

TORO CO  
Form DEF 14A  
February 04, 2014  
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## SCHEDULE 14A

(Rule 14a-101)

### INFORMATION REQUIRED IN PROXY STATEMENT

#### SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

## THE TORO COMPANY

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other than the Registrant)

Payment of filing fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



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ANNUAL MEETING AND  
PROXY STATEMENT  
FOR MARCH 18, 2014

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**The Toro Company**

**8111 Lyndale Avenue South, Bloomington, Minnesota 55420-1196**

**Telephone 952-888-8801**

February 4, 2014

Dear Fellow Shareholders:

I am pleased to invite you to join us for The Toro Company 2014 Annual Meeting of Shareholders to be held on Tuesday, March 18, 2014, at 1:30 p.m., Central Daylight Time, at our corporate offices. A live, listen-only audio webcast of the meeting will be available at [www.thetorocompany.com/proxy](http://www.thetorocompany.com/proxy). Details about the annual meeting, nominees for election to the Board of Directors and other matters to be acted on at the annual meeting are presented in the notice and proxy statement that follow.

It is important that your shares be represented at the annual meeting, regardless of the number of shares you hold and whether or not you plan to attend the meeting in person. Accordingly, please exercise your right to vote by following the instructions for voting on the Notice Regarding the Availability of Proxy Materials you received for the meeting or, if you received a paper or electronic copy of our proxy materials, by completing, signing, dating and returning your proxy card or by Internet or telephone voting as described in the proxy statement.

On behalf of your Toro Board of Directors and Management, it is my pleasure to express our appreciation for your continued support.

Sincerely,

Michael J. Hoffman

*Chairman and CEO*

**You can help us make a difference by eliminating paper proxy mailings. With your consent, we will provide all future proxy materials electronically. Instructions for consenting to electronic delivery can be found on your proxy card or at [www.proxyvote.com](http://www.proxyvote.com). Your consent to receive shareholder materials electronically will remain in effect until canceled.**

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## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Toro Company 2014 Annual Meeting of Shareholders will be held on Tuesday, March 18, 2014, at 1:30 p.m., Central Daylight Time, at our corporate offices located at 8111 Lyndale Avenue South, Bloomington, Minnesota, 55420-1196, for the following purposes:

1. To elect as directors the three nominees named in the attached proxy statement, each to serve for a term of three years ending at the 2017 Annual Meeting of Shareholders;
2. To ratify the selection of KPMG LLP as our independent registered public accounting firm for our fiscal year ending October 31, 2014;
3. To approve, on an advisory basis, our executive compensation; and
4. To transact any other business properly brought before the annual meeting or any adjournment or postponement of the annual meeting.

We currently are not aware of any other business to be brought before the annual meeting. Shareholders of record at the close of business on January 22, 2014, the record date, will be entitled to vote at the annual meeting or at any adjournment or postponement of the annual meeting.

A shareholder list will be available at our corporate offices beginning March 7, 2014, during normal business hours for examination by any shareholder registered on our stock ledger as of the record date for any purpose germane to the annual meeting.

Since a majority of the outstanding shares of our common stock must be represented either in person or by proxy to constitute a quorum for the conduct of business, **please promptly vote your shares by following the instructions for voting on the Notice Regarding the Availability of Proxy Materials you received for the meeting or, if you received a paper or electronic copy of our proxy materials, by completing, signing, dating and returning your proxy card or by Internet or telephone voting as described in the proxy statement.**

February 4, 2014

**BY ORDER OF THE BOARD OF DIRECTORS**

**TIMOTHY P. DORDELL**

*Vice President, Secretary and*

*General Counsel*



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# **THE TORO COMPANY**

**8111 Lyndale Avenue South**

**Bloomington, Minnesota 55420-1196**

## **PROXY STATEMENT**

**2014 ANNUAL MEETING OF SHAREHOLDERS**

**TUESDAY, MARCH 18, 2014**

**1:30 p.m. Central Daylight Time**

The Toro Company Board of Directors is using this proxy statement to solicit your proxy for use at The Toro Company 2014 Annual Meeting of Shareholders to be held at 1:30 p.m., Central Daylight Time, on Tuesday, March 18, 2014. We intend to send a Notice Regarding the Availability of Proxy Materials for the annual meeting and make proxy materials available to shareholders (or for certain shareholders and for those who request, a paper copy of this proxy statement and the form of proxy) on or about February 4, 2014. Please note that references in this proxy statement to Toro, our Company, we, us, our and similar terms refer to The Toro Company.

