Toll Brothers

2001 Annual Report

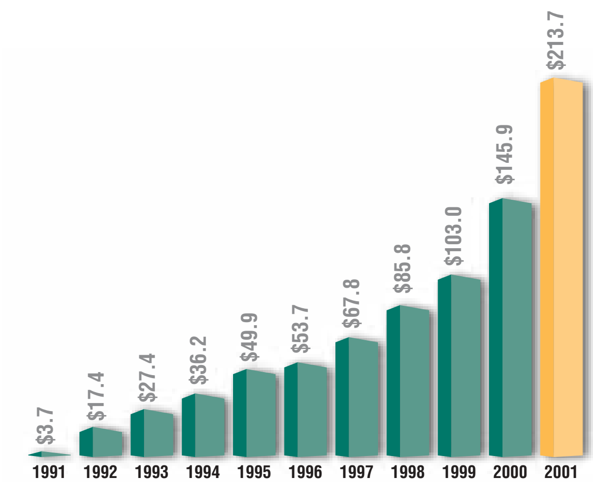
The Nation's Leading Builder of Luxury Homes

AMERICA'S *Luxury* HOME BUILDER

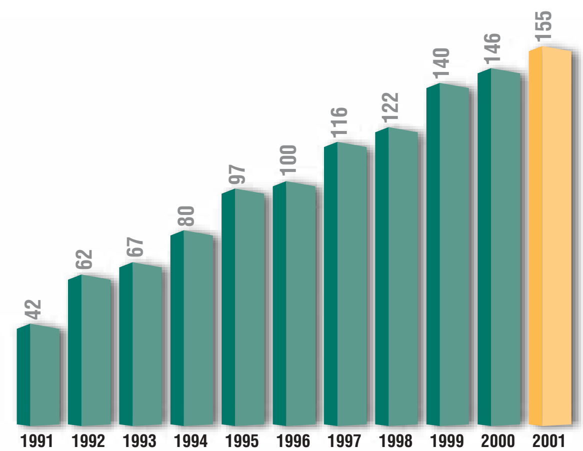
Toll Brothers is the nation's leading builder of luxury homes. A *Fortune 1000* company and the eighth largest home builder by revenues in the United States, Toll Brothers was formed in 1967 and has been publicly traded on the New York Stock Exchange (NYSE: TOL) since 1986. The Company serves move-up, empty-nester and active-adult home buyers in six regions, 21 states and 41 markets from 155 selling communities.

Toll Brothers operates its own architectural, engineering, mortgage, title, land development and land sale, golf course development and management, home security, landscape, cable TV and broadband Internet access subsidiaries. Toll Brothers also maintains its own lumber distribution and component assembly and manufacturing operations. The Company acquires and develops apartment and commercial properties through its affiliate, Toll Brothers Realty Trust.

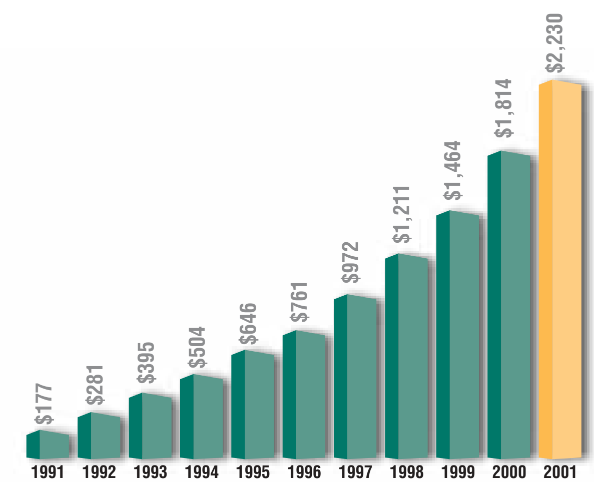
Toll Brothers is the only national home builder to have won all three of the industry's highest honors: ***America's Best Builder, the National Housing Quality Award*** and ***Builder of the Year***. The Company's homes have won awards for design excellence in all its regions. With Toll Brothers' reputation for quality, value and choice, and unique customization systems, we have become the brand name in luxury homes in the United States.



Net Income (in millions)
Fiscal Year End October 31
Before extraordinary items and change in accounting



Selling Communities
Fiscal Year End October 31



Revenues (in millions)
Fiscal Year End October 31

THE MIDWEST

Michigan • Illinois • Ohio

Revenues *(in millions)*	$211
Contracts *(in millions)*	$232
Lots Owned or Controlled	3,148
Year-end Backlog *(in millions)*	$151
Average Price in Backlog *(in thousands)*	$458

THE NORTHEAST

New Jersey • New York • Connecticut Massachusetts • New Hampshire • Rhode Island

Revenues *(in millions)*	$478
Contracts *(in millions)*	$441
Lots Owned or Controlled	8,130
Year-end Backlog *(in millions)*	$331
Average Price in Backlog *(in thousands)*	$508

THE WEST COAST

Los Angeles, San Francisco, San Diego & Palm Springs, California

Revenues *(in millions)*	$328
Contracts *(in millions)*	$278

THE MID-ATLANTIC

Pennsylvania • Delaware • Maryland Virginia

Revenues *(in millions)*	$646
Contracts *(in millions)*	$719

Lots Owned or Controlled 3,682

Year-end Backlog *(in millions)* $199

Average Price in Backlog $817
(in thousands)

Lots Owned or Controlled 16,079

Year-end Backlog *(in millions)* $392

Average Price in Backlog $471
(in thousands)

The Southwest

Arizona • Nevada • Texas • Colorado

Revenues *(in millions)*	$287
Contracts *(in millions)*	$265
Lots Owned or Controlled	4,712
Year-end Backlog *(in millions)*	$188
Average Price in Backlog *(in thousands)*	$548

The Southeast

Florida • North Carolina • Tennessee

Revenues *(in millions)*	$234
Contracts *(in millions)*	$239
Lots Owned or Controlled	3,395
Year-end Backlog *(in millions)*	$151
Average Price in Backlog *(in thousands)*	$462

The Chesapeake, Virginia

LUXURY MOVE-UP

The move-up market has been the core of our business for 34 years. We now build homes ranging in size from 2,000 to over 6,000 square feet and in price from the low $200,000s to over $1 million. With the largest group of baby boomers, – the more than 4 million people born annually between 1954 and 1964 – now entering their peak earning and move-up home buying years, we anticipate strong demand for move-up homes throughout this decade. Our move-up buyers are typically growing families. They love our homes for their spacious, flexible living environments, state-of-the-art technology, and elegance – key features that enhance their achievement-oriented lifestyles.

The Palazzo at Mizner Country Club, Florida

LUXURY EMPTY-NESTER

Since entering the empty-nester market in the early 1990s, we've grown this segment to over 30% of our home sales. Empty nesters generally are 50+ year-old home buyers living without children. Some buy our smaller jewel box homes loaded with the latest amenities and luxuries. Others buy our larger homes with first-floor master suites, multiple home offices and gorgeous entertaining areas. Some buy more than one home from us: a primary residence in a northern locale and a second home in a Sun Belt market. Empty nesters are particularly drawn to our recreation-oriented communities with golf courses, pool complexes, walking trails, tennis courts and country clubs.

The Clubhouse at Riviera at Westlake, New Jersey

LUXURY ACTIVE-ADULT

Active adults are pre-retirees and retirees seeking age-qualified (55+ years or better), recreational lifestyle communities. We opened our first luxury active-adult community in 1999 and now have 5 selling communities, with 12 more in development. Most active adults want to remain near family and friends. Therefore, we locate most of our communities in areas not typically associated with active-adult living, such as the Northeast, Midwest and Mid-Atlantic states. With over 6,000 home sites for active-adult communities in our pipeline, we envision this business generating up to 15% of our home sales in the next few years.

The Antigua, Arizona

Dear Shareholder:

We have just completed our ninth consecutive year of record earnings, our tenth consecutive year of record revenues and our eleventh consecutive year of record contracts. Our record net income rose 46% in 2001 and has more than doubled in the past two years. Our stockholders' equity grew by 22% and our return on equity reached 28%. Over the past one, three, five, seven and ten-year periods we have produced compound average annual growth of at least 20% in stockholders' equity, 23% in revenues and 29% in earnings.

In fiscal 2000, tremendous demographics combined with constrained lot supplies and a booming economy pushed demand far in excess of supply and led to rapidly increasing home prices. With comparable demographics and home site constraints, we continued to raise prices through most of fiscal 2001 – until the economic slowdown and the events of September 11th took hold in the latter part of the year.

Our orders grew through most of 2001, notwithstanding the dot.com implosion, the Nasdaq decline and numerous well-publicized layoffs. Through August, we believed we were on track for another record performance in 2002 as demand for luxury homes remained healthy.

The September 11th terrorist attacks accelerated the slide of an already fragile economy. We felt the greatest impact in the first few weeks after the events as consumer confidence and the stock market both dropped sharply. Due to the fallout from the attacks, coupled with delays in opening new communities, our ten-plus year string of 42 consecutive quarterly year-over-year records for signed contracts was ended in our fourth quarter of 2001. As a result, our year-end backlog of $1.4 billion was slightly below the previous year-end record.

Recently our optimism for 2002 has been rekindled as we've begun to see renewed vigor in the luxury market. Although results have been volatile from week to week and market to market, we have seen signs of strength in nearly all of our territories. What began as a gradual but choppy recovery has started to accelerate: our deposits per community in the last four weeks were 20% ahead of last year's pace.

Although none of us can predict the economic impact of current world events, we see many positive signs for home builders. Aggressive interest rate cuts from the Federal Reserve have brought mortgage rates down to near thirty-year lows. The financial markets appear to have stabilized and consumer confidence, by several measures, is on the rise.

Meanwhile, municipalities continue to create new rules and requirements for securing final approvals that delay the start of construction and the opening of new communities. In the short run these regulations can hamper our results, but in the long run they create barriers to entry and further constrict the supply of available home sites. This environment favors Toll Brothers and other large builders with the capital and expertise to prevail through arduous approval processes. With control of more than 39,000 home sites in many of the nation's most affluent markets, we will continue to gain market share from our smaller, less well-capitalized luxury market competitors.

