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TOLL BROTHERS INC
Form 10-Q/A
September 12, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q/A
Amendment No. 1

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JULY 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 1-9186

Toll Brothers, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

23-2416878
(I.R.S. Employer
Identification No.)

3103 Philmont Avenue, Huntingdon Valley, Pennsylvania
(Address of principal executive offices)

19006
(Zip Code)

(215) 938-8000
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last
report)

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date:

Common Stock, \$.01 par value: 70,197,050 shares as of September 6, 2002

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TOLL BROTHERS, INC. AND SUBSIDIARIES INDEX

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STATEMENT ON FORWARD-LOOKING INFORMATION

Certain information included herein and in our other reports, SEC filings, statements and presentations is forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements concerning our anticipated operating results, financial resources, changes in revenues, changes in profitability, interest expense, growth and expansion, ability to acquire land, ability to sell homes and properties, ability to deliver homes from backlog, ability to open new communities, ability to secure materials and subcontractors and stock market valuations. In some cases you can identify those so called forward-looking statements by words such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates,"

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"predicts," "potential," or "continue" or the negative of those words or other comparable words. Such forward-looking information involves important risks and uncertainties that could significantly affect actual results and cause them to differ materially from expectations expressed herein and in our other reports, SEC filings, statements and presentations. These risks and uncertainties include local, regional and national economic and political conditions, the consequences of any future terrorist attacks such as those that occurred on September 11, 2001, the effects of governmental regulation, the competitive environment in which we operate, fluctuations in interest rates, changes in home prices, the availability and cost of land for future growth, the availability of capital, fluctuations in capital and securities markets, the availability and cost of labor and materials, and weather conditions.

Additional information concerning potential factors that we believe could cause our actual results to differ materially from expected and historical results is included under the caption "Factors That May Affect Our Future Results" in Item 1 of our Annual Report on Form 10-K for the fiscal year ended October 31, 2001. If one or more of the assumptions underlying our forward-looking statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by the forward-looking statements contained in this report. Therefore, we caution you not to place undue reliance on our forward-looking statements. This statement is provided as permitted by the Private Securities Litigation Reform Act of 1995.

When this report uses the word "we," "us," and "our," they refer to Toll Brothers, Inc. and its subsidiaries, unless the context otherwise requires.

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TOLL BROTHERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	July 31, 2002	October 31, 2001
	-----	-----
	(Unaudited)	
ASSETS		
Cash and cash equivalents	\$ 50,744	\$ 182,840
Inventory	2,525,660	2,183,541
Property, construction and office equipment, net	36,917	33,095
Receivables, prepaid expenses and other assets	82,287	74,481
Mortgage loans receivable	31,585	26,758
Customer deposits held in escrow	25,048	17,303
Investments in unconsolidated entities	17,692	14,182
	-----	-----
	\$ 2,769,933	\$ 2,532,200
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

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Liabilities:

Loans payable	\$ 254,601	\$ 362,712
Subordinated notes	819,643	669,581
Mortgage company warehouse loans	26,434	24,754
Customer deposits	137,411	101,778
Accounts payable	130,241	132,970
Accrued expenses	253,832	229,671
Income taxes payable	88,581	98,151
	-----	-----
Total liabilities	1,710,743	1,619,617
	-----	-----

Stockholders' equity:

Preferred stock		
Common stock	740	369
Additional paid-in-capital	101,811	107,014
Retained earnings	1,032,416	882,281
Treasury stock	(75,777)	(77,081)
	-----	-----
Total stockholders' equity	1,059,190	912,583
	-----	-----
	\$ 2,769,933	\$ 2,532,200
	=====	=====

