Additional paid-in capital	404,418	49,400		1,734	(51,134)	404,418
Retained earnings (deficits)	2,721,397	(1,271)	3,171,654	3,168	(3,173,551)	2,721,397
Treasury stock, at cost	(983)					(983)
Accumulated other comprehensive loss	(4,445)		(367)	(7)		(4,819)
Total stockholders' equity	3,122,074	48,129	3,171,335	7,901	(3,227,739)	3,121,700
Noncontrolling interest				6,171		6,171
Total equity	3,122,074	48,129	3,171,335	14,072	(3,227,739)	3,127,871
	3,203,065	2,107,940	5,243,990	551,647	(4,925,598)	6,181,044

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Explanation of Responses:

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss) for the nine months ended July 31, 2013 ($ in thousands):

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues			1,658,184	48,186	(76,605)	1,629,765
Cost of revenues			1,322,437	7,083	(18,481)	1,311,039
Selling, general and administrative	151	2,203	267,627	34,244	(57,758)	246,467
	151	2,203	1,590,064	41,327	(76,239)	1,557,506
Income (loss) from operations	(151)	(2,203)	68,120	6,859	(366)	72,259
Other:						
Income from unconsolidated entities			5,766	3,078		8,844
Other income - net	7,059		26,807	7,460	(4,882)	36,444
Intercompany interest income		94,055			(94,055)	—
Interest expense		(98,891)		(412)	99,303	—
Income from subsidiaries	110,639		9,946		(120,585)	—
Income (loss) before income taxes	117,547	(7,039)	110,639	16,985	(120,585)	117,547
Income tax provision (benefit)	41,846	(2,757)	43,326	6,651	(47,220)	41,846
Net income (loss)	75,701	(4,282)	67,313	10,334	(73,365)	75,701
Other comprehensive income (loss)	(55)		256	(12)		189
Total comprehensive income (loss)	75,646	(4,282)	67,569	10,322	(73,365)	75,890

Revised Condensed Consolidating Statement of Operations and Comprehensive Income (Loss) for the nine months ended July 31, 2012 ($ in thousands):

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues			1,273,494	42,581	(66,120)	1,249,955
Cost of revenues			1,034,761	4,550	(12,954)	1,026,357
Selling, general and administrative	54	2,355	233,502	28,598	(51,724)	212,785
	54	2,355	1,268,263	33,148	(64,678)	1,239,142
Income (loss) from operations	(54)	(2,355)	5,231	9,433	(1,442)	10,813
Other:						
Income from unconsolidated entities			15,475	3,873		19,348
Other income - net	39		15,209	3,397	3,387	22,032
Intercompany interest income		86,466			(86,466)	—
Interest expense		(84,111)		(410)	84,521	—
Income from subsidiaries	52,208		16,293		(68,501)	—
Income before income taxes	52,193	—	52,208	16,293	(68,501)	52,193
Income tax benefit	(23,536)		(23,541)	(7,346)	30,887	(23,536)
Net income	75,729	—	75,749	23,639	(99,388)	75,729
Other comprehensive (loss) income	293		(509)	(19)		(235)
Total comprehensive income	76,022	—	75,240	23,620	(99,388)	75,494

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss) for the three months ended July 31, 2013 ($ in thousands):

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues			704,559	18,906	(34,305)	689,160
Cost of revenues			549,456	2,439	(6,806)	545,089
Selling, general and administrative	90	801	97,041	13,187	(22,249)	88,870
	90	801	646,497	15,626	(29,055)	633,959
Income (loss) from operations	(90)	(801)	58,062	3,280	(5,250)	55,201
Other:						
Income from unconsolidated entities			726	42		768
Other income - net	2,374		2,335	4,081	3,494	12,284
Intercompany interest income		33,995			(33,995)	—
Interest expense		(35,561)		(190)	35,751	—
Income from subsidiaries	65,969		4,846		(70,815)	—
Income (loss) before income taxes	68,253	(2,367)	65,969	7,213	(70,815)	68,253
Income tax provision (benefit)	21,658	(927)	25,833	2,824	(27,730)	21,658
Net income (loss)	46,595	(1,440)	40,136	4,389	(43,085)	46,595
Other comprehensive income (loss)	(37)		220	48		231
Total comprehensive income (loss)	46,558	(1,440)	40,356	4,437	(43,085)	46,826

Revised Condensed Consolidating Statement of Operations and Comprehensive Income (Loss) for the three months ended July 31, 2012 ($ in thousands):

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues			562,143	16,959	(24,783)	554,319
Cost of revenues			453,441	1,806	(7,319)	447,928
Selling, general and administrative	27	573	84,061	9,637	(19,406)	74,892
	27	573	537,502	11,443	(26,725)	522,820
Income (loss) from operations	(27)	(573)	24,641	5,516	1,942	31,499
Other:						
Income from unconsolidated entities			4,672	1,000		5,672
Other income - net	19		7,615	(134)	(1,719)	5,781
Intercompany interest income		28,575			(28,575)	—
Interest expense		(28,002)		(350)	28,352	—
Income from subsidiaries	42,960		6,032		(48,992)	—
Income before income taxes	42,952	—	42,960	6,032	(48,992)	42,952
Income tax benefit	(18,691)		(18,692)	(1,966)	20,658	(18,691)
Net income	61,643	—	61,652	7,998	(69,650)	61,643
Other comprehensive income	201		25	19		245
Total comprehensive income	61,844	—	61,677	8,017	(69,650)	61,888

Condensed Consolidating Statement of Cash Flows for the nine months ended July 31, 2013 ($ in thousands):

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	77,313	20,938	(541,461)	(3,430)	(9,895)	(456,535)
Cash flow provided by (used in) investing activities:						
Purchase of property and equipment - net			(12,646)	(11,538)		(24,184)
Purchase of marketable securities			(25,938)	(10,264)		(36,202)
Sale and redemption of marketable securities			288,332	60,263		348,595
Investments in and advances to unconsolidated entities			(25,517)	(23,693)		(49,210)
Return of investments in unconsolidated entities			38,811	11,642		50,453
Investments in distressed loans and foreclosed real estate				(26,155)		(26,155)
Return of investments in distressed loans and foreclosed real estate				15,396		15,396
Intercompany advances	(72,369)	(362,253)			434,622	—
Net cash provided by (used in) investing activities	(72,369)	(362,253)	263,042	15,651	434,622	278,693
Cash flow provided by (used in) financing activities:						
Net proceeds from issuance of senior notes		400,383				400,383
Proceeds from loans payable				796,791		796,791
Principal payments of loans payable			(31,035)	(803,801)		(834,836)
Redemption of senior notes		(59,068)				(59,068)
Proceeds from stock-based benefit plans	10,365					10,365
Receipts related to noncontrolling interest				33		33
Purchase of treasury stock	(15,309)					(15,309)
Intercompany advances			370,158	54,569	(424,727)	—
Net cash provided by (used in) financing activities	(4,944)	341,315	339,123	47,592	(424,727)	298,359
Net increase in cash and cash equivalents	—	—	60,704	59,813	—	120,517
Cash and cash equivalents, beginning of period	—	—	712,024	66,800	—	778,824
Cash and cash equivalents, end of period	—	—	772,728	126,613	—	899,341

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Explanation of Responses:

Revised Condensed Consolidating Statement of Cash Flows for the nine months ended July 31, 2012 ($ in thousands):

	Toll Brothers, Inc.	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	(42,308)	15,773	(168,722)	(35,554)	(1,127)	(231,938)
Cash flow (used in) provided by investing activities:						
Purchase of property and equipment — net			(9,485)	9		(9,476)
Purchase of marketable securities			(257,431)	(60,138)		(317,569)
Sale and redemption of marketable securities			270,503			270,503
Investments in and advances to unconsolidated entities			(112,717)	(83,096)		(195,813)
Return of investments in unconsolidated entities			29,281	3,950		33,231
Investments in distressed loans and foreclosed real estate				(30,090)		(30,090)
Return of investments in distressed loans and foreclosed real estate				14,412		14,412
Acquisition of a business			(144,746)			(144,746)
Intercompany advances	18,177	(312,000)			293,823	—
Net cash (used in) provided by investing activities	18,177	(312,000)	(224,595)	(154,953)	293,823	(379,548)
Cash flow provided by (used in) financing activities:						
Net proceeds from issuance of senior notes		296,227				296,227
Proceeds from loans payable				675,481		675,481
Principal payments of loans payable			(19,480)	(669,762)		(689,242)
Proceeds from stock-based benefit plans	24,515					24,515
Purchase of treasury stock	(384)					(384)
Intercompany advances			169,156	123,540	(292,696)	—
Net cash provided by financing activities	24,131	296,227	149,676	129,259	(292,696)	306,597
Net decrease in cash and cash equivalents	—	—	(243,641)	(61,248)	—	(304,889)
Cash and cash equivalents, beginning of period	—	—	777,012	129,328	—	906,340
Cash and cash equivalents, end of period	—	—	533,371	68,080	—	601,451

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

This discussion and analysis is based on, should be read with, and is qualified in its entirety by, the accompanying unaudited condensed consolidated financial statements and related notes, as well as our consolidated financial statements, notes thereto, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations as contained in our Annual Report on Form 10-K and Form 10-K/A for the fiscal year ended October 31, 2012. It also should be read in conjunction with the disclosure under "Statement on Forward-Looking Information" in this report.