Since last March, when experts now tell us the recession began, both the home building industry in general, and our Company in particular, have demonstrated great resiliency. We hope and believe that investors will start to recognize that home building is now a much more stable, less cyclical industry than it was a decade ago. It is dominated by well-managed multi-billion dollar firms who can be relied upon to navigate through difficult periods in the economy. The cycles are further moderated by a highly liquid home mortgage market and restrictive land approval processes that limit

Sitting left to right: Robert I. Toll, Chairman of the Board and C.E.O.; Zvi Barzilay, President and C.O.O.; Wayne S. Patterson, Senior Vice President; Joel H. Rassman, Senior Vice President, Treasurer and C.F.O.; Bruce E. Toll, Vice Chairman of the Board

Standing left to right, Vice Presidents: Barry A. Depew; Thomas A. Argyris, Jr.; Douglas C. Yearley, Jr.; G. Cory DeSpain; Richard T. Hartman; Edward D. Weber

The Strathmore Kitchen, Texas

home site availability. Perhaps, as this stability becomes better understood, the large public home builders will receive the earnings multiples and valuations that we deserve. Believing in our Company's unrecognized value, we repurchased over 2 million shares of our Common Stock in fiscal 2001.

Because we sign contracts with our buyers and then build their homes, we can reasonably predict our next six to nine months' results. Based on our existing year-end backlog, which was down 1.6% compared to one year ago, and early 2002 signed contracts, fiscal 2002's first three quarters, though probably not another record, should be very strong.

We will continue to pursue our strategy of growth and product diversification. We ended fiscal 2001 with 155 selling communities compared to 146 at FYE 2000 and expect to have open 175 selling communities, including our first communities in San Antonio and Denver, by FYE 2002. With more selling communities, we believe 2003 should be outstanding as we will be in an excellent position to continue the dynamic growth that has characterized our performance of the past decade.

The demographics supporting the luxury new home market in all our product lines should continue to drive demand through this new decade. Affluent households remain the fastest growing economic group of home buyers, and maturing baby boomers are entering our luxury move-up, empty-nester and active-adult target markets in record numbers.

For 34 years in the home building business, and 15 as a public company, we have survived and flourished through many economic cycles. The steps we've taken in the past decade to increase our capital base, diversify our product mix and expand geographically should help us to remain strong through downturns and capitalize on our strength as the economy rebounds.

In a weak economy, there is a flight to quality. Buyers are drawn to builders with strong balance sheets and brand-name reputations who can deliver quality homes on time and provide strong customer service. Land sellers seek out those with capital and the ability to complete transactions. Banks become more selective in the firms they will lend to. As the dominant luxury home builder in the United States with a national brand-name reputation, this flight to quality will benefit our Company.

As one of just three home builders with investment-grade ratings from all three rating agencies – Standard & Poor's, Moody's and Fitch – our financial credentials are excellent. To assure ourselves an adequate capital supply to support growth, we've continued to solidify our capital base. This past spring we extended to 2006 the maturity of $445 million of our 16-bank revolving credit facility. And in November 2001, we raised $150 million through a 10-year 8.25% senior subordinated public debt offering.

We begin fiscal 2002 with ample liquidity, a superb management team and a sense of determination and focus. In a climate of economic uncertainty, we will work harder and be more attuned to the messages that the market place is sending us. Our diligence will prevail and our commitment to excellence will enable us to thrive as we continue to satisfy the dreams of the growing waves of luxury home buyers in our expanding geographic domain.

The pride we take in this year's accomplishments is muted by the pain we feel as we recall the tragic events of September 11th. On September 12th, the day after the attacks, on behalf of all of Toll Brothers, we committed $1 million to support the families of victims, rescue workers and others impacted by the terrible events. We joined with a number of other major builders to galvanize our industry to raise additional funds to support the rescue efforts. As we enter the new year, our thoughts and prayers continue to go out to all those affected by the tragic events of September 11th.

We thank our shareholders and home buyers for placing their trust and confidence in us. And we thank the wonderful associates of Toll Brothers, whose extraordinary efforts and accomplishments have led us to new heights and made Toll Brothers America's leading builder of luxury homes.

ROBERT I. TOLL
Chairman of the Board and
Chief Executive Officer

BRUCE E. TOLL
Vice Chairman

ZVI BARZILAY
President and
Chief Operating Officer

December 11, 2001

The Coventry , New Jersey

AN *Evolving* COMPANY

A Proven Track Record. A decade ago, as the economy recovered from the last recession, those builders with their capital, expertise and reputations intact were able to sow the seeds of future growth through opportunistic land acquisitions and strategic expansion.

In the early 1990s, we aggressively expanded in our five existing markets – New Jersey, Pennsylvania, Delaware, Massachusetts and Maryland – and entered four new states – California, New York, Connecticut and Virginia – that in 2001 produced over 25% of our revenues. These moves helped lay the foundation for the more than 20% compound average annual growth we've produced over the past decade.

Dynamic Geographic Expansion. Now, in an economy once again emerging from a recession, we are a much more powerful company, better positioned than ever to take advantage of the opportunities that will arise. We operate in six regions, 21 states and 41 distinct markets, compared to just five states in 1991. In 2001, each of our regions produced more revenues than our entire company did just a decade ago. Diversification has reduced our reliance on individual markets and has positioned us to prosper in many different territories.

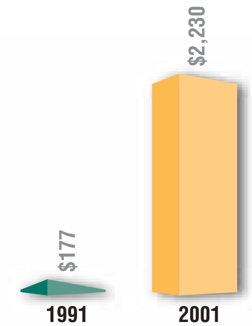
The Somerset Living Room, Michigan

Diversified Product Niches. During the past decade, we have developed strong footholds in three distinct niches: a greatly expanded move-up niche, which was our sole focus a decade ago; the empty-nester market, which now accounts for more than 30% of our business; and the active-adult, age-qualified market, which we entered in 1999. Because each of these groups has very different economic motivations and lifestyle timetables, this diversification affords us additional risk protection and profit opportunity.

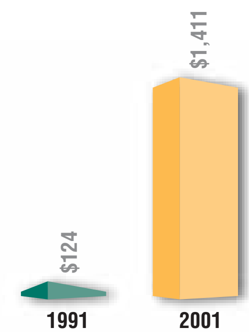
Solid Capital Base. With our investment-grade credit ratings, we can access the capital markets at better rates than nearly all of our competitors. With stockholders' equity of $913 million, an average maturity of 6.5 years on our outstanding debt and more than $400 million unused and available under our bank revolving credit facility, our capital base dwarfs the smaller private builders with whom we compete and gives us tremendous cash flow and capital availability for opportunistic growth.

Then vs. Now

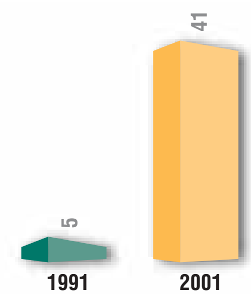
Fiscal Year End October 31



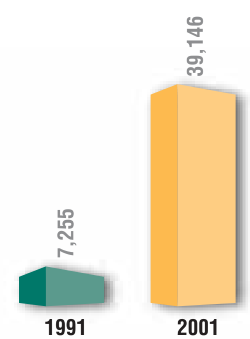
Revenues (in millions)



Backlog (in millions)



Metropolitan Markets



Lots Owned or Controlled

Naples Lakes Country Club, Florida

AN *Entrepreneurial* BUSINESS MODEL

Small Builder Entrepreneurship and Big Builder Strength. Serving luxury home buyers on a nationwide basis requires a different business model. We marry the financial resources and efficiencies of high-volume home production with the flexibility and customer service of the small entrepreneurial builder. No other home builder has been able to do this on a nationwide scale: we build over 4,000 luxury homes annually across six regions of the United States.

One-Stop Shopping. We make buying a luxury home easy for our very busy customers. With one-stop shopping, we are the land provider, the architect, the builder, and, to a great extent, the interior designer. We can provide the financing, landscaping, Internet access, cable TV, home security and many other services to our home buyers.

Systematized Quality, Value and Choice. At Toll Architecture, we pre-design the hundreds of homes and thousands of combinations of options we offer and provide our clients with a constant flow of fresh new designs and options. We pre-budget our homes at Toll Integrated Systems, where we also manage the manufacturing and assembly of home components such as wall panels, roof and floor trusses, porticos, signature mill work, windows and doors. This systemization improves quality and increases the value in our homes.

Superior Customer Service. Each of our communities is run by a Project Manager (PM), who operates like a small builder, overseeing a sales team, land development experts, construction managers, product selections and marketing strategies. With control over all aspects of their communities, our PMs can respond quickly to customer needs and resolve issues in the field.

Expertise Behind the Scenes. In competing with small and mid-sized private builders, our PMs' advantage is their support from a *Fortune 1000* company with abundant, low-cost capital and national buying power for materials such as lumber, roofing and siding, and finishes such as cabinets and appliances. Toll Brothers' in-house marketing and advertising, legal, accounting, and corporate planning departments provide expertise that frees PMs to focus more of their time on our customers and communities.

The View at Mira Vista, California

The Cardona Living Room, Arizona

CREATING *Value*

We are a very sophisticated company in a very basic business. Success in home building is achieved by controlling the myriad variables involved in gaining site approvals and managing the thousands of details necessary to sell and build beautiful homes and communities efficiently and on schedule. The art of our business is in finding the locations, land planning the communities and developing the home designs that will appeal most to our customers. By doing it well, we create value at each stage of the development process.

Value in Land. As land acquisition and development experts, we seek out the best land positions in the affluent markets where our buyers want to live. Generally, we place sites under contract and then take them through the approval process, purchasing them once all sign-offs are achieved.

Depending on the market and size, a typical community's approval process can cost more than half a million dollars and take three to four years to complete. It may include several hundred permits and involve numerous attorneys, engineers, land planners, traffic and environmental consultants, archeologists and a host of other specialists. The reward at completion is a parcel of land whose value far exceeds the costs of its acquisition and approvals.