See accompanying notes

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

	Nine months ended July 31,		Three months ended July 31,	
	2002	2001	2002	2001
	-----	-----	-----	-----
Revenues:				
Housing sales	\$1,587,168	\$1,529,394	\$ 565,355	\$ 573,479
Land sales	26,519	25,166	12,478	2,749
Equity earnings from unconsolidated joint ventures	1,743	7,575	246	2,314
Interest and other	7,952	11,718	2,628	5,526
	-----	-----	-----	-----
	1,623,382	1,573,853	580,707	584,068
	-----	-----	-----	-----
Costs and expenses:				
Housing sales	1,149,720	1,131,136	409,657	417,756
Land sales	18,125	19,611	8,947	2,073
Selling, general and administrative expenses	172,866	152,894	61,874	54,555

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Interest	45,258	40,506	15,626	15,524
	-----	-----	-----	-----
	1,385,969	1,344,147	496,104	489,908
	-----	-----	-----	-----
Income before income taxes	237,413	229,706	84,603	94,160
Income taxes	86,909	84,559	31,103	34,716
	-----	-----	-----	-----
Net income	\$ 150,504	\$ 145,147	\$ 53,500	\$ 59,444
	=====	=====	=====	=====
Earnings per share:				
Basic	\$ 2.13	\$ 2.01	\$ 0.76	\$ 0.83
Diluted	\$ 1.99	\$ 1.85	\$ 0.70	\$ 0.77
Weighted average number of shares:				
Basic	70,562	72,287	70,835	71,677
Diluted	75,722	78,269	76,685	77,413

See accompanying notes

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

	Nine months ended July 31,	
	2002	2001
	-----	-----
Cash flows from operating activities:		
Net income	\$ 150,504	\$ 145,147
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	8,104	7,233
Equity from earnings of unconsolidated joint ventures	(1,743)	(7,575)
Deferred tax provision	2,037	5,732
Changes in operating assets and liabilities:		
Increase in inventory	(327,907)	(394,925)
Origination of mortgage loans	(258,288)	(121,358)
Sale of mortgage loans	253,357	110,348
(Increase) decrease in receivables, prepaid expenses and other assets	(16,394)	559
Increase in customer deposits	35,633	10,316
Increase in accounts payable and accrued expenses	29,169	24,084
Decrease in current income taxes payable	(6,687)	(923)
	-----	-----
Net cash used in operating activities	(132,215)	(221,362)

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Cash flows from investing activities:		
Purchase of property, construction and office equipment, net	(10,642)	(12,262)
Investments in unconsolidated entities	(5,523)	
Distributions from unconsolidated entities	2,800	14,017
	-----	-----
Net cash (used in) provided by investing activities	(13,365)	1,755
	-----	-----
Cash flows from financing activities:		
Proceeds from loans payable	332,621	108,869
Principal payments of loans payable	(452,335)	(98,978)
Net proceeds from issuance of subordinated debt	149,748	196,975
Proceeds from stock-based benefit plans	12,532	12,909
Purchase of treasury stock	(29,082)	(36,500)
	-----	-----
Net cash provided by financing activities	13,484	183,275
	-----	-----
Decrease in cash and cash equivalents	(132,096)	(36,332)
Cash and cash equivalents, beginning of period	182,840	161,860
	-----	-----
Cash and cash equivalents, end of period	\$ 50,744	\$ 125,528
	=====	=====

See accompanying notes

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TOLL BROTHERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except per share amounts)
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for interim financial information. The October 31, 2001 balance sheet amounts and disclosures included herein have been derived from our October 31, 2001 audited financial statements. Since the accompanying condensed consolidated financial statements do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements, we suggest that they be read in conjunction with the financial statements and notes thereto included in our October 31, 2001 Annual Report on Form 10-K. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, which are of a normal recurring nature, necessary to present fairly our financial position as of July 31, 2002, the results of our operations for the nine months and three months ended July 31, 2002 and 2001 and our cash flows for the nine months ended July 31, 2002 and 2001. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the full year.

On March 4, 2002, our Board of Directors declared a two-for-one split of our common stock in the form of a stock dividend to stockholders of record on March 14, 2002. The additional shares were distributed on March 28, 2002. All share and per share information has been restated to reflect this split.