### **NOTE ABOUT FORWARD LOOKING STATEMENTS**

Certain statements in this proxy statement are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are subject to the safe harbor created by those sections. Forward-looking statements are based on our current expectations of future events, and are generally identified by words such as expect, strive, looking ahead, outlook, guidance, forecast, goal, optimistic, anticipate, continue, plan, estimate, project, will, would, possible, may, likely, intend, and similar expressions or future dates. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or implied. The most significant factors known to us that could materially adversely affect our business, operations, industry, financial position, or future financial performance are described in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on December 20, 2013, in Part I, Item 1A, Risk Factors. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made, and should recognize that forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described in our Annual Report on Form 10-K, including in Part I, Item 1A, Risk Factors, as well as others that we may consider immaterial or do not anticipate at this time. The risks and uncertainties described in our Annual Report on Form 10-K are not exclusive and further information concerning our company and our businesses, including factors that potentially could materially affect our operating results or financial condition, may emerge from time to time. We undertake no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. We advise you, however, to consult any further disclosures we make on related subjects in our future Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that we file with or furnish to the SEC.

### **GENERAL INFORMATION ABOUT THE 2014 ANNUAL MEETING AND VOTING**

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on Tuesday, March 18, 2014.**

This proxy statement and our 2013 Annual Report, which includes our Annual Report on Form 10-K for the fiscal year ended October 31, 2013, are available at [www.thetorocompany.com/proxy](http://www.thetorocompany.com/proxy).

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Pursuant to rules adopted by the SEC, we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice Regarding the Availability of Proxy Materials to our shareholders of record and beneficial owners (other than those beneficial owners who hold shares of our common stock in The Toro Company Investment, Savings and Employee Stock Ownership Plan, or IS&ESOP, The Toro Company Profit Sharing Plan for Plymouth Union Employees, The Toro Company Deferred Compensation Plan for Officers, or the Deferred Plan for Officers, The Toro Company Deferred Compensation Plan for Non-Employee Directors, or the Deferred Plan for Directors, and those record and beneficial owners who previously have requested that they receive electronic or paper copies of our proxy materials). All shareholders have the ability to access our proxy materials on the website referred to in the Notice Regarding the Availability of Proxy Materials ([www.proxyvote.com](http://www.proxyvote.com)) or request to receive a printed set of our proxy materials. Instructions on how to access our proxy materials over the Internet or request a printed copy of our proxy materials may be found in the Notice Regarding the Availability of Proxy Materials. In addition, shareholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis.

### **When and Where Will the Annual Meeting Be Held?**

The annual meeting will be held on Tuesday, March 18, 2014, at 1:30 p.m., Central Daylight Time, at our corporate offices located at 8111 Lyndale Avenue South, Bloomington, Minnesota, 55420-1196.

### **What Are the Purposes of the Annual Meeting?**

The purposes of the 2014 Annual Meeting of Shareholders are to vote on the following items:

1. To elect as directors the three nominees named in this proxy statement, each to serve for a term of three years ending at the 2017 Annual Meeting of Shareholders;
2. To ratify the selection of KPMG LLP as our independent registered public accounting firm for our fiscal year ending October 31, 2014;
3. To approve, on an advisory basis, our executive compensation; and
4. To transact any other business properly brought before the annual meeting or any adjournment or postponement of the annual meeting.

### **Who Is Entitled to Vote at the Annual Meeting?**

Shareholders of record at the close of business on January 22, 2014, the record date, will be entitled to notice of and to vote at the annual meeting or any adjournment or postponement of the annual meeting. As of January 22, 2014, there were 56,773,098 outstanding shares of our common stock. Each share of our common stock is entitled to one vote on each matter to be voted on at the annual meeting. Shares of our common stock that are held by us in our treasury are not counted as outstanding shares and will not be voted.

### **What Does It Mean If I Receive More Than One Notice or Set of Proxy Materials?**

If you hold shares in more than one account, you may receive multiple copies of the Notice Regarding the Availability of Proxy Materials and/or electronic or paper copies of our proxy materials. If you are a participant in our Dividend Reinvestment Plan, shares registered in your name are combined with shares you hold in that plan. Similarly, where possible, shares registered in your name are combined with shares you hold, if any, as a participant in certain Toro employee benefit plans. However, shares you hold in street name (through a broker, bank or other nominee) are not combined with shares registered in your name or held as a participant in Toro employee benefit plans. If you receive more than one Notice Regarding the Availability of Proxy Materials and/or electronic or paper copies of our proxy materials, you

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must vote separately for each notice, e-mail notification or proxy and/or voting instruction card having a unique control number to ensure that you vote all of your shares.