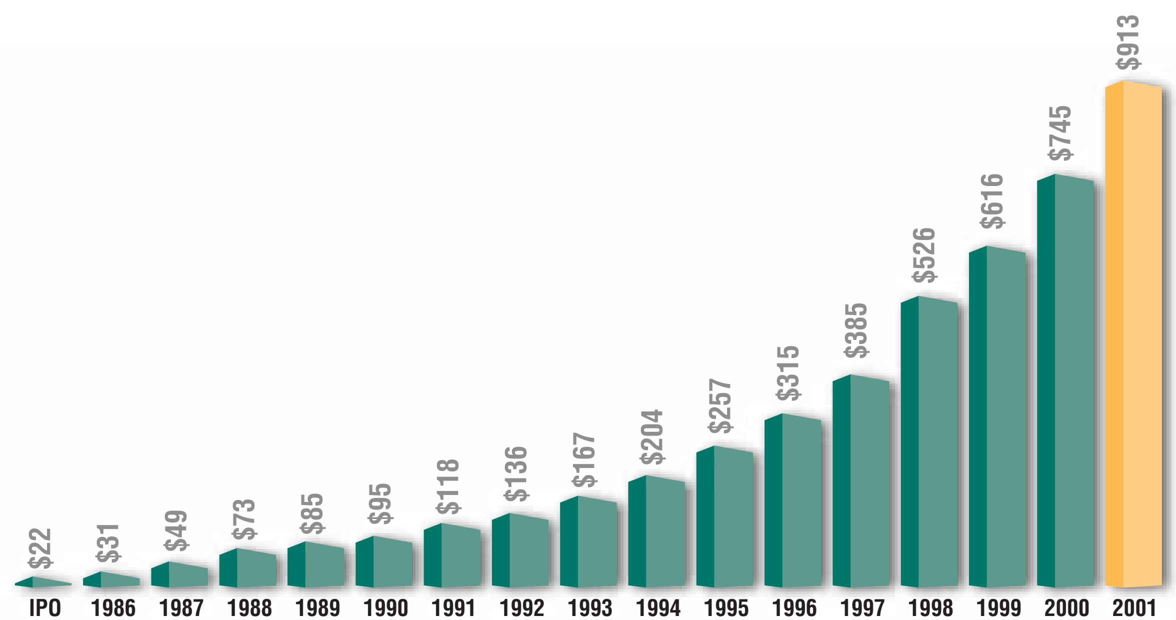
Value through Design. We believe our buyers know best which features add value to their homes, so we give them what we believe is the widest array of selections in the industry. In combination with numerous base house designs, our buyers can customize their homes with major structural additions and designer options such as guest suites, home gyms, media centers, four-car garages and conservatories.

Value from Efficiency. Our focus on the luxury market and our systems for customizing luxury homes differentiate us from the other major builders. Our national buying power and low-cost capital enable us to compete with smaller competitors by offering buyers tremendous choice and value at prices small custom builders can't match.

Value via Branding. With our reputation, national marketing program and award-winning web site, we believe we have the strongest brand in our industry. We protect and preserve it by building beautiful communities and providing excellent customer service. This philosophy helps maintain and enhance the value that we create for our home buyers and shareholders.

A Solid Foundation

Fiscal Year End October 31



Stockholders' Equity (in millions)
Compound Annual Growth Rate from July 1986 IPO – 27%

The Chesapeake, New Jersey

Positioned FOR GROWTH

The Camarillo Living Room, California

A Consolidating Industry. Perhaps a dozen builders such as Toll Brothers now produce over $2 billion in annual revenues; most of the 80,000 home builders in the U.S. construct fewer than ten homes a year. In recent years, our industry has experienced a fundamental shift as the large public builders have become increasingly dominant. Although single-family housing starts have been relatively flat since the mid-1990s, large builders have doubled their market share. Even with approximately 14% of single-family housing starts now, the large builders have much more market share to gain.

Factors driving this consolidation include the growing scarcity of capital for smaller builders, greater competition for labor, an increasingly complex land approval process, new technologies (such as web-based marketing and construction bidding and scheduling) that are cost effective only for large builders, and greater cost advantages for high-volume materials purchasers.

Dominance in the Luxury Market. Within the luxury market, the divide is even wider. Among the major national home builders, only Toll Brothers focuses primarily on the luxury market. Our competitors are mainly small and mid-sized local and regional private builders who cannot compete with us in terms of capital, purchasing power, production systems, or nationwide brand-name marketing.

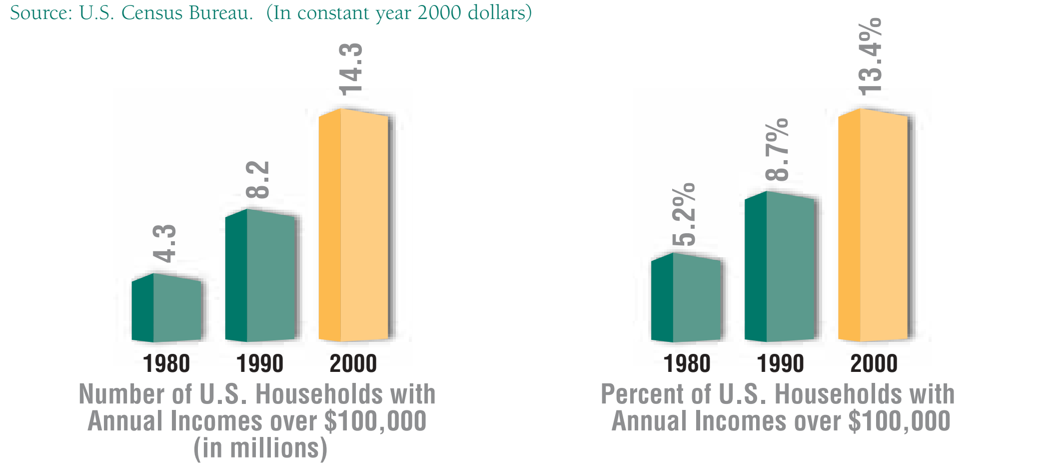
Tremendous Demographics. New household formations, which helped drive the housing boom of the last decade, are projected to grow in numbers comparable to those of the 1990s. Our target buyers, affluent households with incomes of $100,000 or more, have grown (in constant year 2000 dollars) at over eight times the pace of U.S. households in total over the past two decades. They now account for over 14 million – or more than 13% – of all U.S. households. Over six million of these affluent households live in markets we currently serve.

The increase in affluent households is augmented by the impact of the maturing baby boom generation. The largest group of baby boomers, the more than four million people born annually between 1954 and 1964, are now fueling the move-up market. The first baby boomers who drove the housing market of the 1990s are now entering their fifties and the empty-nester market. Soon they will make their mark on the active-adult sector.

With our expanding geographic presence and product offerings, our entrepreneurial business model and our ability to create value at each stage of the development process, we are strongly positioned to take advantage of these positive trends both in the luxury market and in our industry.

A Booming Customer Base

Source: U.S. Census Bureau. (In constant year 2000 dollars)



The Brand Name in Luxury Homes

The challenge for the design experts at Toll Architecture is to create beautiful, finely engineered luxury homes that incorporate ever-changing technologies, the latest consumer trends and the varied rhythms of American lifestyles. In the past two years alone, we have introduced over 150 new home designs as well as hundreds of new options.

With our customization systems, no two Toll Brothers homes are ever the same. However, we engineer them for standardized high-volume production. At Toll Integrated Systems, sophisticated technology helps us produce and assemble house components in our two east coast manufacturing plants and also oversee their production to exacting standards through local subcontractors in other regions. Once factory-assembled components are complete, we deliver them to our sites. This speeds production and produces a higher quality home.

In 2001, our home buyers added, on average, nearly $90,000 – or 21% of the base house price – in options and lot premiums to their homes.

The Monterey Mediterranean, Texas

CORPORATE *Profile*

Fiscal Year End October 31

SOLID PERFORMANCE

- Nine consecutive years of record earnings
- Ten consecutive years of record revenues
- Eleven consecutive years of record sales contracts
- 32% compound average annual earnings growth in the last 5 years

DIVERSIFIED TARGET MARKETS

- Move-up
- Empty-nester
- Active-adult, age-qualified
- Golf course, country club communities
- Luxury single-family and multi-family product
- 21 states in six regions

GROWTH POTENTIAL

- Own or control over 39,000 home sites
- Sell from 155 communities, up 55% in the last 5 years
- Serve 41 affluent markets with over six million households earning $100,000 and above. Two dozen potential expansion markets contain another 2.5 million affluent households
- Growing ancillary businesses: mortgage, title insurance, golf course development and management, security, landscape, cable TV and broadband Internet access
- Land acquisition, approvals and development expertise which supports our growing home building and land sales operations
- Apartment, office and retail development through Toll Brothers Realty Trust

FINANCIAL STRENGTH

- Investment-grade corporate credit ratings from Standard & Poor's (BBB-), Moody's (Baa3), and Fitch (BBB)
- Backed by over $700 million of bank credit facilities
- Stockholders' equity has nearly tripled in the last 5 years
- Raised over $800 million in the public capital markets in the last 5 years
- Stockholders' equity has grown at compound average annual rate of 23% in the last 10 years
- Highest net profit and operating profit margins among the *Fortune 1000* home builders
- Repurchased 2.1 million shares of stock in 2001

BRAND NAME REPUTATION

- Founded in 1967
- Publicly traded since 1986
- Traded on the New York Stock Exchange and Pacific Exchange
- Eighth largest U.S. home builder by revenues
- Average delivered home price of $500,000 in fiscal year 2001
- *Fortune 1000* Company
- *Forbes Platinum 400* Company
- 1996 - *America's Best Builder*, National Association of Home Builders (NAHB)
- 1995 - *National Housing Quality Award*, NAHB
- 1988 - *Builder of the Year*, Professional Builder

The 9th Hole at Mizner Country Club, Florida

Toll Brothers' Eleven-Year Financial Summary

SUMMARY CONSOLIDATED INCOME STATEMENT DATA *(Amounts in thousands, except per share data)*