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

OVERVIEW

Financial Highlights

In the nine-month period ended July 31, 2013, we recognized $1.6 billion of revenues and net income of $75.7 million, as compared to $1.2 billion of revenues and net income of $75.7 million in the nine-month period ended July 31, 2012. Fiscal 2013 nine-month income before income taxes included $13.2 million of income recognized from the settlement of the previously disclosed derivative litigation, offset, in part, by $2.0 million of inventory impairments and write-offs. Fiscal 2012 nine-month income before income taxes included $13.2 million of inventory impairments and write-offs and a recovery of $1.6 million of previously incurred charges related to our investments in unconsolidated entities. During the fiscal 2013 nine-month period, we recognized an income tax provision of $41.8 million, as compared to an income tax benefit of $23.5 million in the fiscal 2012 period.

In the three-month period ended July 31, 2013, we recognized $689.2 million of revenues and net income of $46.6 million, as compared to $554.3 million of revenues and net income of $61.6 million in the three-month period ended July 31, 2012. Fiscal 2013 three-month income before income taxes included $0.2 million of inventory impairments and write-offs, as compared to $3.1 million in the fiscal 2012 three-month period. During the fiscal 2013 three-month period, we recognized an income tax provision of $21.7 million, as compared to an income tax benefit of $18.7 million in the fiscal 2012 period.

Our Business Environment and Current Outlook

During the nine-month period ended July 31, 2013, we experienced a continuation of the recovery of the housing market from the significant slowdown that started in the fourth quarter of our fiscal year ended October 31, 2005. We believe this recovery began early in our fiscal 2012.

In the nine-month period ended July 31, 2013, our net contracts signed increased 35.0% in units and 49.2% in value, as compared to the same period in fiscal 2012. Our net contracts signed in fiscal 2012, as compared to fiscal 2011, increased nearly 50% in the number of net contracts signed and 59% in the value of net contracts signed.

We believe that, as the unemployment rate has declined and consumer confidence has improved, pent-up demand continues to be released. We believe many of our target customers generally have remained employed during this downturn; however, we believe many deferred their home buying decisions because of concerns over the direction of the economy, the direction of home prices, and their ability to sell their existing home. Additionally, rising home prices, reduced inventory, and low mortgage rates have resulted in increased demand, although still below historical levels. We believe that the key to a full recovery in our business depends on these factors as well as a sustained stabilization of financial markets and the economy in general.

We believe that the demographics of the move-up, empty-nester, active-adult, age-qualified and second-home upscale markets will provide us with the potential for growth in the coming decade. According to the U.S. Census Bureau, the number of households earning $100,000 or more (in constant 2011 dollars) at September 2012 stood at 25.4 million, or approximately 17.3% of all U.S. households. This group has grown at three times the rate of increase of all U.S. households since 1980. According to Harvard University's June 2012 "The State of the Nation's Housing," the growth and aging of the current population, assuming the economic recovery is sustained over the next few years, supports the addition of about one million new household formations per year during the next decade.

According to the U.S. Census Bureau, during the period 1970 through 2007, total housing starts in the United States averaged approximately 1.26 million per year, while in the period 2008 through 2012, total housing starts averaged approximately 0.7 million per year. Total annualized housing starts in July 2013 were approximately 0.9 million. In addition, based on the trend of

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household formations in relation to population growth during the period 2000 through 2007, the number of households formed in the four-year period of 2008 through 2011 was approximately 2.3 million fewer than would have been expected.

In many markets, the pipeline of approved and improved home sites has dwindled as builders and developers have lacked both the capital and the economic benefit for bringing sites through approvals. Therefore, we believe that as demand continues to strengthen, builders and developers with approved land in well-located markets will benefit. We believe that this will be particularly true for us because our land portfolio is heavily weighted in the metro-Washington, DC to metro-Boston corridor where land is scarce, approvals are more difficult to obtain, and overbuilding has been relatively less prevalent than in the Southeast and Western regions.

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

Competitive Landscape

Based on our experience during prior downturns in the housing industry, we believe that attractive land acquisition opportunities arise in difficult times for those builders that have the financial strength to take advantage of them. In the current environment, we believe our strong balance sheet, liquidity, access to capital, broad geographic presence, diversified product line, experienced personnel and national brand name all position us well for such opportunities now and in the future.

We believe that many of the small and mid-sized private builders that had been our primary competitors in the luxury market are no longer in business and that access to capital by the remaining private builders is severely constrained. While some of these private builders may emerge with new capital, the scarcity of attractive land is a further impediment to their competitiveness.

We believe that geographic and product diversification, access to lower-cost capital and strong demographics benefit those builders, like us, who can control land and persevere through the increasingly difficult regulatory approval process; these factors favor a large publicly traded home building company with the capital and expertise to control home sites and gain market share. We also believe that during the recent prolonged downturn, many builders and land developers reduced the number of home sites that were taken through the approval process. The process continues to be difficult and lengthy, and the political pressure from no-growth proponents continues to increase, but we believe our expertise in taking land through the approval process and our already-approved land positions will allow us to grow in the years to come as market conditions improve.

Land Acquisition and Development

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

Based on our belief that the housing market has begun to recover, the increased attractiveness of land available for purchase and the revival of demand in certain areas, we have begun to increase our land positions. During fiscal 2012, the nine-month period ended July 31, 2013 and the three-month period ended July 31, 2013, we acquired control of approximately 6,100 home sites (net of options terminated), 9,500 home sites (net of options terminated) and 3,100 home sites (net of options terminated), respectively. At July 31, 2013, we controlled approximately 47,200 home sites of which we owned approximately 33,400. Of these 33,400 home sites, significant improvements were completed on approximately 12,400. At July 31, 2013 and 2012, we were selling from 225 and 226 communities, respectively. At October 31, 2012, we were selling from 224 communities, compared to 215 communities at October 31, 2011. During the nine-month period ended July 31, 2013, we opened 57 new communities for sale and sold out of 56 communities.

We expect to open approximately 23 communities for sale in the three-month period ending October 31, 2013. We expect to be selling from approximately 225 communities at October 31, 2013. At July 31, 2013, we had 44 communities that were temporarily closed due to market conditions and 26 communities for which we had acquired the land but have temporarily decided not to open.

Diversification
Based on our experience, our land acquisition/development, and construction expertise and our financial and marketing strength, we acquired control of a number of land parcels as for-rent apartment projects, including two student housing sites, totaling approximately 4,400 units. These projects, which are located in the metro-Boston to metro-Washington, D.C. corridor and which we are currently developing or expect to develop in partnership structures over the next several years, are currently expected to start generating revenues beginning in 2015. A number of these sites had been acquired by us as part of a larger purchase or were originally acquired to develop as for-sale homes. Of the 4,400 planned units, 1,200 are owned by joint ventures in which we have a 50% interest; approximately 1,600 are owned by us; 1,200 of them are under contract; and 400 of them are under letters of intent. Through Toll Brothers Realty Trust and Toll Brothers Realty Trust II, we have interests in approximately 1,500 apartment units in the Washington, D.C. area and Princeton Junction, NJ.
Availability of Customer Mortgage Financing
We maintain relationships with a widely diversified group of mortgage financial institutions, many of which are among the largest and, we believe, most reliable in the industry. We believe that regional and community banks continue to recognize the long-term value in creating relationships with high-quality, affluent customers such as our home buyers, and these banks continue to provide such customers with financing.
We believe that our home buyers generally are, and should continue to be, better able to secure mortgages due to their typically lower loan-to-value ratios and attractive credit profiles as compared to the average home buyer. Nevertheless, in recent years, tightened credit standards have shrunk the pool of potential home buyers and hindered accessibility of or eliminated certain loan products previously available to our home buyers. Our home buyers continue to face stricter mortgage underwriting guidelines, higher down payment requirements and narrower appraisal guidelines than in the past. In addition, some of our home buyers continue to find it more difficult to sell their existing homes as prospective buyers of their homes may face difficulties obtaining a mortgage. In addition, other potential buyers may have little or negative equity in their existing homes and may not be able or willing to purchase a larger or more expensive home.
While the range of mortgage products available to a potential home buyer is not what it was in the period 2005 through 2007, we have seen improvements over the past two years. Indications from industry participants, including commercial banks, mortgage banks, mortgage real estate investment trusts and mortgage insurance companies are that availability, parameters and pricing of jumbo loans are all improving. We believe that improvement should not only enhance financing alternatives for existing jumbo buyers, but also help to offset the reduction in Fannie Mae/Freddie Mac-eligible loan amounts in some markets. Based on the mortgages provided by our mortgage subsidiary, we do not expect the change in the Fannie Mae/Freddie Mac-eligible loan amounts to have a significant impact on our business.
There has been significant media attention given to mortgage put-backs, a practice by which a buyer of a mortgage loan tries to recoup losses from the loan originator. We do not believe this is a material issue for our mortgage subsidiary. Of the approximately 16,900 loans sold by our mortgage subsidiary since November 1, 2004, only 37 have been the subject of either actual indemnification payments or take-backs or contingent liability loss provisions related thereto. We believe that this is due to (i) our typical home buyer's financial position and sophistication; (ii) on average, our home buyers who use mortgage financing to purchase a home pay approximately 30% of the purchase price in cash; (iii) our general practice of not originating certain loan types such as option adjustable rate mortgages and down payment assistance products, and our origination of few sub-prime and high loan-to-value/no documentation loans; (iv) our elimination of “early payment default” provisions from each of our agreements with our mortgage investors several years ago; and (v) the quality of our controls, processes and personnel in our mortgage subsidiary.
The Dodd-Frank Wall Street Reform and Consumer Protection Act provides for a number of new requirements relating to residential mortgage lending practices, many of which are subject to further potential rulemaking. These include, among others, minimum standards for mortgages and related lender practices, the definitions and parameters of a Qualified Mortgage and a Qualified Residential Mortgage, future risk retention requirements, limitations on certain fees, prohibition of certain tying arrangements and remedies for borrowers in foreclosure proceedings in the event that a lender violates fee limitations or minimum standards. The ultimate effect of such provisions on lending institutions, including our mortgage subsidiary, will depend on the rules that are ultimately promulgated.