### **What Different Methods May I Use to Vote My Shares?**

Your vote is important. If your shares are registered in your name, you may vote your shares in person at the meeting or by one of the three following methods:

**Vote by Internet**, by going to [www.proxyvote.com](http://www.proxyvote.com) and following the instructions for Internet voting shown on your Notice Regarding the Availability of Proxy Materials, proxy card or voting instruction form.

**Vote by Telephone**, by dialing 800-690-6903 and following the instructions for telephone voting shown on your proxy card.

**Vote by Proxy Card**, by completing, signing, dating and mailing your proxy card in the envelope provided if you received a paper copy of these proxy materials. If you vote by Internet or telephone, please do not mail your proxy card.

If you hold shares as a participant in certain Toro employee benefit plans, you may vote your shares by one of the three methods noted above. If your shares are held in street name, you may receive a separate voting instruction form with this proxy statement or you may need to contact your broker, bank or other nominee to determine whether you will be able to vote electronically using the Internet or by telephone.

### **How Will My Shares Be Voted?**

If you return your signed proxy card or use Internet or telephone voting before the annual meeting, the named proxies will vote your shares as you direct. If you hold shares as a participant in certain Toro employee benefit plans, the trustee for such plan will cause your shares to be voted confidentially in accordance with your instructions.

For Proposal One Election of Directors, you may:

Vote **FOR** all three nominees;

**WITHHOLD** your vote from all three nominees; or

**WITHHOLD** your vote from one or more nominees you designate.

For Proposal Two Ratification of Selection of Independent Registered Public Accounting Firm and Proposal Three Advisory Approval of Executive Compensation, you may:

Vote **FOR** the proposal;

Vote **AGAINST** the proposal; or

**ABSTAIN** from voting on the proposal.

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If your shares are registered in your name and you send in your proxy card or use Internet or telephone voting but you do not specify how you want to vote your shares, the proxies will vote your shares **FOR** all three nominees for election to the Board in Proposal One Election of Directors, **FOR** Proposal Two Ratification of Selection of Independent Registered Public Accounting Firm, and **FOR** Proposal Three Advisory Approval of Executive Compensation. If you hold shares as a participant in certain Toro employee benefit plans and you do not provide voting instructions for such shares, in accordance with the terms of each respective plan, the trustee for such plan will vote your shares in the same proportion as the votes actually cast by participants.

If your shares are held in street name and you do not indicate how you wish to vote, under the New York Stock Exchange, or NYSE, rules, your broker is permitted to exercise its discretion to vote

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your shares only on certain routine matters. Proposal One Election of Directors and Proposal Three Advisory Approval of Executive Compensation are not routine matters. Accordingly, if you do not direct your broker how to vote on those proposals, your broker may not exercise discretionary voting authority and may not vote your shares on such proposals. This is called a broker non-vote and although your shares will be considered to be represented by proxy at the annual meeting, as discussed below, they are not considered to be shares entitled to vote at the annual meeting and will not be counted as having been voted on the applicable proposal. Proposal Two Ratification of Selection of Independent Registered Public Accounting Firm is a routine matter and, as such, your broker is permitted to exercise discretionary voting authority to vote your shares for or against the proposal in the absence of your instruction.

### **How Does the Board Recommend that I Vote?**

The Board of Directors unanimously recommends that you vote:

**FOR** all three nominees for election to the Board in Proposal One Election of Directors;

**FOR** Proposal Two Ratification of Selection of Independent Registered Public Accounting Firm; and

**FOR** Proposal Three Advisory Approval of Executive Compensation.

### **How Can I Revoke or Change My Vote?**

If your shares are registered in your name, you may revoke your proxy at any time before it is voted by one of the following methods:

Submitting another proper proxy with a more recent date than that of the proxy first given by following the Internet or telephone voting instructions or completing, signing, dating and returning a proxy card;

Sending written notice of revocation to our Vice President, Secretary and General Counsel; or

Attending the annual meeting and voting by ballot.

If you hold shares as a participant in certain Toro employee benefit plans, you may revoke or change your proxy by submitting another proper proxy with a more recent date than that of the proxy first given by following the Internet or telephone voting instructions or completing, signing, dating and returning a proxy card. If your shares are held in street name, you may revoke your proxy by following instructions provided by your broker, bank or other nominee.