Year Ended October 31	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Revenues	$2,229,605	$1,814,362	$1,464,115	$1,210,816	$ 971,660	$760,707	$646,339	$504,064	$395,261	$281,471	$177,418
Income before income taxes, extraordinary items and change in accounting	$ 337,889	$ 230,966	$ 162,750	$ 134,293	$ 107,646	$ 85,793	$ 79,439	$ 56,840	$ 43,928	$ 28,864	$ 6,248
Income before extraordinary items and change in accounting	$ 213,673	$ 145,943	$ 103,027	$ 85,819	$ 67,847	$ 53,744	$ 49,932	$ 36,177	$ 27,419	$ 17,354	$ 3,717
Net income	$ 213,673	$ 145,943	$ 101,566	$ 84,704	$ 65,075	$ 53,744	$ 49,932	$ 36,177	$ 28,058	$ 16,538	$ 5,013
Income per share											
Basic											
Income before extraordinary items and change in accounting	$ 5.96	$ 4.02	$ 2.81	$ 2.35	$ 1.99	$ 1.59	$ 1.49	$ 1.08	$ 0.83	$ 0.53	$ 0.12
Net income	$ 5.96	$ 4.02	$ 2.77	$ 2.32	$ 1.91	$ 1.59	$ 1.49	$ 1.08	$ 0.84	$ 0.50	$ 0.16
Weighted average number of shares	35,835	36,269	36,689	36,483	34,127	33,865	33,510	33,398	33,231	33,022	31,248
Diluted											
Income before extraordinary items and change in accounting	$ 5.52	$ 3.90	$ 2.75	$ 2.25	$ 1.86	$ 1.50	$ 1.42	$ 1.05	$ 0.82	$ 0.52	$ 0.12
Net income	$ 5.52	$ 3.90	$ 2.71	$ 2.22	$ 1.78	$ 1.50	$ 1.42	$ 1.05	$ 0.84	$ 0.50	$ 0.16
Weighted average number of shares	38,683	37,413	37,436	38,360	37,263	36,879	36,360	35,655	33,467	33,234	31,412

SUMMARY CONSOLIDATED BALANCE SHEET DATA *(Amounts in thousands, except per share data)*

At October 31	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Inventory	$2,183,541	$1,712,383	$1,443,282	$1,111,223	$ 921,595	$772,471	$623,830	$506,347	$402,515	$287,844	$222,775
Total assets	$2,532,200	$2,030,254	$1,668,062	$1,254,468	$1,118,626	$837,926	$692,457	$586,893	$475,998	$384,836	$312,424
Debt											
Loans payable	$ 387,466	$ 326,537	$ 213,317	$ 182,292	$ 189,579	$132,109	$ 59,057	$ 17,506	$ 24,779	$ 25,756	$ 49,943
Subordinated debt	669,581	469,499	469,418	269,296	319,924	208,415	221,226	227,969	174,442	128,854	55,513
Collateralized mortgage obligations payable			1,145	1,384	2,577	2,816	3,912	4,686	10,810	24,403	39,864
Total	$1,057,047	$ 796,036	$ 683,880	$ 452,972	$ 512,080	$343,340	$284,195	$250,161	$210,031	$179,013	$145,320
Stockholders' equity	$ 912,583	$ 745,145	$ 616,334	$ 525,756	$ 385,252	$314,677	$256,659	$204,176	$167,006	$136,412	$117,925
Number of shares outstanding	34,777	35,895	36,454	36,935	34,275	33,919	33,638	33,423	33,319	33,087	32,812
Book value per share	$ 26.24	$ 20.76	$ 16.91	$ 14.23	$ 11.24	$ 9.28	$ 7.63	$ 6.11	$ 5.01	$ 4.12	$ 3.59
Return on beginning stockholders' equity	28.7%	23.7%	19.3%	22.0%	20.7%	20.9%	24.5%	21.7%	20.6%	14.0%	5.3%

HOME DATA

Year Ended October 31	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Number of homes closed	4,358	3,945	3,555	3,099	2,517	2,109	1,825	1,583	1,324	1,019	676
Sales value of homes closed (in thousands)	$2,180,469	$1,762,930	$1,438,171	$1,206,290	$ 968,253	$759,303	$643,017	$501,822	$392,560	$279,841	$175,971
Number of homes contracted	4,366	4,418	3,845	3,387	2,701	2,398	1,846	1,716	1,595	1,202	863
Sales value of homes contracted (in thousands)	$2,173,938	$2,149,366	$1,640,990	$1,383,093	$1,069,279	$884,677	$660,467	$586,941	$490,883	$342,811	$230,324

At October 31	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Number of homes in backlog	2,727	2,779	2,381	1,892	1,551	1,367	1,078	1,025	892	621	438
Sales value of homes in backlog (in thousands)	$1,411,374	$1,434,946	$1,067,685	$ 814,714	$ 627,220	$526,194	$400,820	$370,560	$285,441	$187,118	$124,148
Number of selling communities	155	146	140	122	116	100	97	80	67	62	42
Home sites											
Owned	25,981	22,275	23,163	15,578	12,820	12,065	9,542	6,779	5,744	5,633	3,974
Optioned	13,165	10,843	11,268	14,803	9,145	5,237	5,042	4,445	4,271	3,592	3,281
Total	39,146	33,118	34,431	30,381	21,965	17,302	14,584	11,224	10,015	9,225	7,255

Management's Discussion and Analysis

Results of Operations

The following table provides a comparison of certain income statement items related to the Company's operations (amounts in millions):

Year Ended October 31	2001		2000		1999	
	$	%	$	%	$	%
Home sales						
Revenues	2,180.5		1,762.9		1,438.2	
Costs	1,602.3	73.5	1,337.1	75.8	1,117.9	77.7
Land sales						
Revenues	27.5		38.7		17.3	
Costs	21.5	78.0	29.8	77.0	13.4	77.1
Equity earnings in unconsolidated joint ventures	6.8		3.3			
Interest and other income	14.9		9.5		8.6	
Total revenues	2,229.6		1,814.4		1,464.1	
Selling, general and administrative expenses	209.7	9.4	170.4	9.4	130.2	8.9
Interest expense	58.2	2.6	46.2	2.5	39.9	2.7
Total cost and expenses	1,891.7	84.8	1,583.4	87.3	1,301.4	88.9
Operating income	337.9	15.2	231.0	12.7	162.7	11.1

Note: Percentages for selling, general and administrative expenses, interest expense, and total costs and expenses are based on total revenues. Amounts may not add due to rounding.

Fiscal 2001 Compared to Fiscal 2000

Home Sales

Housing revenues for fiscal 2001 were higher than those for fiscal 2000 by approximately $418 million, or 24%. The revenue increase was primarily attributable to a 12% increase in the average price of the homes delivered and a 10% increase in the number of homes delivered. The increase in the average price of the homes delivered was the result of increased selling prices, a shift in the location of homes delivered to more expensive areas and an increase in the dollar amount of options that our home buyers selected. During fiscal 2001, the Company's home buyers paid approximately 21% above the base selling price of a home for options and lot premiums, compared to 19% in fiscal 2000. The increase in the number of homes delivered is primarily due to the larger backlog of homes to be delivered at the beginning of fiscal 2001 as compared to fiscal 2000.

The value of new sales contracts signed was $2.17 billion (4,366 homes) and $2.15 billion (4,418 homes) for fiscal 2001 and fiscal 2000, respectively. The increase in the value of new contracts signed in fiscal 2001 was primarily attributable to an increase in the average selling price of the homes (due primarily to an increase in base selling prices, a shift in the location of homes sold to more expensive areas and an increase in the dollar amount of options selected by our home buyers) offset in part by a decrease in the average number of communities in which the Company was offering homes for sale and the resulting decrease in the number of homes for which the Company signed sales contracts. The decrease in the number of communities was the result of increased regulatory requirements that delayed the opening of some new communities and new sections of some existing communities.

At October 31, 2001, the backlog of homes under contract was $1.41 billion (2,727 homes), as compared to the $1.43 billion (2,779 homes) backlog at October 31, 2000.

The terrorist attacks of September 11, 2001 impacted us most severely in the first few weeks immediately after the events as consumer confidence dropped and the stock market declined. Since then, deposit trends for new homes have improved, although they have been quite volatile from week to week. In the six-week period since October 31, 2001, the total number of deposits was approximately 12% higher than the same period of fiscal 2000. On a per-community basis, deposits were down approximately 2% over the same period. Compared to the previous five-year average for the six-week period, deposits were approximately 6% higher on a per-community basis. Based upon the lower backlog of homes to be delivered and the lower number of outstanding deposits at October 31, 2001, as compared to October 31, 2000, home building revenues in fiscal 2002 may be lower than fiscal 2001 home building revenues.

Housing costs as a percentage of housing sales decreased in fiscal 2001 as compared to fiscal 2000. The decrease was largely the result of selling prices increasing at a greater rate than costs, lower land and improvement costs, and improved operating efficiencies offset in part by higher inventory write-offs. The Company incurred $13.0 million in write-offs in fiscal 2001, as compared to $7.4 million in fiscal 2000.

Land Sales

The Company operates a land development and sales operation in its South Riding master planned community located in Loudoun County, Virginia. The Company is also developing several master planned communities in which it may sell lots to other builders. The decrease in land sales in fiscal 2001 as compared to fiscal 2000 was due to fewer lots being available for sale in South Riding in fiscal 2001 than in 2000, offset in part by increased sales of lots from several of the Company's other master planned communities.

Equity Earnings in Unconsolidated Joint Ventures

In fiscal 1998, the Company entered into a joint venture to develop and sell land owned by its venture partner. Under the terms of the agreement, the Company has the right to purchase up to a specified number of lots with the majority of the lots to be sold to other builders. In fiscal 2000, the joint venture sold its first group of home sites to other builders and to the Company. The Company recognizes its share of earnings from the sale of lots to other builders. The Company does not recognize earnings from lots it purchases, but reduces its cost basis in the lots by its share of the earnings on those lots. Earnings from this joint venture are expected to continue into fiscal 2002, but at a significantly lower level.

Interest and Other Income

Interest and other income increased approximately $5.4 million in fiscal 2001 as compared to fiscal 2000. The increase was principally due to an increase in interest income, the gain from the sale of an office building constructed by the Company, and an increase in earnings from the Company's ancillary businesses, offset in part by reduced management fee income and gains from the sale of miscellaneous assets recognized in fiscal 2000.

Selling, General and Administrative Expenses ("SG&A")

SG&A spending increased by $39.4 million, or 23%, in fiscal 2001 as compared to fiscal 2000. This increased spending was primarily due to the increase in housing revenues in fiscal 2001 over fiscal 2000, and costs related to the development of the Company's master planned communities. SG&A as a percentage of total revenues was the same in fiscal 2001 and fiscal 2000.

Fiscal 2000 Compared to Fiscal 1999

Home Sales

Housing revenues for fiscal 2000 were higher than those of fiscal 1999 by approximately $325 million, or 23%. The revenue increase was primarily attributable to an 11% increase in the number of homes delivered and a 10% increase in the average price of the homes delivered. The increase in the average price of the homes delivered was the result of increased selling prices, a shift in the location of homes delivered to more expensive areas and an increase in the number of homes delivered from our highly amenitized country club communities. The increase in the number of homes delivered is primarily due to a 7% increase in the number of communities from which the Company was delivering homes and the larger backlog of homes to be delivered at the beginning of fiscal 2000 as compared to fiscal 1999.