Gibraltar
We look for distressed real estate opportunities through our wholly-owned subsidiary Gibraltar Capital and Asset Management LLC (“Gibraltar”). Gibraltar selectively reviews a steady flow of new opportunities, including bank portfolios and other distressed real estate investments.

During the nine-month period ended July 31, 2013, Gibraltar acquired four loans directly and invested in a loan participation for an aggregate purchase price of approximately $26.0 million. The loans are secured by retail shopping centers, residential land and golf courses located in seven states.
At July 31, 2013, Gibraltar had investments in distressed loans of approximately $42.5 million, investments in foreclosed real estate of $72.9 million and an investment in a structured asset joint venture of $30.5 million.
During the nine-month periods ended July 31, 2013 and 2012, we recognized income, including its equity in the earnings from its investment in a structured asset joint venture, of $8.8 million and $7.5 million from the Gibraltar operations, respectively. For the three-month periods ended July 31, 2013 and 2012, we recognized income of $4.6 million and $0.6 million, respectively.
CONTRACTS AND BACKLOG
The aggregate value of net contracts signed increased $921.2 million or 49.2% in the nine-month period ended July 31, 2013, as compared to the nine-month period ended July 31, 2012. The value of net contracts signed was $2.80 billion (4,131 homes) and $1.87 billion (3,061 homes) in the nine-month periods ended July 31, 2013 and 2012, respectively. The increase in the aggregate value of net contracts signed in the fiscal 2013 period, as compared to the fiscal 2012 period, was the result of a 35.0% increase in the number of net contracts signed and a 10.5% increase in the average value of each contract signed. The increase in the number of net contracts signed was primarily due to an increase in demand for our homes in the fiscal 2013 period, as compared to the fiscal 2012 period. The increase in the average value of each contract signed in the fiscal 2013 period, as compared to the fiscal 2012 period, was due primarily to a change in mix of contracts signed to more expensive areas, higher priced product, increased prices and reduced incentives given on new contracts signed.
The aggregate value of net contracts signed increased $318.2 million or 47.2% in the three-month period ended July 31, 2013, as compared to the three-month period ended July 31, 2012. The value of net contracts signed was $992.6 million (1,405 homes) and $674.4 million (1,119 homes) in the three-month periods ended July 31, 2013 and 2012, respectively. The increase in the aggregate value of net contracts signed in the fiscal 2013 period, as compared to the fiscal 2012 period, was the result of a 25.6% increase in the number of net contracts signed, and a 17.2% increase in the average value of each contract signed. The increase in the number of net contracts signed was primarily due to an increase in demand for our homes in the fiscal 2013 period, as compared to the fiscal 2012 period. The increase in the average value of each contract signed in the fiscal 2013 period, as compared to the fiscal 2012 period, was due primarily to a change in mix of contracts signed to more expensive areas, higher priced product, increased prices and reduced incentives given on new contracts signed.
In the nine-month and three-month periods ended July 31, 2013, home buyers canceled $129.2 million (194 homes) and $41.1 million (68 homes) of signed contracts, respectively. In the nine-month and three-month periods ended July 31, 2012, home buyers canceled $75.9 million (129 homes) and $32.1 million (54 homes) of signed contracts, respectively. The cancellation rates of new contracts signed in the fiscal 2013 periods and 2012 periods were within our historical norms.
Backlog consists of homes under contract but not yet delivered to our home buyers. The value of our backlog at July 31, 2013 of $2.84 billion (4,001 homes) increased 75.2%, as compared to our backlog at July 31, 2012 of $1.62 billion (2,559 homes). Our backlog at October 31, 2012 and 2011 was $1.67 billion (2,569 homes) and $981.1 million (1,667 homes), respectively. The increase in the value of the backlog at July 31, 2013, as compared to the backlog at July 31, 2012, was primarily attributable to the increase in the aggregate value of net contracts signed in the nine-month period ended July 31, 2013, as compared to the nine-month period ended July 31, 2012, and the higher backlog at October 31, 2012, as compared to the backlog at October 31, 2011, offset, in part, by the increase in the aggregate value of our deliveries in the nine-month period of fiscal 2013, as compared to the aggregate value of deliveries in the nine-month period of fiscal 2012.
For more information regarding revenues, net contracts signed and backlog by geographic segment, see “Geographic Segments” in this MD&A.
CRITICAL ACCOUNTING POLICIES
As disclosed in our Annual Report on Form 10-K for the fiscal year ended October 31, 2012, our most critical accounting policies relate to inventory, income taxes-valuation allowances and revenue and cost recognition. Since

October 31, 2012, there have been no significant changes to those critical accounting policies.

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OFF-BALANCE SHEET ARRANGEMENTS

We have investments in and advances to various unconsolidated entities. Our investments in these entities are accounted for using the equity method of accounting. At July 31, 2013, we had investments in and advances to these entities of $356.8 million, and were committed to invest or advance $110.6 million to these entities if they require additional funding. The unconsolidated entities in which we have investments generally finance their activities with a combination of partner equity and debt financing. In some instances, we and our partners have guaranteed debt of certain unconsolidated entities which may include any, or all, of the following: (i) project completion including any cost overruns, in whole or in part, (ii) repayment guarantees, generally covering a percentage of the outstanding loan, (iii) indemnification of the lender from environmental matters of the unconsolidated entity and (iv) indemnification of the lender from “bad boy acts” of the unconsolidated entity.

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

We believe that as of July 31, 2013, in the event we become legally obligated to perform under a guarantee of the obligation of an unconsolidated entity due to a triggering event, the collateral should be sufficient to repay a significant portion of the obligation. If it is not, we and our partners would need to contribute additional capital to the venture. At July 31, 2013, the unconsolidated entities that have guarantees related to debt had loan commitments aggregating $244.8 million and had borrowed an aggregate of $71.3 million. We estimate that our maximum potential exposure under these guarantees, if the full amount of the loan commitments were borrowed, would be $227.5 million before any reimbursement from the our partners. Based on the amounts borrowed at July 31, 2013, our maximum potential exposure under these guarantees is estimated to be $59.9 million before any reimbursement from our partners.

In addition, we have guaranteed approximately $11.8 million of ground lease payments and insurance deductibles for three joint ventures.

For more information regarding these joint ventures, see Note 3, "Investments in and Advances to Unconsolidated Entities" in the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

The trends, uncertainties or other factors that have negatively impacted our business and the industry in general have also impacted the unconsolidated entities in which we have investments. We review each of our investments on a quarterly basis for indicators of impairment. A series of operating losses of an investee, the inability to recover our invested capital, or other factors may indicate that a loss in value of our investment in the unconsolidated entity has occurred. If a loss exists, we further review to determine if the loss is other than temporary, in which case we write down the investment to its fair value. The evaluation of our investment in unconsolidated entities entails a detailed cash flow analysis using many estimates including but not limited to expected sales pace, expected sales prices, expected incentives, costs incurred and anticipated, sufficiency of financing and capital, competition, market conditions and anticipated cash receipts, in order to determine projected future distributions. Each of the unconsolidated entities evaluates its inventory in a similar manner. See “Critical Accounting Policies - Inventory” contained in the MD&A in our Annual Report on Form 10-K for the year ended October 31, 2012 for more detailed disclosure on our evaluation of inventory. If a valuation adjustment is recorded by an unconsolidated entity related to its assets, our proportionate share is reflected in income (loss) from unconsolidated entities with a corresponding decrease to our investment in unconsolidated entities. Based upon our evaluation of the fair value of our investments in unconsolidated entities, we determined that no impairments of our investments occurred in the nine-month and three-month periods ended July 31, 2013 and 2012.