Statement of Financial Accounting Standards ("SFAS") No.142, "Goodwill and

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Other Intangible Asset" provides guidance on accounting for certain intangibles and eliminates the amortization of goodwill and certain intangible assets. Intangible assets, including goodwill, that are not subject to amortization are required to be tested for impairment and possible write-down on an annual basis. We adopted SFAS 142 on November 1, 2001, the first day of our 2002 fiscal year. We had \$8.9 million of goodwill at November 1, 2001. The adoption of SFAS 142 did not have a material impact on our financial statements. For the nine-month and three-month periods ended July 31, 2001, we amortized \$795 (net of \$466 of income taxes) and \$265 (net of \$156 of income taxes) of goodwill, respectively. Had we not amortized goodwill during the nine-month and three-month periods ended July 31, 2001, we would have reported net income, diluted earnings per share and basic earnings per share of \$145,942, \$1.86 and \$2.02, respectively, for the nine-month period and \$59,709, \$.77 and \$.83, respectively, for the three-month period.

Certain amounts reported in prior periods have been reclassified for comparative purposes.

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2. Inventory

Inventory consisted of the following:

	July 31, 2002	October 31, 2001
	-----	-----
Land and land development costs	\$758,105	\$833,386
Construction in progress	1,474,904	1,146,485
Sample homes and sales offices	160,835	107,744
Land deposits and costs of future development	122,421	89,360
Other	9,395	6,566
	-----	-----
	\$2,525,660	\$2,183,541
	=====	=====

Construction in progress includes the cost of homes under construction, land and land development costs and the carrying costs of lots that have been substantially improved.

The Company capitalizes certain interest costs to inventory during the development and construction period. Capitalized interest is charged to interest expense when the related inventory is closed. Interest incurred, capitalized and expensed is summarized as follows:

	Nine months ended July 31,		
	-----	-----	-----
	2002	2001	20
	-----	-----	-----
Interest capitalized, beginning of period	\$ 98,650	\$ 78,443	\$113
Interest incurred	67,550	58,110	22
Interest expensed	(45,258)	(40,506)	(15)
Write-off to cost of sales	(685)	(755)	
	-----	-----	-----
Interest capitalized,			

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end of period	\$120,257	\$ 95,292	\$120,257
	=====	=====	=====

3. Earnings per Share Information

Information pertaining to the calculation of earnings per share for the nine months and three months ended July 31, 2002 is as follows:

	Nine months ended July 31,		Three months ended July 31,
	2002	2001	2002
Basic weighted average shares	70,562	72,287	70,835
Common stock equivalents	5,160	5,982	5,850
Diluted weighted average shares	75,722	78,269	76,685

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4. Subordinated Notes

In November 2001, we issued \$150,000 of 8.25% Senior Subordinated Notes due 2011. We used the proceeds for general corporate purposes, including the acquisition of inventory.

5. Stock Repurchase Program

Our Board of Directors has authorized the repurchase of up to 10,000 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 the Company's various employee benefit plans. As of July 31, 2002, the Company had repurchased approximately 5,257 shares under the program.

6. Supplemental Disclosure to Statements of Cash Flows

The following are supplemental disclosures to the statements of cash flow for the nine months ended July 31, 2002 and 2001:

	Nine months ended July 31,
	2002
Supplemental disclosure of cash flow information:	
Interest paid, net of capitalized amounts	\$11,834
Income taxes paid	\$91,558

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Supplemental disclosures of non-cash activities:

Cost of residential inventories acquired through seller financing	\$13,993
Income tax benefit relating to exercise of employee stock options	\$4,921
Stock bonus award	\$6,853
Contribution to employee retirement plan	\$883

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES

Basis of Presentation

Our financial statements include the accounts of Toll Brothers, Inc. and its majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in 20% to 50% owned partnerships and affiliates are accounted for on the equity method.

Inventory

Inventory is stated at the lower of cost or fair value in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121. In addition to direct acquisition, land development and home construction costs, costs include interest, real estate taxes and direct overhead costs related to development and construction, which are capitalized to inventories during the period beginning with the commencement of development and ending with the completion of construction.