The value of new sales contracts signed totaled $2.15 billion (4,418 homes) and $1.64 billion (3,845 homes) for fiscal 2000 and 1999, respectively. The increase in the value of new contracts signed in fiscal 2000 was primarily attributable to an increase in the average selling price of the homes (due primarily to the location, size and increase in base selling prices) and an increase both in the average number of communities in which the Company was offering homes for sale and in the number of contracts signed per community.

As of October 31, 2000, the backlog of homes under contract was $1.43 billion (2,779 homes), approximately 34% higher than the $1.07 billion (2,381 homes) backlog as of October 31, 1999. The increase in backlog at October 31, 2000 was primarily attributable to the increase in the number of new contracts signed and price increases, as previously discussed. Based on the Company's current backlog and current healthy demand, the Company believes that fiscal 2001 will be another record year.

Housing costs as a percentage of housing sales decreased in fiscal 2000 as compared to fiscal 1999. The decrease was largely the result of selling prices increasing at a greater rate than costs, lower land and improvement costs, and improved operating efficiency offset, in part, by higher inventory write-offs.

The Company incurred $7.4 million in write-offs in fiscal 2000, as compared to $5.1 million in fiscal 1999.

Land Sales

In March 1999, the Company acquired land for homes, apartments, retail, office and industrial space in the master planned community of South Riding, located in Loudoun County, Virginia. The Company will use some of the property for its own home building operations and will also sell home sites and commercial parcels to other builders. The Company recorded its first sale of land from this operation in the third quarter of fiscal 1999. The Company is also developing several master planned communities in which it may sell land to other builders. The increase in land sales in fiscal 2000 over fiscal 1999 was due to the full year of operations in fiscal 2000 compared to six months in fiscal 1999 at South Riding and the first sale of lots at one of its other master planned communities.

Equity Earnings in Unconsolidated Joint Ventures

In fiscal 1998, the Company entered into a joint venture to develop and sell land owned by its venture partner. Under the terms of the agreement, the Company has the right to purchase a specified number of home sites on which to build homes with the majority of the home sites to be sold to other builders. In fiscal 2000, the joint venture sold its first group of home sites to other builders and to the Company. The Company recognizes its share of earnings from the sale of home sites to other builders. The Company reduces its cost basis in the home sites it purchases from the joint venture by its share of the earnings on those home sites.

Interest and Other Income

Interest and other income increased approximately $900,000 in fiscal 2000 as compared to fiscal 1999. The increase was principally due to gains from the sale of miscellaneous assets, offset in part by a reduction of fee income.

Selling, General and Administrative Expenses ("SG&A")

SG&A spending increased by $40.1 million, or 31%, in fiscal 2000 as compared to fiscal 1999. This increased spending was primarily due to the increase in the number of communities from which the Company was selling, the increase in the number of homes delivered, costs associated with the Company's expansion into new markets, expenses incurred in the opening of divisional offices to manage the growth and spending related to the development of its master planned communities and land sales.

Interest Expense

The Company determines interest expense on a specific lot-by-lot basis for its home building operations and on a parcel-by-parcel basis for its land sales operations. As a percentage of total revenues, interest expense will vary depending on many factors including the period of time that the land was owned, 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 the Company in proportion to the amount of its inventory during those periods. As a percentage of total revenues, interest expense was slightly higher in fiscal 2001 as compared to fiscal 2000 and lower in fiscal 2000 as compared to fiscal 1999.

Income Taxes

Income taxes for fiscal 2001, 2000 and 1999 were provided at effective rates of 36.8%, 36.8% and 36.7%, respectively.

Extraordinary Loss from Extinguishment of Debt

In January 1999, the Company called for the redemption of all of its outstanding 9 1/2% Senior Subordinated Notes due 2003 at 102% of the principal amount plus accrued interest. The redemption resulted in the recognition of an extraordinary loss in 1999 of $1.5 million, net of $857,000 of income tax benefit. The loss represented the redemption premium and a write-off of unamortized deferred issuance costs.

Capital Resources and Liquidity

Funding for the Company's operations has been principally provided by cash flows from operations, unsecured bank borrowings and, from time to time, the public debt and equity markets.

Cash flow from operations, before inventory additions, has improved as operating results have improved. The Company anticipates that cash flow from operations, before inventory additions, in the coming fiscal year will continue to be strong but will be dependent on the level of revenues from the delivery of homes and the Company's results of operations. The Company has used its cash flow from operations, bank borrowings and public debt to acquire additional land for new communities, to pay for land development and construction costs needed to meet the requirements of the Company's continuing expansion of the number of selling communities, to repurchase Company stock and to reduce debt. The Company expects that inventories will continue to increase and is currently negotiating and searching for additional opportunities to obtain control of land for future communities.

The Company has a $535 million unsecured revolving credit facility with 16 banks, of which $445 million extends through March 2006 and $90 million extends through February 2003. At October 31, 2001, the Company had $80 million of loans and approximately $43 million of letters of credit outstanding under the facility.

In November 2001, the Company issued $150 million of 8.25% Senior Subordinated Notes due December 2011. The Company intends to use the net proceeds from this issuance for general corporate purposes.

The Company believes that it will be able to fund its activities through a combination of existing cash resources, cash flow from operations and other sources of credit similar in nature to those the Company has accessed in the past.

Inflation

The long-term impact of inflation on the Company is manifested in increased costs for land, land development, construction and overhead, as well as in increased sales prices. The Company generally contracts for land significantly before development and sales efforts begin. Accordingly, to the extent land acquisition costs are fixed, increases or decreases in the sales prices of homes may affect the Company's profits. Since the sales prices of homes are fixed at the time a buyer enters into a contract to acquire a home and the Company generally sells its homes before commencement of construction, any inflation of costs in excess of those anticipated may result in lower gross margins. The Company generally attempts to minimize that effect by entering into fixed-price contracts with its subcontractors and material suppliers for specified periods of time, which generally do not exceed one year.

In general, housing demand is adversely affected by increases in interest costs, as well as in housing costs. Interest rates, the length of time that land remains in inventory and the proportion of inventory that is financed affect the Company's interest costs. If the Company is unable to raise sales prices enough to compensate for higher costs, or if mortgage interest rates increase significantly, affecting prospective buyers' ability to adequately finance home purchases, the Company's revenues, gross margins and net income would be adversely affected. Increases in sales prices, whether the result of inflation or demand, may affect the ability of prospective buyers to afford new homes.

Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)

Year Ended October 31	2001	2000	1999
Revenues			
Home sales	$ 2,180,469	$ 1,762,930	$1,438 ,171
Land sales	27,530	38,730	17,345
Equity earnings in unconsolidated joint ventures	6,756	3,250	
Interest and other	14,850	9,452	8,599
	2,229,605	1,814,362	1,464,115
Costs and expenses			
Home sales	1,602,276	1,337,060	1,117,872
Land sales	21,464	29,809	13,375
Selling, general and administrative	209,729	170,358	130,213
Interest	58,247	46,169	39,905
	1,891,716	1,583,396	1,301,365
Income before income taxes and extraordinary loss	337,889	230,966	162,750
Income taxes	124,216	85,023	59,723
Income before extraordinary loss	213,673	145,943	103,027
Extraordinary loss			(1,461)
Net income	$ 213,673	$ 145,943	$ 101,566
Earnings per share			
Basic			
Income before extraordinary loss	$ 5.96	$ 4.02	$ 2.81
Extraordinary loss			(0.04)
Net income	$ 5.96	$ 4.02	$ 2.77
Diluted			
Income before extraordinary loss	$ 5.52	$ 3.90	$ 2.75
Extraordinary loss			(0.04)
Net income	$ 5.52	$ 3.90	$ 2.71
Weighted average number of shares			
Basic	35,835	36,269	36,689
Diluted	38,683	37,413	37,436

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

At October 31	2001	2000
Assets		
Cash and cash equivalents	$ 182,840	$ 161,860
Inventory	2,183,541	1,712,383
Property, construction and office equipment, net	33,095	24,075
Receivables, prepaid expenses and other assets	118,542	113,025
Investments in unconsolidated entities	14,182	18,911
	$ 2,532,200	$ 2,030,254
Liabilities and Stockholders' Equity		
Liabilities		
Loans payable	$ 387,466	$ 326,537
Subordinated notes	669,581	469,499
Customer deposits	101,778	104,924
Accounts payable	132,970	110,927
Accrued expenses	229,671	185,141
Income taxes payable	98,151	88,081
Total liabilities	1,619,617	1,285,109
Stockholders' Equity		
Preferred stock, none issued		
Common stock, 37,014 shares and 37,028 issued at October 31, 2001 and 2000, respectively	369	369
Additional paid-in capital	107,014	105,454
Retained earnings	882,281	668,608
Treasury stock, at cost - 2,237 shares and 1,133 shares at October 31, 2001 and 2000, respectively	(77,081)	(29,286)
Total stockholders' equity	912,583	745,145
	$ 2,532,200	$ 2,030,254

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

Year Ended October 31	2001	2000	1999
Cash flow from operating activities			
Net income	$213,673	$145,943	$101,566
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	9,356	8,528	6,594
Equity earnings in unconsolidated joint ventures	(6,756)	(3,250)	
Extraordinary loss from extinguishment of debt			2,318
Deferred tax provision	7,323	5,191	1,569
Changes in operating assets and liabilities, net of assets and liabilities acquired:			
Increase in inventory	(443,887)	(264,303)	(282,764)
Origination of mortgage loans	(199,102)		
Sale of mortgage loans	183,449		
Decrease (increase) in receivables, prepaid expenses and other assets	10,748	(28,025)	(32,524)
(Decrease) increase in customer deposits on sales contracts	(3,146)	22,429	11,557
Increase in accounts payable and accrued expenses	71,776	71,492	62,769
Increase in current income taxes payable	8,142	25,132	8,045
Net cash used in operating activities	(148,424)	(16,863)	(120,870)
Cash flow from investing activities			
Purchase of property and equipment, net	(15,020)	(9,415)	(8,331)
Acquisition of company, net of cash acquired			(11,090)
Investment in unconsolidated entities			(15,193)
Distribution from unconsolidated entities	15,750	13,589	
Net cash provided by (used in) investing activities	730	4,174	(34,614)
Cash flow from financing activities			
Proceeds from loans payable	208,628	559,843	177,500
Principal payments of loans payable	(180,094)	(460,482)	(187,551)
Net proceeds from issuance of senior subordinated notes	196,975		267,716
Redemption of subordinated notes			(71,359)
Proceeds from stock-based benefit plans	14,932	11,936	2,223
Purchase of treasury stock	(71,767)	(33,232)	(16,704)
Net cash provided by financing activities	168,674	78,065	171,825
Net increase in cash and cash equivalents	20,980	65,376	16,341
Cash and cash equivalents, beginning of year	161,860	96,484	80,143
Cash and cash equivalents, end of year	$182,840	$161,860	$ 96,484

See accompanying notes.