RESULTS OF OPERATIONS

The following table sets forth, for the nine-month and three-month periods ended July 31, 2013 and 2012, a comparison of certain items in the condensed consolidated statements of operations ($ amounts in millions):

	Nine months ended July 31,				Three months ended July 31,			
	2013		2012		2013		2012	
	$	%*	$	%*	$	%*	$	%*
Revenues	1,629.8		1,250.0		689.2		554.3	
Cost of revenues	1,311.0	80.4	1,026.4	82.1	545.1	79.1	447.9	80.8
Selling, general and administrative	246.5	15.1	212.8	17.0	88.9	12.9	74.9	13.5
	1,557.5	95.6	1,239.1	99.1	634.0	92.0	522.8	94.3
Income from operations	72.3		10.8		55.2		31.5	
Other								
Income from unconsolidated entities	8.8		19.3		0.8		5.7	
Other income - net	36.4		22.0		12.3		5.8	
Income before income taxes	117.5		52.2		68.3		43.0	
Income tax provision (benefit)	41.8		(23.5)		21.7		(18.7)	
Net income	75.7		75.7		46.6		61.6	

* Percent of revenues

Note: Due to rounding, amounts may not add.

REVENUES AND COST OF REVENUES

Revenues for the nine months ended July 31, 2013 were higher than those for the comparable period of fiscal 2012 by approximately $379.8 million, or 30.4%. This increase was primarily attributable to a 22.8% increase in the number of homes delivered and a 6.2% increase in the average price of the homes delivered. In the fiscal 2013 period, we delivered 2,699 homes with a value of $1.63 billion, as compared to 2,198 homes in the fiscal 2012 period with a value of $1.25 billion. The average price of the homes delivered in the fiscal 2013 period was $603,800, as compared to $568,700 in the fiscal 2012 period. The increase in the number of homes delivered in the nine-month period ended July 31, 2013, as compared to the fiscal 2012 period, was primarily due to the higher number of homes in backlog at the beginning of fiscal 2013, as compared to the beginning of fiscal 2012. The increase in the average price of homes delivered in the fiscal 2013 period, as compared to the fiscal 2012 period, was primarily attributable to a shift in the number of homes delivered to more expensive areas and higher priced products. Of the $35,100 increase in the average delivered price in the fiscal 2013 period, as compared to the fiscal 2012 period, $15,300 was attributable to the delivery of 16 units from The Touraine, a luxury high-rise building in New York City.

Cost of revenues as a percentage of revenues was 80.4% in the nine-month period ended July 31, 2013, as compared to 82.1% in the nine-month period ended July 31, 2012. In the nine-month periods ended July 31, 2013 and 2012, we recognized inventory impairment charges and write-offs of $2.0 million and $13.2 million, respectively. Cost of revenues as a percentage of revenues, excluding impairments, was 80.3% of revenues in the nine-month period ended July 31, 2013, as compared to 81.1% in the fiscal 2012 period. The decrease in cost of revenues, excluding inventory impairment charges, as a percentage of revenue in the fiscal 2013 period, as compared to the fiscal 2012 period, was due primarily to lower interest and closing costs and improved absorption of job overhead due to the increased number of homes closed in the fiscal 2013 period, as compared to the fiscal 2012 period, offset, in part, by the increased cost of land, land improvements, materials and labor in the fiscal 2013 period, as compared to the fiscal 2012 period. In the nine-month periods ended July 31, 2013 and 2012, interest cost as a percentage of revenues was 4.4% and 4.8%, respectively.

Revenues for the three months ended July 31, 2013 were higher than those for the comparable period of fiscal 2012 by approximately $134.9 million, or 24.3%. This increase was primarily attributable to a 10.0% increase in the number of homes delivered and a 13.1% increase in the average price of the homes delivered. In the fiscal 2013 period, we delivered 1,059 homes with a value of $689.2 million, as compared to 963 homes in the fiscal 2012 period with a

value of $554.3 million. The average price of the homes delivered in the fiscal 2013 period was $650,800, as compared to $575,600 in the fiscal 2012 period. The increase in the number of homes delivered in the three-month period ended July 31, 2013, as compared to the fiscal 2012 period, was primarily due to the higher number of homes in backlog at the beginning of fiscal 2013, as compared to the beginning of fiscal 2012. The increase in the average price of homes delivered in the fiscal 2013 period, as compared to the

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fiscal 2012 period, was primarily attributable to a shift in the number of homes delivered to more expensive areas and higher priced products. Of the $75,200 increase in the average delivered price in the fiscal 2013 period, as compared to the fiscal 2012 period, $38,700 was attributable to the delivery of 16 units from The Touraine, a luxury high-rise building in New York City.

Cost of revenues as a percentage of revenues was 79.1% in the three-month period ended July 31, 2013, as compared to 80.8% in the three-month period ended July 31, 2012. In the three-month periods ended July 31, 2013 and 2012, we recognized inventory impairment charges and write-offs of $0.2 million and $3.1 million, respectively. Cost of revenues as a percentage of revenues, excluding impairments, was 79.1% of revenues in the three-month period ended July 31, 2013, as compared to 80.2% in the fiscal 2012 period. The decrease in cost of revenues, excluding inventory impairment charges, as a percentage of revenue in the fiscal 2013 period, as compared to the fiscal 2012 period, was due primarily to lower interest and closing costs and improved absorption of job overhead due to the increased number of homes closed in the fiscal 2013 period, as compared to the fiscal 2012 period, and a slight decrease in the cost of land, land improvements, materials and labor in the fiscal 2013 period, as compared to the fiscal 2012 period.

In the three-month periods ended July 31, 2013 and 2012, interest cost as a percentage of revenues was 4.2% and 4.7%, respectively.

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

SG&A increased by $33.7 million in the nine-month period ended July 31, 2013, as compared to the nine-month period ended July 31, 2012. As a percentage of revenues, SG&A was 15.1% in the fiscal 2013 period, as compared to 17.0% in the fiscal 2012 period. The decline in SG&A as a percentage of revenues was due to SG&A increasing by 15.8% while revenues increased 30.4%. The dollar increase in SG&A costs was due primarily to increased compensation, information technology, insurance and sales and marketing costs.

SG&A increased by $14.0 million in the three-month period ended July 31, 2013, as compared to the three-month period ended July 31, 2012. As a percentage of revenues, SG&A was 12.9% in the fiscal 2013 period, as compared to 13.5% in the fiscal 2012 period. The decline in SG&A as a percentage of revenues was due to SG&A increasing by 18.7% while revenues increased 24.3%. The dollar increase in SG&A costs was due primarily to increased compensation, information technology, insurance and sales and marketing costs.

INCOME FROM UNCONSOLIDATED ENTITIES

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

In the nine-month period ended July 31, 2013, we recognized $8.8 million of income from unconsolidated entities, as compared to $19.3 million in the comparable period of fiscal 2012. In the nine-month period ended July 31, 2012, we recognized a $1.6 million recovery of previously incurred charges related to a Development Joint Venture. This $8.9 million decrease in income, excluding the recovery recognized in the fiscal 2012 period, was due principally to lower income in the fiscal 2013 period, as compared to the fiscal 2012 period, generated from two condominium joint ventures due to their substantial completion in the fiscal 2012 period, offset, in part, by higher income realized from Gibraltar's Structured Asset Joint Venture and a land development joint venture that sold a large parcel of land to an outside developer in the fiscal 2013 period, as compared to the fiscal 2012 period.

In the three-month period ended July 31, 2013, we recognized $0.8 million of income from unconsolidated entities, as compared to $5.7 million in the comparable period of fiscal 2012. This $4.9 million decrease in income was due principally to lower income in the fiscal 2013 period, as compared to the fiscal 2012 period, generated from two condominium joint ventures due to their substantial completion in the fiscal 2012 period.

OTHER INCOME - NET

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

items.

For the nine months ended July 31, 2013 and 2012, other income-net was $36.4 million and $22.0 million, respectively. Fiscal 2013 other income-net includes $13.2 million of income from the previously-disclosed settlement of derivative litigation. Excluding these settlement proceeds, the increase in other income - net in the nine-month period ended July 31, 2013, as compared to the fiscal 2012 period, was primarily due to higher earnings from land sales, higher income from ancillary businesses, higher interest income and higher other miscellaneous income in the fiscal 2013 period, as compared to the fiscal

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2012 period, offset, in part, by a decrease in income from our Gibraltar operations, and lower retained customer deposits in the fiscal 2013 period, as compared to the fiscal 2012 period.

For the three months ended July 31, 2013 and 2012, other income-net was $12.3 million and $5.8 million, respectively. The increase in other income - net in the three-month period ended July 31, 2013, as compared to the fiscal 2012 period, was primarily due to an increase in income from our Gibraltar operations, higher earnings from land sales and higher other miscellaneous income in the fiscal 2013 period, as compared to the fiscal 2012 period, offset, in part, by lower income from ancillary businesses in the fiscal 2013 period, as compared to the fiscal 2012 period.