### **How Many Shares Must Be Present to Hold the Annual Meeting?**

The presence, in person or represented by proxy, at the annual meeting of a majority of the outstanding shares of our common stock as of the record date will constitute a quorum for the transaction of business at the annual meeting. Your shares will be counted toward the quorum if you submit a proxy or vote at the annual meeting. Shares represented by proxies marked abstain and broker non-votes also are counted in determining whether a quorum is present for the transaction of business at the annual meeting.

### **What Vote Is Required for Each Proposal?**

Proposal One Election of Directors will be decided by the affirmative vote of a plurality of the outstanding shares of our common stock, present in person or represented by proxy at the annual meeting, and entitled to vote at the annual meeting. A plurality for Proposal One means the individuals who receive the greatest number of votes cast for are elected as directors. However, under our Amended and Restated Bylaws, if a majority of the votes of the shares present in person or



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represented by proxy at the annual meeting are designated to be withheld from or are voted against a nominee for director in an uncontested election, that director must tender his or her resignation for consideration by the Nominating & Governance Committee. The Nominating & Governance Committee then must evaluate the best interests of our Company and its shareholders and recommend the action to be taken by the Board with respect to such tendered resignation.

Proposal Two Ratification of Selection of Independent Registered Public Accounting Firm and Proposal Three Advisory Approval of Executive Compensation each will be decided by the affirmative vote of a majority of the outstanding shares of our common stock, present in person or represented by proxy at the annual meeting, and entitled to vote at the annual meeting. Proposal Three is an advisory vote; however, our Compensation & Human Resources Committee and Board expect to take into account the outcome of the vote when considering future executive compensation decisions.

Proxies marked withheld on Proposal One Election of Directors or abstain on Proposal Two Ratification of Section of Independent Registered Public Accounting Firm or Proposal Three Advisory Approval of Executive Compensation will be counted in determining the total number of shares entitled to vote on such proposal but will have the effect of a vote against a director or a proposal. Broker non-votes are not considered to be shares entitled to vote at the annual meeting and, as such, will not be counted as having been voted on the applicable proposal.

### **Who Will Count the Votes?**

Broadridge Financial Solutions, Inc. has been engaged to tabulate shareholder votes and act as our independent inspector of elections for the annual meeting.

### **Are There Any Matters To Be Voted On at the Annual Meeting that Are Not Included in this Proxy Statement?**

We currently are not aware of any business to be acted upon at the annual meeting other than that described in this proxy statement. If, however, other matters properly are brought before the annual meeting, or any adjournment or postponement of the annual meeting, your proxy includes discretionary authority on the part of the individuals appointed to vote your shares or act on those matters according to their best judgment.

### **How Will Business Be Conducted at the Annual Meeting?**

The presiding officer at the annual meeting will determine how business at the meeting will be conducted. Only nominations and other proposals brought before the annual meeting in accordance with the advance notice and information requirements of our Amended and Restated Bylaws will be considered, and no such nominations or other proposals were received. In order for a shareholder proposal to have been included in our proxy statement for the annual meeting, our Vice President, Secretary and General Counsel must have received such proposal not later than October 1, 2013. Under our Amended and Restated Bylaws, complete and timely written notice of a proposed nominee for election to our Board at the annual meeting or a proposal for any other business to be brought before the annual meeting must have been received by our Vice President, Secretary and General Counsel not later than December 12, 2013, nor earlier than November 12, 2013, and must have contained the specific information required by our Amended and Restated Bylaws.

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The following table sets forth information known to us as of January 22, 2014, as to entities that have reported to the SEC or have otherwise advised us that they are a beneficial owner, as defined by the SEC's rules and regulations, of more than five percent of our outstanding common stock.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class<sup>(1)</sup></b>
Common Stock	The Vanguard Group, Inc.  100 Vanguard Blvd.  Malvern, PA 19355	3,685,011 <sup>(2)</sup>	6.49%
Common Stock	BlackRock, Inc.  40 East 52nd St.  New York, NY 10022	3,428,028 <sup>(3)</sup>	6.04%
Common Stock	Mairs and Power, Inc.  332 Minnesota St. #W-1520  St. Paul, MN 55101	3,214,803 <sup>(4)</sup>	5.66%
Common Stock	T Rowe Price Associates Inc.  100 East Pratt St.  Baltimore, MD 21202	3,015,310 <sup>(5)</sup>	5.31%

(1) Percent of class is based on 56,773,098 shares outstanding as of January 22, 2014.