Carrington Living Room, Florida

SUMMARY CONSOLIDATED QUARTERLY FINANCIAL DATA (UNAUDITED)

(Amounts in thousands, except per share data)

Fiscal 2001 Three Months Ended	Oct. 31	July 31	April 30	Jan. 31
Revenue	$ 655,752	$ 584,068	$ 514,524	$ 475,261
Income before income taxes	$ 108,183	$ 94,160	$ 72,351	$ 63,195
Net income	$ 68,526	$ 59,444	$ 45,778	$ 39,925
Earnings per share*				
Basic	$ 1.96	$ 1.66	$ 1.26	$ 1.10
Diluted	$ 1.84	$ 1.54	$ 1.17	$ 1.01
Weighted average number of shares				
Basic	34,910	35,838	36,428	36,163
Diluted	37,331	38,706	39,282	39,415

Fiscal 2000 Three Months Ended	Oct. 31	July 31	April 30	Jan. 31
Revenue	$ 614,793	$ 464,532	$ 390,486	$ 344,551
Income before income taxes	$ 92,484	$ 58,791	$ 44,363	$ 35,328
Net income	$ 58,366	$ 37,234	$ 27,950	$ 22,393
Earnings per share*				
Basic	$ 1.62	$ 1.03	$ 0.77	$ 0.61
Diluted	$ 1.52	$ 1.00	$ 0.75	$ 0.61
Weighted average number of shares				
Basic	36,061	36,146	36,396	36,471
Diluted	38,486	37,219	37,036	36,909

** Due to rounding, the sum of the quarterly earnings per share may not equal the reported earnings per share for the year.*

The Strathmore, Texas

Pool Facility at Brier Creek Country Club, North Carolina

Notes to Consolidated Financial Statements

1. *Significant Accounting Policies*

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Toll Brothers, Inc. (the "Company"), a Delaware corporation, 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. Investments in less than 20% owned affiliates are accounted for on the cost method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Recognition

The Company is primarily engaged in the development, construction and sale of residential homes. Revenue and cost of sales is recorded at the time each home sale is closed and title and possession has been transferred to the buyer. Closing normally occurs shortly after construction is substantially completed.

Land sales revenue and cost of sales is recorded at the time that title and possession of the property has been transferred to the buyer.

Cash and Cash Equivalents

Liquid investments or investments with original maturities of three months or less are classified as cash equivalents. The carrying value of these investments approximates their fair value.

Property, Construction and Office Equipment

Property, construction and office equipment is recorded at cost and is stated net of accumulated depreciation of $35,792,000 and $30,288,000 at October 31, 2001 and 2000, respectively. Depreciation is recorded by using the straight-line method over the estimated useful lives of the assets.

Inventory

Inventory is stated at the lower of cost or fair value. In addition to direct land 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.

Land, land development and related costs 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.

The Company capitalizes certain project marketing costs and charges them against income as homes are closed.

Treasury Stock

Treasury stock is recorded at cost. Issuance of treasury shares is accounted for on a first-in, first-out basis. Differences between the cost of treasury shares and the re-issuance proceeds are charged to additional paid-in capital.

Segment Reporting

Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," establishes standards for the manner in which public enterprises report information about operating segments. The Company has determined that its operations primarily involve one reportable segment, home building.

New Accounting Pronouncement

SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," establishes accounting and reporting standards of derivative instruments embedded in other contracts, and for hedging activities. The Company adopted SFAS No. 133, as amended, in the first quarter of 2001. Such adoption did not have a material impact on the Company's reported results of operations, financial position or cash flows.

SFAS No. 142, "Goodwill and Other Intangible Assets," provides guidance on accounting for intangible assets and eliminates the amortization of goodwill and certain other 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. The Company is required to adopt SFAS No. 142 for its fiscal year 2003. The Company is currently reviewing the effect of this statement on the Company's financial statements.

2. *Inventory*

Inventory consisted of the following (amounts in thousands):

At October 31	2001	2000
Land and land development costs	$ 833,386	$ 558,503
Construction in progress	1,145,046	992,098
Sample homes	75,723	60,511
Land deposits and costs of future development	89,360	68,560
Deferred marketing costs	40,026	32,711
	$2,183,541	$1,712,383

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

For the years ended October 31, 2001, 2000 and 1999, the Company provided for inventory write-downs and the expensing of costs which it believed not to be recoverable of $13,035,000, $7,448,000 and $5,092,000, respectively.

Interest capitalized in inventories is charged to interest expense when the related inventory is closed. Changes in capitalized interest for the three years ended October 31, 2001 were as follows (amounts in thousands):

	2001	2000	1999
Interest capitalized, beginning of year	$ 78,443	$ 64,984	$ 53,966
Interest incurred	79,209	60,236	51,396
Interest expensed	(58,247)	(46,169)	(39,905)
Write-off to cost and expenses	(755)	(608)	(473)
Interest capitalized, end of year	$ 98,650	$ 78,443	$ 64,984

3. Loans Payable and Subordinated Notes

Loans payable consisted of the following (amounts in thousands):

At October 31	2001	2000
Revolving credit facility	$ 80,000	$ 80,000
Term loan due March 2002	50,000	50,000
Term loan due July 2005	192,500	170,000
Other	64,966	26,537
	$387,466	$326,537

The Company has a $535,000,000 unsecured revolving credit facility with 16 banks of which $445,000,000 extends through March 2006 and $90,000,000 extends through February 2003. Interest is payable on borrowings at 0.90% above the Eurodollar rate or at other specified variable rates as selected by the Company from time to time. The Company fixed the interest rate on $20,000,000 of borrowing at 6.39% until March 2002 through an interest rate swap with a bank. Had the Company not entered into the interest rate swap, the interest rate on this borrowing would have been 3.32% at October 31, 2001. At October 31, 2001, letters of credit and obligations under escrow agreements of approximately $43,862,000 were outstanding. The agreement contains various covenants, including financial covenants related to consolidated stockholders' equity, indebtedness and inventory. The agreement requires the Company to maintain a minimum consolidated stockholders' equity which restricts the payment of cash dividends and the repurchase of Company stock to approximately $230,000,000 at October 31, 2001.

The Company borrowed $50,000,000 from three banks at a fixed rate of 7.72% repayable in March 2002. The Company has borrowed $192,500,000 from ten banks at a weighted average interest rate of 8.04% repayable in July 2005. Both loans are unsecured and the agreements contain financial covenants that are less restrictive than the covenants contained in the Company's revolving credit agreement.

A subsidiary of the Company has a $35,000,000 line of credit with a bank to fund mortgage originations. The line of credit is collateralized by all the assets of the subsidiary. At October 31, 2001, the subsidiary had borrowed $24,754,000 under the line of credit and had assets of approximately $28,364,000.

At October 31, 2001, the aggregate estimated fair value of the Company's loans payable was approximately $405,500,000. The fair value of loans was estimated based upon the interest rates at October 31, 2001 that the Company believed were available to it for loans with similar terms and remaining maturities.

Subordinated notes consisted of the following (amounts in thousands):

At October 31	2001	2000
8 3/4% Senior Subordinated Notes due November 15, 2006	$ 100,000	$ 100,000
7 3/4% Senior Subordinated Notes due September 15, 2007	100,000	100,000
8 1/8% Senior Subordinated Notes due February 1, 2009	170,000	170,000
8% Senior Subordinated Notes due May 1, 2009	100,000	100,000
8 1/4% Senior Subordinated Notes due February 1, 2011	200,000	
Bond discount	(419)	(501)
	$ 669,581	$ 469,499

All issues of senior subordinated notes are subordinated to all senior indebtedness of the Company. The indentures restrict certain payments by the Company including cash dividends and the repurchase of Company stock. The notes are redeemable in whole or in part at the option of the Company at various prices on or after the fifth anniversary of each issue's date of issuance.

At October 31, 2001, the aggregate fair value of all the outstanding subordinated notes, based upon their indicated market prices, was approximately $661,600,000.

In November 2001, the Company issued $150,000,000 of 8.25% Senior Subordinated Notes due December 2011. The notes are subordinated to all senior indebtedness of the Company and have the same restrictions as to the payment of dividends and the repurchase of Company stock as the other issues of the Company's subordinated notes. The notes are redeemable in part, at the Company's option, from the proceeds of one or more public equity offerings prior to December 1, 2004 and redeemable in whole or in part after December 1, 2006.

The annual aggregate maturity of the Company's loans and notes during each of the next five fiscal years is: 2002 - $93,573,000; 2003 - $6,107,000; 2004 - $5,671,000; 2005 - $195,811,000; and 2006 - $181,394,000.

4. Income Taxes

The Company's estimated combined federal and state tax rate before providing for the effect of permanent book-tax differences ("Base Rate") was 37% in 2001, 2000 and 1999. The effective tax rates in 2001, 2000, and 1999 were 36.8%, 36.8% and 36.7%, respectively. The primary difference between the Company's Base Rate and effective tax rate was tax-free income.