INCOME BEFORE INCOME TAXES

For the nine-month period ended July 31, 2013, we reported income before income taxes of $117.5 million, as compared to $52.2 million in the nine-month period ended July 31, 2012.

For the three-month period ended July 31, 2013, we reported income before income taxes of $68.3 million, as compared to $43.0 million in the three-month period ended July 31, 2012.

INCOME TAX PROVISION (BENEFIT)

We recognized a $41.8 million tax provision in the nine-month period ended July 31, 2013. Based upon the federal statutory rate of 35%, our federal tax provision would have been $41.1 million. The difference between the tax provision recognized and the tax provision based on the federal statutory rate was due primarily to the recognition of $2.8 million of accrued interest and penalties (net of federal tax provision) for previously accrued taxes on uncertain tax positions and $1.8 million provision for state income taxes, net of a reversal of $3.1 million of state valuation allowance, offset, in part, by the reversal of $3.9 million of previously accrued taxes on uncertain tax positions (net of federal tax provision).

We recognized a $23.5 million tax benefit in the nine-month period ended July 31, 2012. Based upon the federal statutory rate of 35%, our federal tax provision would have been $18.3 million. The difference between the tax benefit recognized and the tax provision based on the federal statutory rate was due primarily to the reversal of $18.1 million of previously accrued taxes on uncertain tax positions (net of federal tax provision), and the reversal of $29.8 million of deferred tax valuation allowance, net of new valuation allowances recognized, offset, in part, by $2.6 million of accrued interest and penalties (net of federal tax provision) and a $2.2 million provision for state income taxes. The reversal of previously accrued taxes on uncertain tax positions is due primarily to the expiration of the statute of limitations on these items. The reversal of the deferred tax valuation allowance was due primarily to the earnings reported during the period and the recovery of valuation allowance related to the uncertain tax positions that were reversed.

We recognized a $21.7 million tax provision in the three-month period ended July 31, 2013. Based upon the federal statutory rate of 35%, our tax benefit would have been $23.9 million. The difference between the tax provision recognized and the tax provision based on the federal statutory rate was due primarily to the recognition of a $1.0 million provision for state income taxes, net of a reversal of $1.9 million of state valuation allowance, and $0.9 million of accrued interest and penalties (net of federal tax provision) for previously accrued taxes on uncertain tax positions, offset, in part, by the reversal of $3.9 million of previously accrued taxes on uncertain tax positions (net of federal tax provision).

We recognized an $18.7 million tax benefit in the three-month period ended July 31, 2012. Based upon the federal statutory rate of 35%, our federal tax provision would have been $15.0 million. The difference between the tax benefit recognized and the tax provision based on the federal statutory rate was due primarily to the reversal of $24.3 million of deferred tax valuation allowance, net of new valuation allowances recognized, the reversal of $12.8 million of previously accrued taxes on uncertain tax positions (net of federal tax provision), offset, in part, by a $1.8 million provision for state income taxes and $0.7 million of accrued interest and penalties. The reversal of the deferred tax valuation allowance was due primarily to the earnings reported during the period and the recovery of valuation allowance related to the uncertain tax positions that were reversed.

CAPITAL RESOURCES AND LIQUIDITY

Funding for our business has been provided principally by cash flow from operating activities before inventory additions, unsecured bank borrowings and the public debt and equity markets. At July 31, 2013, we had $899.3

million of cash and cash equivalents and $122.5 million of marketable securities. At October 31, 2012, we had $778.8 million of cash and cash equivalents and $439.1 million of marketable securities. Cash used in operating activities during the nine-month period ended July 31, 2013 was $456.5 million. Cash used in operating activities during the fiscal 2013 period was primarily used for the purchase of inventory, offset, in part, by cash generated from net income before income taxes, stock-based compensation and depreciation and amortization, an increase in customer deposits, the sale of mortgage loans to outside investors in excess of mortgage loans originated, an increase in accounts payable, and a reduction in restricted cash. The Company expects to utilize

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the reversal of a portion of its deferred tax assets and tax loss carryforwards to offset a substantial portion of any current year tax liability.
In the nine-month period ended July 31, 2013, cash provided by our investing activities was $278.7 million. The cash provided by investing activities was primarily generated from $312.4 million of net sales of marketable securities, $65.8 million of cash received as returns on our investments in unconsolidated entities, distressed loans and foreclosed real estate, offset, in part, by $49.2 million used to fund joint venture investments, $26.2 million for investments in distressed loans and foreclosed real estate and $24.2 million for the purchase of property and equipment. We generated $298.4 million of cash from financing activities in the nine-month period ended July 31, 2013, primarily from the issuance of $400 million of 4.375% Senior Notes due 2023 and $10.4 million from the proceeds of our stock-based benefit plans, offset in part, by the repayment of $59.1 million of our 6.875% Senior Notes in November 2012, $7.0 million of repayments of borrowings under our mortgage company warehouse facility, net of new borrowings under it, $31.0 million of repayments of other loans payable, and the repurchase of $15.3 million of our common stock.
At July 31, 2012, we had $601.5 million of cash and cash equivalents and $275.9 million of marketable securities. At October 31, 2011, we had $906.3 million of cash and cash equivalents and $233.6 million of marketable securities. Cash used in operating activities during the nine-month period ended July 31, 2012 was $231.9 million. Cash used in operating activities during the fiscal 2012 period was primarily used to fund the purchase of inventory, reduce accounts payable and accrued liabilities, including the payment of $57.6 million to fund a litigation settlement related to a development joint venture, and to replace letters of credit with cash deposits. In the nine-month period ended July 31, 2012, cash used in our investing activities was $379.5 million, including $144.7 million for the acquisition of the assets of CamWest Development LLC ("CamWest"), $195.8 million to fund new joint venture projects, $47.1 million of net purchases of marketable securities, $30.1 million for investments in distressed loans, and $9.5 million for the purchase of property and equipment. The cash used in investing activities was offset, in part, by $47.6 million of cash received as returns on our investments in unconsolidated entities and in non-performing loan portfolios and foreclosed real estate. We generated $306.6 million of cash from financing activities in the nine-month period ended July 31, 2012, primarily from the issuance of $300 million of 5.875% Senior Notes due 2022 in February 2012 and $24.5 million from the proceeds of our stock-based benefit plans, offset, in part, by the net repayment of loans payable.
At July 31, 2013, the aggregate purchase price of land parcels under option and purchase agreements was approximately $1.58 billion. Of the $1.58 billion of land purchase commitments, we paid or deposited $72.0 million, and, if we acquire all of these land parcels, we will be required to pay an additional $1.51 billion. In addition, we expect to acquire an additional 545 home sites from a joint venture in which we have a 50% interest; the purchase price of these lots will be determined in the future. The purchases of these land parcels are scheduled over the next several years. We have additional land parcels under option that have been excluded from the aforementioned aggregate purchase amounts since we do not believe that we will complete the purchase of these land parcels and no additional funds will be required from us to terminate these contracts. At July 31, 2013, we also had purchase commitments to acquire land for apartment developments of approximately $61.3 million and a commitment, subject to completion of due diligence, to acquire a land parcel for approximately $79.3 million which it intends to develop with one or more partners in a joint venture.
In general, our cash flow from operating activities assumes that, as each home is delivered, we will purchase a home site to replace it. Because we owned approximately 33,400 home sites at July 31, 2013, we do not need to buy home sites immediately to replace those which we deliver. Of the 33,100 home sites we owned, approximately 12,400 are substantially improved. In addition, we generally do not begin construction of our single-family detached homes until we have a signed contract with the home buyer. Should our business decline from present levels, we believe that our inventory levels would decrease as we complete and deliver the homes under construction but do not commence construction of as many new homes, or incur additional costs to improve land we already own, and as we sell and deliver the speculative homes that are currently in inventory, all of which should result in additional cash flow from operations. In addition, we might curtail our acquisition of additional land which would further reduce our inventory levels and cash needs. During the nine-month period ended July 31, 2013, we acquired control of approximately 9,500

lots (net of lot options terminated). At July 31, 2013, we owned or controlled through options approximately 47,200 home sites, as compared to 40,350 at October 31, 2012.

On August 1, 2013, we entered into an $1.035 billion unsecured, five-year credit facility with 15 banks which extends to August 1, 2018. This new credit facility replaced our existing $885 million credit facility which was due to mature in October 2014. Up to 75% of the credit facility is available for letters of credit. Under the terms of the credit facility, we are not permitted to allow our maximum leverage ratio (as defined in the credit agreement) to exceed 1.75 to 1.00, and we are required to maintain a minimum tangible net worth (as defined in the credit agreement) of approximately $2.23 billion at July 31, 2013. At July 31, 2013, our leverage ratio was approximately 0.48 to 1.00, and our tangible net worth was approximately $3.16 billion. Based upon the minimum tangible net worth requirement at July 31, 2013, our ability to pay dividends was limited to an aggregate amount of approximately $932.2 million or the repurchase of our common stock of approximately $1.42 billion.