It takes approximately four to five years to fully develop, sell and deliver all the homes in one of our typical communities. Longer or shorter lengths of time are possible depending on the number of home sites in a community. Since our inventory is considered a long lived asset under accounting principles generally accepted in the United States, we are required to review the carrying value of the communities and write-down the value of those communities for which we believe the values are not recoverable. When the profitability of a current community deteriorates or the sales pace declines significantly or some other factor indicates a possible impairment in the recoverability of the asset, we evaluate the property in accordance with the guidelines of SFAS No. 121. If this evaluation indicates an impairment loss should be recognized, we charge cost of sales for the estimated impairment loss in that quarter.

In addition, we review all the land held for future communities or future sections of current communities, whether owned or under contract, to determine whether or not we expect to proceed with the development of the land. Based upon this review, we decide: (a) as to land that is under a purchase contract but not owned, whether the contract will be terminated or renegotiated; and (b) as to land we own, whether the land can be developed as contemplated or in an alternative manner or should be sold. Based upon this review, we further determine what costs that have been capitalized to the property are recoverable and what costs should be written-off.

Land, land development and related costs (both incurred and estimated to be

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incurred) are amortized to the cost of homes closed based upon the total number of homes to be constructed in each community. Home construction and related costs are charged to the cost of homes closed under the specific identification method. Any changes to the estimated costs subsequent to the commencement of delivery of homes are allocated to the remaining homes in the community.

The estimated land, common area development and related costs of master planned communities (including the cost of golf courses, net of its estimated residual value) are allocated to individual communities within the master planned community on a relative sales value basis. Any change in the estimated costs are allocated to the remaining lots in each of the communities of the master planned community.

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Income Recognition

Revenue and cost of sales are recorded at the time each home, or lot, is closed and title and possession is transferred to the buyer.

Joint Venture Accounting

We have entered into three joint ventures with independent third parties to develop and sell land that was owned or is currently owned by our venture partners. We recognize our share of earnings from the sale of lots to other builders. We do not recognize earnings from lots we purchase, but reduce our cost basis in the lots by our share of the earnings on those lots. We have agreed to purchase 180 lots from one of the ventures and 46 lots from another, and we have the right to purchase up to 385 lots from the third. We also will participate in the profits earned from the lots sold to other builders above certain agreed upon levels. At July 31, 2002 we had approximately \$9 million invested in these joint ventures and were committed to contribute additional capital of approximately \$31 million if the joint ventures require it.

In addition, we effectively own one-third of Toll Brothers Realty Trust Group (the "Trust"), which was formed with a number of our senior executives and directors and with the Pennsylvania State Employees Retirement System to take advantage of commercial real estate opportunities that may present themselves from time to time. We provide development, finance and management services to the Trust and receive fees under various agreements. At July 31, 2002, our investment in the Trust was \$7.5 million. We also entered into a subscription agreement whereby each group of investors agreed to invest an additional \$9.3 million if required by the Trust. The original subscription agreement was to expire in June 2002 but was extended to August 2003. The Trust currently owns and operates several office buildings and an apartment complex, a portion of which is still under construction.

We also own 50% of a joint venture with an unrelated third party that is currently selling and building an active adult, age-qualified community. At July 31, 2002, our investment was \$1.2 million in this joint venture.

We do not currently guarantee any indebtedness of the joint ventures or the Trust. Our total commitment to these entities is not material to our financial condition. These investments are accounted for on the equity method.