The provision for income taxes for each of the three years ended October 31, 2001 was as follows (amounts in thousands):

	2001	2000	1999
Federal	$ 114,131	$ 78,105	$ 54,874
State	10,085	6,918	4,849
	$ 124,216	$ 85,023	$ 59,723
Current	$ 116,893	$ 79,832	$ 58,154
Deferred	7,323	5,191	1,569
	$ 124,216	$ 85,023	$ 59,723

The components of income taxes payable consisted of the following (amounts in thousands):

At October 31	2001	2000
Current	$ 66,522	$ 63,775
Deferred	31,629	24,306
	$ 98,151	$ 88,081

The components of net deferred taxes payable consisted of the following (amounts in thousands):

At October 31	2001	2000
Deferred tax liabilities		
Capitalized interest	$32,789	$26,287
Deferred expense	17,755	13,743
Total	50,544	40,030
Deferred tax assets		
Inventory valuation reserves	5,716	4,555
Inventory valuation differences	2,581	2,184
Deferred income	2,329	2,170
Accrued expenses deductible when paid	1,324	178
Other	6,965	6,637
Total	18,915	15,724
Net deferred tax liability	$31,629	$24,306

5. Stockholders' Equity

The Company's authorized capital stock consists of 45,000,000 shares of Common Stock, $.01 par value per share, and 1,000,000 shares of Preferred Stock, $.01 par value per share. The Board of Directors is authorized to amend the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock to 200,000,000 shares and the number of shares of authorized Preferred Stock to 15,000,000 shares.

Changes in stockholders' equity for the three years ended October 31, 2001 were as follows (amounts in thousands):

	Common Stock		Additional Paid-In	Retained	Treasury	
	Shares	Amount	Capital	Earnings	Stock	Total
Balance, November 1, 1998	36,935	$369	$106,099	$421,099	$(1,811)	$525,756
Net income				101,566		101,566
Purchase of treasury stock	(801)				(16,704)	(16,704)
Exercise of stock options	177		(1,143)		3,701	2,558
Executive bonus award	106		342		2,120	2,462
Employee benefit plan issuances	37		(59)		755	696
Balance, October 31, 1999	36,454	369	105,239	522,665	(11,939)	616,334
Net income				145,943		145,943
Purchase of treasury stock	(1,355)				(33,232)	(33,232)
Exercise of stock options	672		588		13,352	13,940
Executive bonus award	80		(225)		1,621	1,396
Employee benefit plan issuances	44		(148)		912	764
Balance, October 31, 2000	35,895	369	105,454	668,608	(29,286)	745,145
Net income				213,673		213,673
Purchase of treasury stock	(2,061)				(71,767)	(71,767)
Exercise of stock options	781		(336)		20,452	20,116
Executive bonus award	136		1,678		2,735	4,413
Employee benefit plan issuances	26		218		785	1,003
Balance, October 31, 2001	34,777	$369	$107,014	$882,281	$(77,081)	$912,583

Stockholder Rights Plan

Shares of the Company's Common Stock outstanding are subject to stock purchase rights. The rights, which are exercisable only under certain conditions, entitle the holder, other than an acquiring person (and certain related parties of an acquiring person), as defined in the plan, to purchase common shares at prices specified in the rights agreement. Unless earlier redeemed, the rights will expire on July 11, 2007. The rights were not exercisable at October 31, 2001.

Redemption of Common Stock

To help provide for an orderly market in the Company's Common Stock in the event of the death of either Robert I. Toll or Bruce E. Toll (the "Tolls"), or both of them, the Company and the Tolls have entered into agreements in which the Company has agreed to purchase from the estate of each of the Tolls $10,000,000 of the Company's Common Stock (or a lesser amount under certain circumstances) at a price equal to the greater of fair market value (as defined) or book value (as defined). Further, the Tolls have agreed to allow the Company to purchase $10,000,000 of life insurance on each of their lives. In addition, the Tolls granted the Company an option to purchase up to an additional $30,000,000 (or a lesser amount under certain circumstances) of the Company's Common Stock from each of their estates. The agreements expire in October 2005.

In December 2000, the Company's Board of Directors authorized the repurchase of up to 5,000,000 shares of its Common Stock, par value $.01, from time to time, in open market transactions or otherwise, for the purpose of providing shares for its various employee benefit plans. At October 31, 2001, the Company had repurchased approximately 2,061,000 shares under the authorization.

6. Stock-Based Benefit Plans

Stock-Based Compensation Plans

The Company accounts for its stock option plans according to Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25"). Accordingly, no compensation costs are recognized upon issuance or exercise of stock options.

SFAS No. 123, "Accounting for Stock-Based Compensation," requires the disclosure of the estimated value of employee option grants and their impact on net income using option pricing models that are designed to estimate the value of options that, unlike employee stock options, can be traded at any time and are transferable. In addition to restrictions on trading, employee stock options may include other restrictions such as vesting periods. Further, such models require the input of highly subjective assumptions, including the expected volatility of the stock price. Therefore, in management's opinion, the existing models do not provide a reliable single measure of the value of employee stock options.

At October 31, 2001, the Company's stock-based compensation plans consisted of its four stock option plans. Net income and net income per share as reported in these consolidated financial statements and on a pro forma basis, as if the fair value-based method described in SFAS No. 123 had been adopted, were as follows (in thousands, except per share amounts):

Year ended October 31		2001	2000	1999
Net income:	As reported	$213,673	$145,943	$101,566
	Pro forma	$202,597	$136,622	$ 93,402
Basic net income per share:	As reported	$ 5.96	$ 4.02	$ 2.77
	Pro forma	$ 5.65	$ 3.77	$ 2.55
Diluted net income per share:	As reported	$ 5.52	$ 3.90	$ 2.71
	Pro forma	$ 5.24	$ 3.65	$ 2.50
Weighted average grant date fair value per share of options granted		$ 17.87	$ 9.03	$ 10.98

For the purposes of providing the pro forma disclosures, the fair value of options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in each of the three fiscal years ended October 31, 2001.

	2001	2000	1999
Risk-free interest rate	4.01%	5.80%	6.14%
Expected life (years)	7.31	7.70	7.10
Volatility	37.40%	35.70%	34.90%
Dividends	none	none	none

Stock Option Plans

The Company's four stock option plans for employees, officers and directors provide for the granting of incentive stock options and non-statutory options with a term of up to ten years at a price not less than the market price of the stock at the date of grant. The Company's Stock Option and Incentive Stock Plan (1995) provides for automatic increases each January 1 in the number of shares available for grant by 2% of the number of shares issued (including treasury shares). The Company's Stock Incentive Plan (1998) provides for automatic increases each November 1 in the number of shares available for grant by 2.5% of the number of shares issued (including treasury shares). The 1995 Plan and the 1998 Plan each restricts the number of options available for grant in a year to a maximum of 2,500,000. No additional options may be granted under the Company's Stock Option Plan (1986).

The following table summarizes stock option activity for the four plans during the three years ended October 31, 2001:

	Number of Options	Weighted Average Exercise Price
Outstanding, November 1, 1998	4,942,518	$19.53
Granted	1,252,800	22.81
Exercised	(176,470)	11.39
Cancelled	(127,255)	22.97
Outstanding, October 31, 1999	5,891,593	$20.40
Granted	1,879,750	17.53
Exercised	(678,288)	17.69
Cancelled	(89,299)	20.95
Outstanding, October 31, 2000	7,003,756	$19.88
Granted	1,149,400	38.63
Exercised	(794,903)	19.18
Cancelled	(115,314)	23.02
Outstanding, October 31, 2001	7,242,939	$22.88

Options exercisable and their weighted average exercise price as of October 31, 2001, 2000 and 1999 were 4,637,878 shares and $19.92; 3,874,223 shares and $19.92; and 3,736,905 shares and $18.93, respectively.

Options available for grant at October 31, 2001, 2000 and 1999 under all the plans were 2,809,364; 2,313,251 and 3,188,657, respectively.

The following table summarizes information about stock options outstanding at October 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 9.94 – $15.88	714,300	2.8	$10.82	714,300	$10.82
17.38 – 20.25	3,062,453	6.5	18.25	2,236,348	18.53
22.31 – 25.56	1,644,086	6.7	23.78	989,730	23.93
27.44 – 29.50	697,500	6.2	28.01	697,500	28.01
38.63	1,124,600	9.1	38.63	-	-
$ 9.94 – $38.63	7,242,939	6.8	$22.88	4,637,878	$19.92

Bonus Award Shares

Under the terms of the Company's Cash Bonus Plan covering Robert I. Toll, Mr. Toll is entitled to receive cash bonus awards based upon the pretax earnings and stockholders' equity of the Company. In December 1998, Mr. Toll and the Board of Directors agreed that any bonus payable for each of the three fiscal years ended October 31, 2001 will be made (except for specific conditions) in shares of the Company's Common Stock using the value of the stock as of the date of the agreement ($24.25 per share). The stockholders approved the plan at the Company's 1999 Annual Meeting. The Company recognized compensation expense in 2001 of $6,855,000, in 2000 of $4,413,000 and in 1999 of $1,395,000, which represented the fair market value of the shares issued to Mr. Toll (220,001 shares in 2001, 135,792 shares in 2000 and 79,686 shares in 1999). On October 31, 2001, 2000 and 1999, the closing price of the Company's Common Stock on the New York Stock Exchange was $31.16, $32.50 and $17.50, respectively. Under the Company's deferred compensation plan, Mr. Toll can elect to defer receipt of his bonus until a future date. Mr. Toll elected to defer receipt of his bonus for fiscal 2001.

In December 2000, Mr. Toll and the Board of Directors agreed that any bonus payable for each of the three fiscal years ended October 31, 2004 will be made (except for specific conditions) in shares of the Company's Common Stock using the value of the stock as of the date of the agreement ($38.625 per share). The stockholders approved the plan at the Company's 2001 Annual Meeting.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan enables substantially all employees to purchase the Company's Common Stock for 95% of the market price of the stock on specified offering dates or at 85% of the market price of the stock on specified offering dates subject to restrictions. The plan, which terminates in December 2007, provides that 300,000 shares be reserved for purchase. As of October 31, 2001, a total of 226,974 shares were available for issuance.

The number of shares and the average prices per share issued under this plan during each of the three fiscal years ended October 31, 2001, 2000 and 1999 were 6,268 shares and $30.48; 6,309 shares and $19.41; and 12,182 shares and $16.97, respectively. No compensation expense was recognized by the Company under this plan.

7. Earnings Per Share Information

Information pertaining to the calculation of earnings per share for each of the three years ended October 31, 2001 is as follows (amounts in thousands):

	2001	2000	1999
Basic weighted average shares	35,835	36,269	36,689
Common stock equivalents	2,848	1,144	747
Diluted weighted average shares	38,683	37,413	37,436

8. Employee Retirement Plan

The Company maintains a salary deferral savings plan covering substantially all employees. The plan provides for Company contributions totaling 2% of all eligible compensation, plus 2% of eligible compensation above the social security wage base, plus matching contributions of up to 2% of eligible compensation of employees electing to contribute via salary deferrals. Company contributions with respect to the plan totaled $3,141,000, $2,579,000, and $1,876,000, for the years ended October 31, 2001, 2000 and 1999, respectively.