(2) Based solely on information contained in the most recently filed Schedule 13F of The Vanguard Group, Inc. an investment advisor, filed with the SEC on November 7, 2013, reflecting beneficial ownership as of September 30, 2013, with sole investment discretion but no voting authority with respect to 3,647,365 shares, sole investment discretion and voting authority with respect to 3,000 shares and shared investment discretion but sole voting authority with respect to 34,646 shares.

(3) Based solely on information contained in the most recently filed Schedule 13F of each of the following entities, each of which was filed with the SEC on November 12, 2013, reflecting beneficial ownership as of September 30, 2013: (a) BlackRock, Inc., reflecting beneficial ownership of 3,675 shares of our common stock; (b) BlackRock Advisors, LLC, reflecting beneficial ownership of 7,887 shares of our common stock; (c) BlackRock Fund Advisors, reflecting beneficial ownership of 1,958,156 shares of our common stock; (d) BlackRock Investment Management, LLC, reflecting beneficial ownership of 49,981 shares of our common stock; (e) BlackRock Group Limited, reflecting beneficial ownership of 75,219 shares of our common stock; and (f) BlackRock Institutional Trust Company, N.A., reflecting beneficial ownership of 1,333,110 shares of our common stock. Each entity reported sole investment discretion and voting authority with respect to all such shares. BlackRock, Inc. is a parent holding company of certain institutional investment managers and the most recently



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filed Schedule 13F of BlackRock, Inc. names each of the other entities listed herein as a subsidiary and individual filer of Schedules 13F.

- (4) Based solely on information contained in the most recently filed Schedule 13F of Mairs and Power, Inc., an investment advisor, filed with the SEC on November 14, 2013, reflecting beneficial ownership as of September 30, 2013, with sole investment discretion with respect to all such shares, sole voting authority with respect to 2,659,860 shares and no voting authority with respect to 554,943 shares.
  
- (5) Based solely on information contained in the most recently filed Schedule 13F of T Rowe Price Associates Inc., an investment advisor, filed with the SEC on November 14, 2013, reflecting beneficial ownership as of September 30, 2013, with sole investment discretion with respect to all

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such shares, sole voting authority with respect to 539,800 shares and no voting authority with respect to 2,475,510 shares.

**Directors and Executive Officers**

The following table sets forth information known to us regarding the beneficial ownership of our common stock as of January 22, 2014, by (i) each of our current directors and nominees for director, (ii) our principal executive officer, principal financial officer and the next three most highly compensated executive officers named in the Summary Compensation Table on page 55 (we collectively refer to these persons as our named executive officers), and (iii) all current directors and executive officers as a group.

Name	Amount and Nature of Beneficial Ownership of Common Stock <sup>(1)(2)(3)(4)</sup>	Common Stock Beneficially Owned as a Percent of Common Stock Outstanding <sup>(5)</sup>
Non-Employee Directors:		
Robert C. Buhrmaster	89,690	*
Janet K. Cooper	75,287	*
Gary L. Ellis	55,572	*
Jeffrey M. Ettinger	19,902	*
Katherine J. Harless	55,164	*
James C. O'Rourke	3,143	*
Gregg W. Steinhafel	43,958	*
Christopher A. Twomey	86,849	*
Named Executive Officers:		
Michael J. Hoffman	1,790,150	3.09%
Renee J. Peterson	60,727	*
William E. Brown, Jr.	215,625	*
Timothy P. Dordell	199,165	*
Michael J. Happe	83,435	*
All Directors and Executive Officers as a Group (22)	3,545,244	6.03%

\* Less than one percent of the outstanding shares of our common stock

- (1) Shares are deemed to be beneficially owned by a person if such person, directly or indirectly, has or shares: (a) the power to vote or direct the voting of such shares, or (b) the power to dispose or direct the disposition of such shares. Except as otherwise indicated in the footnotes to this table, the persons in this table have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them, subject to community property laws, where applicable.
- (2) Beneficial ownership also includes: (a) shares that a person has the right to acquire within 60 days of January 22, 2014, and, as such, includes shares that may be acquired upon exercise of stock options within 60 days of January 22, 2014; (b) shares of restricted stock that vest over time and are subject to forfeiture until vested; (c) shares allocated to executive officers under the IS&ESOP; and (d) common stock units and performance share units, collectively referred to as units, credited under the Deferred Plan for Directors and the Deferred Plan for Officers. The