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RESULTS OF OPERATIONS

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The following table sets forth, for the periods indicated, comparisons of certain income statement items related to the Company's operations (amounts in millions):

	Nine months ended July 31,				
	2002		2001		2002
	\$	%	\$	%	\$
Housing sales					
Revenues	1,587.2		1,529.4		565.4
Costs	1,149.7	72.4	1,131.1	74.0	409.7
Land sales					
Revenues	26.5		25.2		12.5
Costs	18.1	68.3	19.6	77.9	8.9
Equity earnings from unconsolidated joint ventures	1.7		7.6		0.2
Other	8.0		11.7		2.6
Total revenues	1,623.4		1,573.9		580.7
Selling, general & administrative expenses*	172.9	10.6	152.9	9.7	61.9
Interest expense*	45.3	2.8	40.5	2.6	15.6
Total costs and expenses*	1,386.0	85.4	1,344.1	85.4	496.1
Income before income taxes*	237.4	14.6	229.7	14.6	84.6

* Percentages are based on total revenues
Note: Amounts may not add due to rounding.

HOUSING SALES

Housing revenues for the nine months ended July 31, 2002 were higher than those for the comparable period of 2001 by approximately \$58 million, or 4%. The revenue increase in the nine-month period was attributable to a 3% increase in the number of homes delivered and a 1% increase in the average price of the homes delivered. Housing revenues for the three months ended July 31, 2002 declined approximately \$8.1 million or 1% over the three-month period ended July 31, 2001. The decrease in revenues in the three-month period of fiscal 2002 was

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attributable to a 3% decrease in the number of homes delivered offset in part by a 2% increase in the average price of the homes delivered. The increase in the average price of the homes delivered in both periods of fiscal 2002 was the result of increased selling prices and a shift in the location of homes delivered to more expensive areas. Homes delivered in the nine-month period are generally those homes that were in backlog at the beginning of the period and the homes contracted for during the first three months of the period. The increase in the number of homes delivered in the nine month period of fiscal 2002 is primarily due to our delivering a higher percentage of homes that were in backlog at October 31, 2001 and homes contracted for in the first quarter of fiscal 2002 compared to the percentage of homes we delivered in the fiscal 2001 period from the October 31, 2000 backlog and homes contracted for in the first quarter of fiscal 2001.

Homes delivered in our fiscal third quarter are generally homes that would have been contracted for in the fourth quarter of the prior fiscal year and the first quarter of the current fiscal year. The decrease in the number of homes delivered in the three-month period ended July 31, 2002 compared to the three-month period ended July 31, 2001 was due primarily to the decline in new contracts signed in our fourth quarter of fiscal 2001 compared to the fourth quarter of fiscal 2000 and the continued softness in new contract signing that we encountered in the first portion of the first quarter of fiscal 2002. The decline in new contracts in the fourth quarter of fiscal 2001 and the softness in the first part of the first quarter of fiscal 2002 was due primarily to the slowing economy exacerbated by the tragic events of September 11, 2001 and the delays in the opening of new communities due to increased governmental regulation. We believe that the decline in contracts in the fourth quarter of fiscal 2001 and the softness in new contract signing that we encountered in the first part of the first quarter of fiscal 2002 will also have a negative impact on the number of homes delivered in the fourth quarter of fiscal 2002. We expect that the negative impact of the aforementioned slowdown on unit deliveries in the fourth quarter of fiscal 2002 will be significantly reduced by an increase in the delivered price of the homes. For fiscal 2002, we expect to deliver between 4,275 and 4,425 homes, compared to 4,358 homes in fiscal 2001, and realize revenues from housing sales of between \$2.17 billion and \$2.27 billion as compared to \$2.18 billion in fiscal 2001.

The value of new sales contracts signed amounted to \$2.09 billion (3,908 homes) in the nine months ended July 31, 2002, a 24% increase over the value of contracts signed in the comparable period of fiscal 2001 of \$1.69 billion (3,396 homes). This increase is attributable to a 15% increase in the number of units sold and an 8% increase in the average selling price of the homes (due primarily to the location and size of homes sold and increases in base selling prices). For the three months ended July 31, 2002, the value of contracts signed increased 30% over the comparable period of fiscal 2001. This increase was primarily attributable to a 17% increase in the number of units sold and an 11% increase in the average selling price of the homes. The increase in the number of units sold is attributable to an increase in the number of communities from which we are selling and the continued demand for our product. At July 31, 2002, we were selling from 167 communities compared to 142 communities at July 31, 2001 and 155 communities at October 31, 2001.