9. Extraordinary Loss from Extinguishment of Debt

In January 1999, the Company called for the redemption of all of its outstanding 9 1/2% Senior Subordinated Notes due 2003 at 102% of the principal amount plus accrued interest. The redemption resulted in an extraordinary loss in fiscal 1999 of $1,461,000, net of $857,000 of income tax benefit. The loss represented the redemption premium and a write-off of unamortized deferred issuance costs.

10. Commitments and Contingencies

At October 31, 2001, the Company had agreements to purchase land and improved home sites for future development with purchase prices aggregating approximately $721,129,000, of which $42,658,000 had been paid or deposited. Purchase of the properties is contingent upon satisfaction of certain requirements by the Company and the sellers.

At October 31, 2001, the Company had agreements of sale outstanding to deliver 2,727 homes with an aggregate sales value of approximately $1,411,374,000.

At October 31, 2001, the Company was committed to make approximately $290,000,000 of mortgage loans to its home buyers and to others. All loans with committed interest rates are covered by take-out commitments from third-party lenders, resulting in no interest rate risk to the Company. The Company also arranges a variety of mortgage programs that are offered to its home buyers through outside mortgage lenders.

The Company is involved in various claims and litigation arising in the ordinary course of business. The Company believes that the disposition of these matters will not have a material effect on the business or on the financial condition of the Company.

11. Related Party Transactions

To take advantage of commercial real estate opportunities that may present themselves from time to time, the Company formed Toll Brothers Realty Trust (the "Trust"), a venture that is effectively owned one-third by the Company; one-third by a number of senior executives and/or directors, including Robert I. Toll, Bruce E. Toll (and certain family members), Zvi Barzilay (and certain family members), and Joel H. Rassman; and one-third by the Pennsylvania State Employees Retirement System (collectively, the "Shareholders").

In June 2000, the Shareholders entered into a subscription agreement whereby each group agreed to invest additional capital in an amount not to exceed $9,259,000 if required by the Trust. The commitment expires in June 2002.

At October 31, 2001, the Company had an investment of $7,471,000 in the Trust. This investment is accounted for on the equity method.

The Company provides development, finance and management services to the Trust and received fees under the terms of various agreements in the amount of $1,672,000, $1,392,000 and $2,524,000 in fiscal 2001, 2000 and 1999, respectively.

During fiscal 2000, the Company repurchased 250,000 shares of its Common Stock from Bruce E. Toll at $30 per share, a price that was within the trading range of the Company's Common Stock on the dates of the transactions.

12. Supplemental Disclosure to Statements of Cash Flows

The following are supplemental disclosures to the statements of cash flows for each of the three years ended October 31, 2001 (amounts in thousands):

	2001	2000	1999
Cash flow information			
Interest paid, net of amount capitalized	$ 26,985	$21,548	$17,469
Income taxes paid	$108,750	$54,700	$49,250
Non-cash activity			
Cost of inventory acquired through seller financing	$ 34,662	$ 8,321	$ 7,504
Investment in unconsolidated subsidiary acquired through seller financing		$ 4,500	
Income tax benefit related to exercise of employee stock options	$ 5,396	$ 2,128	$ 541
Stock bonus awards	$ 4,413	$ 1,395	$ 2,462
Contributions to employee retirement plan	$ 791	$ 641	$ 490
Acquisition of company			
Fair value of assets acquired			$56,026
Liabilities assumed			$44,934
Cash paid			$11,092

The Elkins, Pennsylvania

Report of Independent Auditors

The Board of Directors and Stockholders
Toll Brothers, Inc.

We have audited the accompanying consolidated balance sheets of Toll Brothers, Inc. and subsidiaries as of October 31, 2001 and 2000, and the related consolidated statements of income and cash flows for each of the three years in the period ended October 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toll Brothers, Inc. and subsidiaries at October 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 2001, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Philadelphia, Pennsylvania
December 11, 2001


The Cadiz Master Bath, Arizona


The 1st Hole at Belmont Country Club, Virginia

Corporate Information

Board of Directors and Executive Officers

Robert I. Toll*	*Chairman of the Board and Chief Executive Officer*
Bruce E. Toll	*Vice Chairman of the Board*
Zvi Barzilay*	*President and Chief Operating Officer*
Robert S. Blank	*Partner - Whitcom Partners*
Edward G. Boehne	*Retired President - Federal Reserve Bank of Philadelphia*
Richard J. Braemer	*Partner - Ballard, Spahr, Andrews & Ingersoll, LLP, Attorneys at Law*
Roger S. Hillas	*Retired Chairman - Meritor Savings Bank*
Carl B. Marbach	*President - Internetwork Publishing Corp.*
Joel H. Rassman*	*Senior Vice President, Treasurer and Chief Financial Officer*
Paul E. Shapiro	*Executive Vice President and Chief Administrative Officer - Revlon, Inc.*

*Executive Officer of the Company

Officers

Senior Vice President
Wayne S. Patterson

Vice President and General Counsel
Kenneth J. Gary

Vice Presidents - Operations

Peter Alles
Thomas J. Anhut
Thomas A. Argyris, Jr.
William P. Berry
Ronald Blum
Charles W. Bowie
James W. Boyd
Daniel Brouillette
Roger A. Brush
Thomas Carnaghi
Scott L. Coleman
Barry A. Depew
G. Cory DeSpain
Michael J. Donnelly
Kevin D. Duermit
John P. Elcano
Raymond P. Gamble
William J. Gilligan
Daniel Grosswald
Richard T. Hartman
Douglas C. Heppe
Benjamin D. Jogodnik
Gregory Kamedulski
Gregory S. Kelleher
Webb A. Koschene
B. Mitchell Kotler
James Majewski, Jr.
John G. Mangano
Gary M. Mayo
Marc F. McAlpine
Richard C. McCormick
Robert D. McLaughlin
Thomas J. Murray
Walter A. Music
Robert Parahus
Ralph E. Reinert
Douglas C. Shipe
James A. Smith
W. Stephen Walker
Edward D. Weber
Douglas C. Yearley, Jr.

Vice Presidents - Administration

Paul Brukardt	*Acquisitions*
Frederick N. Cooper	*Finance*
Jonathan C. Downs	*Human Resources*
Evan G. Ernest	*Taxation*
Allen R. Irwin	*Country Club/Golf Course Operations*
Manfred P. Marotta	*Toll Integrated Systems*
Kevin F. McAndrews	*Commercial Development*
Kira McCarron	*Marketing*
Robert N. McCarron	*Land Development*
Kevin J. McMaster	*Controller*
Charles E. Moscony	*Westminster Title*
Joseph J. Palka	*Eastern States Engineering*
Joseph R. Sicree	*Chief Accounting Officer*
Michael I. Snyder	*Corporate Planning and Corporate Secretary*
Ronnie E. Snyder	*Land Development*
Michael J. Soskinski	*Eastern States Engineering*
Werner Thiessen	*Acquisitions*
Steven A. Turbyfill	*Product Development*
Phillip M. Turner	*Land Development*

Subsidiary Operations

Wayne S. Patterson	*President, Westminster Security Company*
Charles E. Moscony	*President, Westminster Title Company*
Donald L. Salmon	*President, Westminster Mortgage Corporation*
Michael J. Zammit	*Managing Director, Advanced Broadband*

Listings are as of 11/1/01.

Employees

As of October 31, 2001, the Company had 2,725 full-time employees.

Shareholders

As of October 31, 2001, the Company had 681 shareholders of record.

Stock Listing

The Common Stock of Toll Brothers, Inc. is traded on the New York Stock Exchange and Pacific Exchange (symbol "TOL").

Investor Relations - Information Requests

The Company's Form 10-K Annual Report, Form 10-Q Quarterly Reports and other Company information are available upon request from Frederick N. Cooper (fcooper@tollbrothersinc.com) or Joseph R. Sicree (jsicree@tollbrothersinc.com), Co-Directors of Investor Relations, at the Corporate Office.

Corporate Office

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3103 Philmont Avenue
Huntingdon Valley, Pennsylvania 19006
(215) 938-8000
www.tollbrothers.com

Independent Auditors

Ernst & Young LLP
Philadelphia, Pennsylvania

Transfer Agent & Registrar

Mellon Investor Services, L.L.C.
Ridgefield Park, New Jersey

Securities Counsel

Wolf, Block, Schorr and Solis-Cohen LLP
Philadelphia, Pennsylvania

Common Stock Price Range - New York Stock Exchange

Quarter Ended

2001	*High*	*Low*	*2000*	*High*	*Low*
October 31	$40.24	$29.86	October 31	$35.00	$23.50
July 31	$44.14	$30.40	July 31	$24.63	$18.44
April 30	$39.70	$32.40	April 30	$23.06	$16.00
January 31	$45.25	$31.19	January 31	$19.75	$16.73

Statement on Forward-Looking Information

Certain information included herein and in other Company 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 the Company's anticipated operating results, financial resources, increases in revenues, increased profitability, interest expense, growth and expansion, ability to acquire land, ability to sell homes and properties, ability to deliver homes from backlog, and ability to secure materials and subcontractors. 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 other Company reports, SEC filings, statements and presentations. These risks and uncertainties include local, regional and national economic and political conditions, consequences of any future terrorist attacks such as those that occurred on September 11, 2001, the effect of governmental regulation, the competitive environment in which the Company operates, fluctuations in interest rates, changes in home prices, the availability and cost of land for future growth, the availability of capital, the availability and cost of labor and materials, and weather conditions.

Demographic data: The sources for the demographic data included in this annual report are the U.S. Census Bureau, the Joint Center for Housing Studies of Harvard University and Claritas.

Photography: James B. Abbott, Mark Boisclair, Author Coleman, Jeff Fadellin, John Henebry, Rob Ikeler, Chris John, Steve Lakatos, Robb Miller, Rob Muir, Tim Proctor, Kim Sargent, Beth Singer, Peter Tata, Bill Taylor

Cover photo: The Edgebrook, New York
Back cover photo: Backyard view from Cimmaron Ridge, Arizona

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Toll Brothers

America's Luxury Home Builder™

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