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At July 31, 2013, we had no outstanding borrowings under our $885 million credit facility but had outstanding letters of credit of approximately $69.6 million. The approximately $69.6 million outstanding letters of credit under the $885 million credit facility were transferred to the new credit facility.

In addition, at July 31, 2013, we had $12.8 million of letters of credit outstanding which were not part of our credit facility; these letters of credit are collateralized by $13.3 million of cash deposits.

We believe that we will be able to continue to fund our current operations and meet our contractual obligations through a combination of existing cash resources and other sources of credit. Due to the tight credit markets and the uncertainties that exist in the economy and for home builders in general, we cannot be certain that we will be able to replace existing financing or find sources of additional financing in the future; moreover, if we are able to replace all or some of such facilities, we may be subjected to more restrictive borrowing terms and conditions.

GEOGRAPHIC SEGMENTS

We operate in four geographic segments around the United States: the North, consisting of Connecticut, Illinois, Massachusetts, Michigan, Minnesota, New Jersey and New York; the Mid-Atlantic, consisting of Delaware, Maryland, Pennsylvania, Virginia; the South, consisting of Florida, North Carolina, and Texas; and the West, consisting of Arizona, California, Colorado, Nevada and Washington.

The tables below summarize information related to units delivered and revenues and net contracts signed by geographic segment for the nine-month and three-month periods ended July 31, 2013 and 2012, and information related to backlog by geographic segment at July 31, 2013 and 2012, and at October 31, 2012 and 2011.

Units Delivered and Revenues ($ amounts in millions):

	Nine months ended July 31,				Three months ended July 31,			
	2013 Units	2012 Units	2013	2012	2013 Units	2012 Units	2013	2012
North	589	617	$379.7	$363.8	241	280	$182.8	$177.0
Mid-Atlantic	823	659	446.0	360.0	305	290	166.3	155.6
South	663	444	418.3	255.9	296	166	195.6	97.1
West	624	478	385.8	270.3	217	227	144.5	124.6
	2,699	2,198	$1,629.8	$1,250.0	1,059	963	$689.2	$554.3

Net Contracts Signed ($ amounts in millions):

	Nine months ended July 31,				Three months ended July 31,			
	2013 Units	2012 Units	2013	2012	2013 Units	2012 Units	2013	2012
North	1,023	754	$673.9	$516.4	335	227	$237.9	$148.1
Mid-Atlantic	1,210	893	713.3	490.5	413	337	257.2	179.8
South	947	674	645.4	417.9	366	264	252.8	160.1
West	951	740	762.4	449.0	291	291	244.7	186.4
	4,131	3,061	$2,795.0	$1,873.8	1,405	1,119	$992.6	$674.4

Backlog ($ amounts in millions):

	At July 31,				At October 31,			
	2013 Units	2012 Units	2013	2012	2012 Units	2011 Units	2012	2011
North	1,089	690	$743.4	$459.9	655	553	$449.2	$307.4
Mid-Atlantic	1,045	721	653.4	419.5	658	487	386.2	288.9
South	1,033	672	710.5	425.2	749	442	483.5	263.2
West	834	476	727.7	314.0	507	185	351.0	121.6
	4,001	2,559	$2,835.0	$1,618.6	2,569	1,667	$1,669.9	$981.1

Revenues and Income (Loss) Before Income Taxes:

The following table summarizes by geographic segments total revenues and income (loss) before income taxes for the nine-month and three-month periods ended July 31, 2013 and 2012 (amounts in millions):

	Nine months ended July 31,		Three months ended July 31,	
	2013	2012	2013	2012
Revenue:				
North	$379.7	$363.8	$182.8	$177.0
Mid-Atlantic	446.0	360.0	166.3	155.6
South	418.3	255.9	195.6	97.1
West	385.8	270.3	144.5	124.6
Total	$1,629.8	$1,250.0	$689.2	$554.3

	Nine months ended July 31,		Three months ended July 31,	
	2013	2012	2013	2012
Income (loss) before income taxes:				
North	$44.4	$51.5	$29.7	$33.7
Mid-Atlantic	53.8	37.0	20.2	18.3
South	38.8	9.2	21.9	5.2
West	42.9	17.1	21.8	9.0
Corporate and other (a)	(62.4)	(62.6)	(25.3)	(23.2)
Total	$117.5	$52.2	$68.3	$43.0

(a) “Corporate and other” is comprised principally of general corporate expenses such as the offices of the Executive Officers of the Company; and the corporate finance, accounting, audit, tax, human resources, risk management, marketing and legal groups; interest income and income from the Company’s ancillary businesses, including Gibraltar; and income from a number of the Company's unconsolidated entities.

North

Revenues in the nine-month period ended July 31, 2013 were higher than those for the comparable period of fiscal 2012 by $15.9 million, or 4.4%. The increase in revenues was primarily attributable to an increase of 9.3% in the average selling price of the homes delivered, offset, in part, by a 4.5% decrease in the number of homes delivered. The increase in the average price of homes delivered in the fiscal 2013 period, as compared to the fiscal 2012 period, was primarily attributable to closings at The Touraine. In the nine-month period ended July 31, 2013, we closed 16 units at The Touraine, a high-rise building located in the New York urban market, with an average sales price of $3.2 million for each unit. Excluding The Touraine, the average selling price of the homes delivered decreased by 2.6% primarily due to a shift in the number of homes delivered to less expensive areas and/or products. The decrease in the number of homes delivered in the fiscal 2013 period, as compared to the fiscal 2012 period, was primarily due to a decrease in the number of homes delivered in two high-rise buildings located in the New York and New Jersey urban markets which substantially settled out in fiscal 2012, partially offset by the commencement

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of closings at The Touraine. The decrease in the number of homes delivered was further offset by increases in the number of homes delivered in other markets due to a higher backlog at October 31, 2012, as compared to October 31, 2011.
The value of net contracts signed in the nine-month period ended July 31, 2013 was $673.9 million, a 30.5% increase from the $516.4 million of net contracts signed during the nine-month period ended July 31, 2012. This increase was primarily due to a 35.7% increase in the number of net contracts signed, offset, in part, by a 3.8% decrease in the average value of each net contract. The increase in the number of net contracts signed was primarily due to an improvement in home buyer demand in the fiscal 2013 period as compared to the fiscal 2012 period. The decrease in the average sales price of net contracts signed in the fiscal 2013 period, as compared to the fiscal 2012 period, was primarily attributable to sales at The Touraine that opened for sale in the fourth quarter of fiscal 2011, offset, in part, by increases in base selling prices. In the nine-month period ended July 31, 2012, we signed 17 contracts at The Touraine with an average sales value of approximately $4.6 million each.
For the nine-month period ended July 31, 2013, we reported income before income taxes of $44.4 million, as compared to $51.5 million for the nine-month period ended July 31, 2012. This decrease in income was primarily attributable to a decrease in income from unconsolidated entities from $13.2 million in the fiscal 2012 period to $0.8 million in the fiscal 2013, offset, in part, by higher earnings from the increased revenues in the fiscal 2013 period, as compared to the fiscal 2012 period. The decrease in income from unconsolidated entities in the fiscal 2013 period was due principally to a decrease in income generated from two of our high-rise joint ventures where there were fewer units remaining for sale since the fiscal 2012 period. In the nine-month period ended July 31, 2013 and 2012, we recognized inventory impairment charges of $1.8 million in each period.
Revenues in the three-month period ended July 31, 2013 were higher than those for the comparable period of fiscal 2012 by $5.8 million, or 3.3%. The increase in revenues was primarily attributable to an increase of 19.9% in the average selling price of the homes delivered, offset, in part, by a 13.9% decrease in the number of homes delivered. The increase in the average selling price of the homes delivered is primarily due to closings at The Touraine. In the three-month period ended July 31, 2013, we closed 16 units at The Touraine with an average sales price of $3.2 million. Excluding The Touraine, the average selling price of the homes delivered decreased by 7.2% primarily due to a shift in the number of homes delivered to less expensive areas and/or products. This decrease in the number of homes delivered in the fiscal 2013 period was primarily due to a decrease in the number of homes delivered in two high-rise buildings located in the New York and New Jersey urban markets which substantially settled out in fiscal 2012, partially offset by the commencement of closings at The Touraine.
The value of net contracts signed in the three-month period ended July 31, 2013 was $237.9 million, a 60.6% increase from the $148.1 million of net contracts signed during the three-month period ended July 31, 2012. This increase was primarily due to increases of 47.6% and 8.9% in the number of net contracts signed and the average value of each net contract, respectively. The increase in the number of net contracts signed was primarily due to an improvement in home buyer demand in the fiscal 2013 period as compared to the fiscal 2012 period. The increase in the average sales price of net contracts signed was primarily due to a shift in the number of contracts signed to more expensive areas and/or products and increases in base selling prices in the fiscal 2013 period, as compared to the fiscal 2012 period.
For the three-month period ended July 31, 2013, we reported income before income taxes of $29.7 million, as compared to $33.7 million for the three-month period ended July 31, 2012. This decrease in income in the fiscal 2013 period was primarily attributable to a decrease in income from unconsolidated entities from $4.9 million in the fiscal 2012 period to a loss of $0.1 million in the fiscal 2013 period and higher SG&A in the fiscal 2013 period, as compared to the fiscal 2012 period, offset, in part, by an increase in other income in the fiscal 2013 period, as compared to the fiscal 2012 period. The decrease in income from unconsolidated entities in the fiscal July 31, 2013 period was due principally to a decrease in income generated from two of our high-rise joint ventures where unit availability has diminished since the fiscal 2012 period.
Mid-Atlantic
For the nine-month period ended July 31, 2013, revenues were higher than those for the nine-month period ended July 31, 2012, by $86.0 million, or 23.9%. The increase in revenues was primarily attributable to a 24.9% increase in the number of homes delivered, partially offset by a 0.8% decrease in the average selling price of the homes delivered.