We believe that the demand for our product is attributable to an increase in the number of affluent households, the maturation of the baby boom generation, a constricted supply of available new home sites, attractive mortgage rates and the appeal on the part of potential customers that the purchase of a home is a stable investment in the current period of economic uncertainty. At July 31, 2002, we had over 42,000 home sites under our control nationwide in markets we consider as affluent.

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At July 31, 2002, our backlog of homes under contract was \$1.90 billion (3,441 homes), 21% higher than the \$1.58 billion (3,055 homes) backlog at July 31, 2001 and 35% higher than the \$1.41 billion (2,727 homes) backlog at October 31, 2001. The increase in backlog at July 31, 2002 is primarily attributable to the increase in the number of new contracts signed and the increased prices of the homes sold during fiscal 2002 as previously discussed. Based on the size of our current backlog, the continued demand for our product and the increased number of selling communities from which we are operating and the additional communities we expect to open in the coming months, we believe that we will deliver approximately 5,000 homes in fiscal 2003 and the average delivered price of those homes will be approximately \$525,000 to \$530,000.

Housing costs as a percentage of housing sales decreased in both periods of fiscal 2002 as compared to the comparable periods of fiscal 2001. The decreases were largely the result of selling prices increasing at a greater rate than costs, lower land and improvement costs, improved operating efficiencies and lower inventory write-offs, offset in part by sales incentives provided to customers in the later part of the fourth quarter of fiscal 2001 and the beginning of the first quarter of fiscal 2002 to help reduce the effect on new orders from the economic slowdown in the later part of fiscal 2001 and the tragedy of September 11th. The Company incurred \$3.4 million and \$1.6 million in write-offs in the nine-month and three-month periods ended July 31, 2002, respectively, as compared to \$6.6 million and \$2.3 million in the comparable periods of fiscal 2001.

LAND SALES

We are developing several master planned communities in which we sell land to other builders. The amount of land sales will vary from quarter to quarter depending upon the scheduled timing of the delivery of the land parcels. Land sales amounted to \$26.5 million and \$12.5 million for the nine months and three months ended July 31, 2002, respectively, as compared to \$25.2 million and \$2.7 million for the comparable periods of 2001.

EQUITY EARNINGS IN UNCONSOLIDATED JOINT VENTURES

We have entered into three joint ventures to develop and sell lots to other builders. We also acquire or will acquire lots from these ventures for our own use. We recognize our share of earnings from the sale of lots to other builders but do not recognize earnings from lots we purchase. We reduce our cost basis in the lots we purchase from the joint ventures by our share of the earnings on those lots. Earnings from the joint ventures will vary significantly from quarter to quarter.

INTEREST AND OTHER INCOME

Interest and other income decreased \$3.8 million in the nine-month period ended July 31, 2002 as compared to the comparable period of fiscal 2001. The decrease was principally due to a decrease in interest income, the gain from the sale of an office building constructed by the Company recognized in the 2001 period, a decrease in earnings from the Company's ancillary businesses, offset in part by increased income from retained customer deposits.

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For the three months ended July 31, 2002, interest and other income decreased \$2.9 million as compared to the three months ended July 31, 2001. This decrease was primarily the result of a gain realized in the 2001 period on the sale of an office building constructed by the Company, a decrease in interest income and a

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decrease in earnings from the Company's ancillary businesses.

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

SG&A spending increased by \$20.0 million or 13% and \$7.3 million or 13% in the nine-month and three-month periods ended July 31, 2002 as compared to the comparable periods of fiscal 2001. This increased spending was principally due to the greater number of selling communities that we had during both periods of fiscal 2002 as compared to the comparable periods of fiscal 2001.

INTEREST EXPENSE

We determine interest expense on a specific lot-by-lot basis for our homebuilding operations and on a parcel-by-parcel basis for land sales. As a percentage of total revenues, interest expense varies depending on many factors including the period of time that we owned the land, the length of time that the homes delivered during the period were under construction, and the interest rates and the amount of debt carried by us in proportion to the amount of our inventory during those periods. Interest expense as a percentage of revenues was slightly higher in the nine-month period ending July 31, 2002 as compared to the comparable period of 2001, and approximately the same for the three-month period ending July 31, 2002 as compared to the three-month period of fiscal 2001.

INCOME BEFORE INCOME TAXES

Income before taxes increased 3% in the nine-month period ended July 31, 2002 over the comparable period of fiscal 2001 and declined 10% in the three-month period ended July 31, 2002 as compared to the comparable period of fiscal 2001.

INCOME TAXES

Income taxes were provided at an effective rate of 36.6% and 36.8% for the nine-month periods ended July 31, 2002 and 2001, respectively. For the three-month periods ended July 31, 2002 and 2001, income taxes were provided at 36.8% and 36.9%, respectively. The difference in rates in the nine-month periods and three-month periods of fiscal 2002 as compared to comparable periods of fiscal 2001 was due primarily to higher tax-free income in fiscal 2002 as compared to fiscal 2001.

CAPITAL RESOURCES AND LIQUIDITY

Funding for our operations has been provided principally by cash flows from operations, unsecured bank borrowings and the public debt markets.

Cash flow from operations, before inventory additions, has improved as operating results have improved. One of the main factors that determines cash flow from operations, before inventory additions, is the level of revenues from the delivery of homes and land sales. We anticipate that cash flow from operations, before inventory additions, will continue to be strong. We have used our cash flow from operations, before inventory additions, bank borrowings and public debt to: acquire additional land for new communities; fund additional expenditures for land development; fund construction costs needed to meet the

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requirements of our increased backlog and continuing expansion of the number of communities in which we are offering homes for sale; repurchase our stock; and repay debt. We expect that inventory will continue to increase and we are currently negotiating and searching for additional opportunities to obtain control of land for future communities.

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At July 31, 2002, we had a \$535 million unsecured revolving credit facility with 16 banks, of which \$90 million extends to February 2003 and \$445 million extends to March 2006. At July 31, 2002, we had \$15 million of loans and approximately \$70 million of letters of credit outstanding under the facility. In August 2002, we increased the amount of our term loan due July 2005 from \$192.5 million to \$207.5 million and increased the amount of our revolving credit facility to \$615 million, \$525 million of which extends to March 2006.

We believe that we will be able to continue to fund our activities through a combination of existing cash resources, cash flow from operations and existing sources of credit.

HOUSING DATA (\$ in millions)

CLOSINGS: Nine months ended July 31,

	2002	\$	2001	
	units		units	
	-----		-----	
Northeast (MA, RI, NH, CT, NY, NJ)	650	337.5	706	
Mid-Atlantic (PA, DE, MD, VA)	1,110	517.5	954	
Midwest (OH, IL, MI)	305	142.4	319	
Southeast (FL, NC, TN)	433	172.3	356	
Southwest (AZ, NV, TX)	389	209.0	416	
West Coast (CA)	271	208.5	328	
	-----		-----	
Total	3,158	1,587.2	3,079	1
	=====		=====	

CONTRACTS: Nine months ended July 31,

	2002	\$	2001	
	units		units	
	-----		-----	
Northeast (MA, RI, NH, CT, NY, NJ)	680	391.5	640	
Mid-Atlantic (PA, DE, MD, VA)	1,436	669.8	1,221	
Midwest (OH, IL, MI)	313	159.7	398	
Southeast (FL, NC, TN)	551	252.0	421	
Southwest (AZ, NV, TX, CO)	490	243.7	403	
West Coast (CA)	438	374.9	313	
	-----		-----	
Total	3,908	2,091.6	3,396	1
	=====		=====	