This increase in the number of homes delivered in the fiscal 2013 period was primarily due to a higher backlog at October 31, 2012, as compared to October 31, 2011. The decrease in the average price of homes delivered in the fiscal 2013 period, as compared to the fiscal 2012 period, was primarily attributable to a shift in the number of homes delivered to less expensive areas and/or products.

The value of net contracts signed during the nine-month period ended July 31, 2013 increased by $222.8 million, or 45.4%, from the nine-month period ended July 31, 2012. The increase was due to a 35.5% increase in the number of net contracts signed and a 7.3% increase in the average value of each net contract. The increase in the number of net contracts signed was primarily due to an increase in home buyer demand in the nine-month period ended July 31, 2013, as compared to the nine-month period ended July 31, 2012. The increase in the average sales price of net contracts signed was primarily due to a shift in

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the number of contracts signed to more expensive areas and/or products in the fiscal 2013 period, as compared to the fiscal 2012 period.

We reported income before income taxes for the nine-month periods ended July 31, 2013 and 2012, of $53.8 million and $37.0 million, respectively. The increase in the income before income taxes in the fiscal 2013 period was primarily due to higher earnings from the increased revenues and lower inventory impairment charges in the fiscal 2013 period, as compared to the fiscal 2012 period, offset, in part, by higher SG&A costs, in the fiscal 2013 period, as compared to the fiscal 2012 period. In the nine-month period ended July 31, 2013 and 2012, we recognized inventory impairment charges of $33 thousand and $4.8 million, respectively.

For the three-months ended July 31, 2013, revenues were higher than those for the three-months ended July 31, 2012, by $10.7 million, or 6.9%. The increase in revenues was primarily attributable to a 5.2% increase in the number of homes delivered and a 1.6% increase in the average selling price of the homes delivered. The increase in the number of homes delivered in the fiscal 2013 period, as compared to the fiscal 2012 period, was primarily due to a higher backlog at October 31, 2012, as compared to October 31, 2011. The increase in the average price of homes delivered in the fiscal 2013 period, as compared to the fiscal 2012 period, was primarily attributable to a shift in the number of homes delivered to more expensive areas and/or products.

The value of net contracts signed during the three-month period ended July 31, 2013 increased by $77.4 million, or 43.0%, from the three-month period ended July 31, 2012. The increase was due to a 22.6% increase in the number of net contracts signed and a 16.7% increase in the average value of each net contract. The increase in the number of net contracts signed was primarily due to an increase in home buyer demand in the three-month period ended July 31, 2013. The increase in the average sales price of net contracts signed was primarily due to a shift in the number of contracts signed to more expensive areas and/or products in the fiscal 2013 period, as compared to the fiscal 2012 period.

We reported income before income taxes for the three-month periods ended July 31, 2013 and 2012, of $20.2 million and $18.3 million, respectively. The increase in the income before income taxes in the fiscal 2013 period was primarily due to higher earnings from the increased revenues and lower inventory impairment charges in the fiscal 2013 period, as compared to the fiscal 2012 period, offset, in part, by higher SG&A costs, in the fiscal 2013 period, as compared to the fiscal 2012 period. Inventory impairment charges decreased by $2.0 million in the three-month period ended July 31, 2013, as compared to the three-month period ended July 31, 2012.

South

Revenues in the nine-month period ended July 31, 2013 were higher than those for the nine-month period ended July 31, 2012 by $162.4 million, or 63.5%. This increase was attributable to a 49.3% increase in the number of homes delivered and a 9.5% increase in the average price of the homes delivered. The increase in the number of homes delivered in the fiscal 2013 period was primarily due to a higher backlog at October 31, 2012, as compared to October 31, 2011. The increase in the average price of the homes delivered in the nine-month period ended July 31, 2013 was primarily attributable to a shift in the number of homes delivered to more expensive areas and/or products in the fiscal 2013 period, as compared to the fiscal 2012 period.

For the nine-month period ended July 31, 2013, the value of net contracts signed increased by $227.5 million, or 54.4%, as compared to the nine-month period ended July 31, 2012. The increase was attributable to increases of 40.5% and 9.9% in the number and average value of net contracts signed, respectively. The increase in the number of net contracts signed in the nine-month period ended July 31, 2013 was primarily due to increased demand in the fiscal 2013 period. The increase in the average sales price of net contracts signed was primarily due to a shift in the number of contracts signed to more expensive areas and/or products and increases in base selling prices in the fiscal 2013 period.

For the nine-month period ended July 31, 2013, we reported income before income taxes of $38.8 million, as compared to $9.2 million for the nine-month period ended July 31, 2012. The increase in the income before income taxes was primarily due to higher earnings from the increased revenues and lower impairment charges in the fiscal 2013 period, as compared to the fiscal 2012 period, partially offset by higher SG&A costs in the fiscal 2013 period, as compared to the fiscal 2012 period. In the nine-month periods ended July 31, 2013 and 2012, we recognized inventory impairment charges of $0.4 million and $6.0 million, respectively.

Revenues in the three-month period ended July 31, 2013 were higher than those for the three-month period ended July 31, 2012 by $98.5 million, or 101.4%. This increase was attributable to a 78.3% increase in the number of homes delivered and a 13.0% increase in the average price of the homes delivered. The increase in the number of homes delivered in the fiscal 2013 period was primarily due to a higher backlog at October 31, 2012, as compared to October 31, 2011. The increase in the average price of the homes delivered in the three-month period ended July 31, 2013 was primarily attributable to a shift in the number of homes delivered to more expensive areas and/or products in the fiscal 2013 period.

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For the three-month period ended July 31, 2013, the value of net contracts signed increased by $92.7 million, or 57.9%, as compared to the three-month period ended July 31, 2012. The increase was attributable to increases of 38.6% and 13.9% in the number and average value of net contracts signed, respectively. The increase in the number of net contracts signed in the three-month period ended July 31, 2013 was primarily due to increased demand in the fiscal 2013 period, as compared to the fiscal 2012 period. The increase in the average sales price of net contracts signed was primarily due to a shift in the number of contracts signed to more expensive areas and/or products and increases in base selling prices in the fiscal 2013 period.

For the three-month periods ended July 31, 2013 and 2012, we reported income before income taxes of $21.9 million and $5.2 million, respectively. The increase in the income before income taxes was primarily due to higher earnings from the increased revenues in the fiscal 2013 period partially offset by higher SG&A costs in the fiscal 2013 period.

West

Revenues in the nine-month period ended July 31, 2013 were higher than those in the nine-month period ended July 31, 2012 by $115.5 million, or 42.7%. The increase in revenues was attributable to a 30.5% increase in the number of homes delivered and a 9.3% increase in the average sales price of the homes delivered. The increase in the number of homes delivered in the fiscal 2013 period was primarily due to a higher backlog at October 31, 2012, as compared to October 31, 2011. The increase in the average price of the homes delivered was primarily due to a shift in the number of homes delivered to more expensive products and/or locations in the fiscal 2013 period.

The value of net contracts signed during the nine-month period ended July 31, 2013 increased $313.4 million, or 69.8%, as compared to the nine-month period ended July 31, 2012. This increase was due to a 28.5% increase in the number of net contracts signed and a 32.1% increase in the average value of each net contract signed. The increase in the number of net contracts signed was due to the addition of communities in Washington from our acquisition of CamWest in fiscal 2012 and an increase in demand in the fiscal 2013 period. The increase in the average sales price of net contracts signed was primarily due to a shift in the number of contracts signed to more expensive areas and/or products and increases in base selling prices in the fiscal 2013 period.

For the nine-month period ended July 31, 2013 and 2012, we reported income before income taxes of $42.9 million and $17.1 million, respectively. The increase in income before income taxes was primarily due to higher earnings from the increased revenues and lower cost of revenues, excluding interest, as a percentage of revenues in the fiscal 2013 period, offset, in part, by higher SG&A costs in the fiscal 2013 period. Cost of revenues as a percentage of revenues, excluding interest, was 76.8% in the nine-month period ended July 31, 2013, as compared to 79.5% in the fiscal 2012 period. The decrease in cost of revenues, excluding interest, as a percentage of revenue in the fiscal 2013 period was primarily due to a shift in the number of homes delivered to better margin products and/or location and the impact of purchase accounting on the homes delivered in the fiscal 2012 period from our acquisition of CamWest.