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BACKLOG AT JULY 31,	2002		2001
	units	\$	units
Northeast (MA, RI, NH, CT, NY, NJ)	681	384.6	657
Mid-Atlantic (PA, DE, MD, VA)	1,159	544.5	946
Midwest (OH,IL, MI)	302	157.1	349
Southeast (FL, NC, TN)	446	231.1	377
Southwest (AZ, NV, TX, CO)	443	222.2	404
West Coast (CA)	410	365.0	322
Total	3,441	1,904.5	3,055

CLOSINGS: Three months ended July 31,	2002		2001
	units	\$	units
Northeast (MA, RI, NH, CT, NY, NJ)	214	114.5	243
Mid-Atlantic (PA, DE, MD, VA)	429	203.4	355
Midwest (OH,IL, MI)	89	41.6	116
Southeast (FL, NC, TN)	143	58.0	141
Southwest (AZ, NV, TX)	142	77.7	155
West Coast (CA)	76	70.2	119
Total	1,093	565.4	1,129

CONTRACTS: Three months ended July 31,	2002		2001
	units	\$	units
Northeast (MA, RI, NH, CT, NY, NJ)	231	131.2	197
Mid-Atlantic (PA, DE, MD, VA)	455	219.7	430
Midwest (OH,IL, MI)	111	58.4	102
Southeast (FL, NC, TN)	164	82.1	146
Southwest (AZ, NV, TX, CO)	184	94.3	131
West Coast (CA)	129	118.5	79

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Total	1,274	704.2	1,085
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NOTE: Contracts for the three-month and nine-month periods ended July 31, 2002 include \$4.2 million (12 homes) and \$8.9 million (26 homes), respectively, from an unconsolidated 50% owned joint venture. Contracts for the three-month and nine-month periods ended July 31, 2001 include \$1.9 million (6 homes) and \$11.6 million (41 homes), respectively, from this joint venture. Backlog at July 31, 2002 and July 31, 2001 includes \$5.4 million (15 homes) and \$9.1 million (30 homes), respectively, from this joint venture.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our market risk from October 31, 2001. For more information regarding our market risk, see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the fiscal year ended October 31, 2001.

ITEM 4. Controls and Procedures

There have not been any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of the chief executive officer's and chief financial officer's most recent evaluation.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We are involved in various claims and litigation arising principally in the ordinary course of business. We believe that the disposition of these matters will not have a material adverse effect on our business or on our financial condition. There are no proceedings required to be disclosed pursuant to Item 103 of Regulation S-K.

ITEM 2. Changes in Securities and Use of Proceeds

None

ITEM 3. Defaults upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

None

ITEM 5. Other Information

None.

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ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 99.1* Certification of Robert I. Toll pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 99.2* Certification of Joel H. Rassman pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Filed electronically herewith.

(b) Reports on Form 8-K

During the quarter ended July 31, 2002, we filed a Current Report on Form 8-K on July 2, 2002 for the purpose of filing Exhibit 11, "Statement re: computation of per share earnings" reflecting the restated earnings per share for our two-for-one stock split, and filing Exhibit 99.1 reflecting the transitional disclosure required by Statement of Financial Accounting Standards No.142.

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 12, 2002

By: /s/ Joel H. Rassman

Joel H. Rassman
Executive Vice President,
Treasurer and Chief
Financial Officer

Date: September 12, 2002

By: /s/ Joseph R. Sicree

Joseph R. Sicree
Vice President -
Chief Accounting Officer
(Principal Accounting Officer)

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CERTIFICATION

I, Robert I. Toll, Chief Executive Officer of Toll Brothers, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Toll Brothers, Inc.;

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2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

Date: September 12, 2002

By: /s/ Robert I. Toll

Robert I. Toll
Chief Executive Officer

CERTIFICATION

I, Joel H. Rassman, Chief Financial Officer of Toll Brothers, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Toll Brothers, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

Date: September 12, 2002

By: /s/ Joel H. Rassman

Joel H. Rassman
Chief Financial Officer