Revenues in the three-month period ended July 31, 2013 were higher than those in the three-month period ended July 31, 2012 by $19.9 million, or 16.0%. The increase in revenues was attributable to a 21.4% increase in the average sales price of the homes delivered, offset, in part, by a 4.4% decrease in the number of homes delivered. The increase in the average price of the homes delivered was primarily due to a shift in the number of homes delivered to more expensive products and/or locations, primarily in California, Colorado, and Washington in the fiscal 2013 period. The decrease in the number of homes delivered in the fiscal 2013 period, as compared to the fiscal 2012 period, was primarily due to a reduction of home deliveries in California from closings at several multi-family communities in the fiscal 2012 period which are substantially settled out.

The value of net contracts signed during the three-month period ended July 31, 2013 increased $58.3 million, or 31.3%, as compared to the three-month period ended July 31, 2012. This increase was due to a 31.3% increase in the average value of each net contract signed. The increase in the average sales price of net contracts signed was primarily due to a shift in the number of contracts signed to more expensive areas and/or products and increases in base selling prices.

For the three-month period ended July 31, 2013 and 2012, we reported income before income taxes of $21.8 million and $9.0 million, respectively. The increase in income before income taxes was primarily due to higher earnings from the increased revenues and lower cost of revenues, excluding interest, as a percentage of revenues in the fiscal 2013 period, offset, in part, by higher SG&A costs in the fiscal 2013 period. Cost of revenues as a percentage of revenues,

excluding interest, was 74.3% in the three-month period ended July 31, 2013, as compared to 79.0% in the fiscal 2012 period. The decrease in cost of revenues, excluding interest, as a percentage of revenue in the fiscal 2013 period was primarily due to a shift in the number of homes delivered to better margin products and/or locations.

Corporate and Other

For the nine-month period ended July 31, 2013 and 2012, corporate and other loss before income taxes was $62.4 million and $62.6 million, respectively. This decrease in the loss in the fiscal 2013 period was primarily due to $13.2 million of income

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from the previously-disclosed settlement of derivative litigation in the fiscal 2013 and higher income from Gibraltar's investment in a structured asset joint venture in the fiscal 2013 period, partially offset by higher unallocated SG&A and lower income from our Gibraltar operations in the fiscal 2013 period. The increase in unallocated SG&A in the fiscal 2013 period was primarily due to higher compensation, office and information technology expenses as a result of the increase in our business activity.

For the three-month period ended July 31, 2013 and 2012, corporate and other loss before income taxes was $25.3 million and $23.2 million, respectively. The increase in the loss in the fiscal 2013 period, as compared to the fiscal 2012 period, was primarily due to higher unallocated SG&A offset, in part, by higher income from our Gibraltar operations in the fiscal 2013 period. The increase in unallocated SG&A in the fiscal 2013 period was primarily due to higher compensation, office and information technology expenses as a result of the increase in our business activity.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The table below sets forth, at July 31, 2013, our debt obligations, principal cash flows by scheduled maturity, weighted-average interest rates and estimated fair value (amounts in thousands):

	Fixed-rate debt		Variable-rate debt	
Fiscal year of maturity	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate
2013	$106,462	5.44%	$65,654	3.00%
2014	295,974	4.86%	150	0.27%
2015	311,648	5.12%	150	0.27%
2016	6,597	5.23%	150	0.27%
2017	401,828	8.90%	150	0.27%
Thereafter	1,392,746	4.48%	11,945	0.16%
Discount	(4,315)			
Total	$2,510,940	5.35%	$78,199	2.55%
Fair value at July 31, 2013	$2,628,868		$78,199	

Based upon the amount of variable-rate debt outstanding at July 31, 2013, and holding the variable-rate debt balance constant, each 1% increase in interest rates would increase the interest incurred by us by approximately $0.8 million per year.

ITEM 4. CONTROLS AND PROCEDURES

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

The condensed consolidating financial statements included in Note 18 of the financial statements ("Guarantor Footnote") included in this Form 10-Q have been presented in a format that has been adjusted from prior quarterly reports in order to (i) retrospectively reflect the transfer of the balance sheet, statements of operations and cash flows of certain non-guarantor subsidiaries to guarantor subsidiaries as a result of such entities becoming guarantor subsidiaries as of April 30, 2013 and the reclassification of guarantor and non-guarantor intercompany advances and equity balances with corresponding offsets in the elimination column and (ii) revise the presentation of cash flows

from operating activities, financing activities and investing activities in the condensed consolidating statement of cash flows for the nine-month period ended July 31, 2012 to reflect intercompany activity, which had previously been included in cash flow from operating activities, as cash flow from investing

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activities and cash flow from financing activities. See Note 18 in the notes to the condensed consolidated financial statements for more detail.
This revised presentation of the Supplemental Guarantor Information has no impact or effect on Toll Brothers, Inc.'s condensed consolidated financial statements for any period presented, including the Condensed Consolidated Balance Sheets, Statements of Operations, Statements of Comprehensive Income or Statements of Cash Flows. The revised presentation of the Supplemental Guarantor Information has not changed or amended our Chief Executive Officer's and Chief Financial Officer's conclusions regarding the effectiveness of our disclosure controls and procedures.
Our chief executive officer and chief financial officer, with the assistance of management, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report (the “Evaluation Date”). Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.
There has not been any change in internal control over financial reporting during our quarter ended July 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS
We are involved in various claims and litigation arising principally in the ordinary course of business.
In January 2006, we 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 our home building projects in the states that comprise EPA Region 3. Thereafter, the U.S. Department of Justice assumed responsibility for the oversight of this matter and alleged that we violated regulatory requirements applicable to storm water discharges. The parties have entered into a consent decree, which has been approved by the presiding judge in the U.S. District Court for the Eastern District of Pennsylvania. We believe the disposition of this matter will not have a material adverse effect on our results of operations and liquidity or on our financial condition.

ITEM 1A. RISK FACTORS
There have been no material changes in our risk factors as previously disclosed in our Form 10-K for the fiscal year ended October 31, 2012.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three-month period ended July 31, 2013, we repurchased the following shares of our common stock:

Period	Total number of shares purchased (b) (in thousands)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (a) (in thousands)	Maximum number of shares that may yet be purchased under the plans or programs (a) (in thousands)
May 1, 2013 to May 31, 2013	1	$35.14	1	8,759
June 1, 2013 to June 30, 2013	486	30.85	486	8,273
July 1, 2013 to July 31, 2013	3	33.73	3	8,270
	490	$30.87	490	

(a) On March 20, 2003, we announced that our Board of Directors had authorized the repurchase of up to 20 million shares of our common stock, par value $.01, from time to time, in open market transactions or otherwise, for the purpose of providing shares for our various employee benefit plans. The Board of Directors did not fix an expiration date for the repurchase program.

(b) Our stock incentive plans permit participants to exercise non-qualified stock options using a “net exercise” method at the discretion of the Executive Compensation Committee of our Board of Directors. In a net exercise, we generally withhold from the total number of shares that otherwise would be issued to the participant upon exercise of the stock option that number of shares having a fair market value at the time of exercise equal to the option exercise price and applicable income tax withholdings, and remit the remaining shares to the participant. During the three-month period ended July 31, 2013, no participant used the net exercise method to exercise stock options.

Our stock incentive plans permit us to withhold from the total number of shares that otherwise would be issued to a restricted stock unit recipient upon distribution that number of shares having a fair value at the time of distribution equal to the applicable income tax withholdings due and remit the remaining shares to the restricted stock unit recipient. During the three months ended July 31, 2013, we withheld 174 of the shares subject to restricted stock unit to cover $6,000 of income tax withholdings and we issued the remaining 351 shares to the recipient. The shares withheld in connection with the net exercise method are not included in the total number of shares purchased in the table above.

In addition, our stock incentive plans also permit participants in our stock option plans to use the fair market value of Company common stock they own to pay for the exercise of stock options (“stock swap method”). During the three-month period ended July 31, 2013, no participant used the stock swap method to exercise stock options.

Except as set forth above, we have not repurchased any of our equity securities during the three-month period ended July 31, 2013.

We have not paid any cash dividends on our common stock to date and expect that, for the foreseeable future, we will not do so. In addition, our credit facility requires us to maintain a minimum tangible net worth (as defined in the credit agreement), which restricts the amount of dividends we may pay. At July 31, 2013, under the most restrictive of these provisions, we could have paid up to approximately $932.2 million of cash dividends.

ITEM 6. EXHIBITS

31.1*	Certification of Douglas C. Yearley, Jr. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Martin P. Connor pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Douglas C. Yearley, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Martin P. Connor pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.LAB*	XBRL Labels Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document

* Filed electronically herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TOLL BROTHERS, INC.
(Registrant)

Date: September 5, 2013	By: /s/ Martin P. Connor Martin P. Connor Senior Vice President and Chief Financial Officer (Principal Financial Officer)
Date: September 5, 2013	By: /s/ Joseph R. Sicree Joseph R. Sicree Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

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