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following table reflects the beneficial ownership by type of security held by our Non-Employee Directors and Executive Officers:

Name	Stock Options	Restricted Stock	IS&ESOP	Units under the Deferred Plan for Directors	Units under the Deferred Plan for Officers
<b>Non-Employee Directors:</b>					
Robert C. Buhrmaster	50,232			8,574	
Janet K. Cooper	42,232			21,215	
Gary L. Ellis	35,140			1,765	
Jeffrey M. Ettinger	9,110			0	
Katherine J. Harless	23,338			878	
James C. O Rourke	1,140			0	
Gregg W. Steinhafel	28,584			2,638	
Christopher A. Twomey	42,232			4,617	
<b>Named Executive Officers:</b>					
Michael J. Hoffman	1,074,400	0	65,717		0
Renee J. Peterson	24,732	15,470	81		0
William E. Brown, Jr.	106,866	3,071	4,845		0
Timothy P. Dordell	155,038	0	0		40,944
Michael J. Happe	51,266	3,071	11,792		6,476
All Directors and Executive Officers as a Group (22)	2,035,008	30,206	156,371	39,687	168,033

- (3) Includes shares held in trust for estate planning purposes as follows: 10,965 shares for Ms. Cooper, 26,610 shares for Ms. Harless, 40,000 shares for Mr. Twomey, 121,382 shares for Mr. Hoffman, 3,183 shares for Mr. Dordell and 202,140 shares for all current directors and executive officers as a group. Ms. Cooper's spouse is sole trustee of the trust and has sole voting and investment power with respect to the shares held in trust; and accordingly, Ms. Cooper disclaims beneficial ownership of such shares. Ms. Harless has shared voting and investment power with respect to the shares held in trust. Mr. Twomey has sole voting and investment power with respect to 10,715 of the shares held in trust and shared voting and investment power with respect to 29,285 of the shares held in trust.
- (4) Includes shares held jointly with spouse for which the director or officer has shared voting and investment power as follows: 12,736 shares for Mr. Steinhafel, 34,525 shares for Mr. Brown and 60,334 shares for all directors and executive officers as a group.
- (5) Percentages are calculated pursuant to Rule 13d-3 under the Exchange Act. Percentage calculations assume, for each person and the group, that all shares that may be acquired by such person or by the group pursuant to stock options or other rights currently exercisable or that become exercisable within 60 days following January 22, 2014, are outstanding for the purpose of computing the percentage of common stock owned by such person or by the group. However, those unissued shares of our common stock described above are not deemed to be outstanding for the purpose of calculating the percentage of common stock owned by any other person.

**Section 16(a) Beneficial Ownership Reporting Compliance**

The rules of the SEC require us to disclose the identity of directors, executive officers and greater than 10% owners of our common stock who did not file on a timely basis reports required by Section 16 of the Exchange Act. Based on review of reports filed by these reporting persons on the

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SEC's electronic filing, or EDGAR, system and written representations by our directors and executive officers, we believe that all of our directors, executive officers and greater than 10% owners complied with all filing requirements applicable to them during our fiscal year ended October 31, 2013, or fiscal 2013, except that one Form 4 reporting one open market purchase on November 20, 2012, by William E. Brown, Jr. was not filed on a timely basis. In this case, a broker made a non-directed purchase of Toro common stock in an IRA account held by Mr. Brown's spouse, and such purchase was subsequently disclosed in a Form 4 filed on December 18, 2012.

**Table of Contents****PROPOSAL ONE ELECTION OF DIRECTORS****Number of Directors; Board Structure**

Our Restated Certificate of Incorporation provides that our Board of Directors may be comprised of between eight and twelve directors. Our Board currently is comprised of nine directors. As provided in our Restated Certificate of Incorporation, our Board is divided into three staggered classes of directors of the same or nearly the same number, with each class elected in a different year for a term of three years. Our current directors and their respective current terms are as follows:

<b>Current Term Ending at</b>	<b>Current Term Ending at</b>	<b>Current Term Ending at</b>
<b>2014 Annual Meeting</b>	<b>2015 Annual Meeting</b>	<b>2016 Annual Meeting</b>
Jeffrey M. Ettinger Katherine J. Harless Michael J. Hoffman	Janet K. Cooper Gary L. Ellis Gregg W. Steinhafel	Robert C. Buhrmaster James C. O. Rourke Christopher A. Twomey

**Nominees for Director**

The Board has nominated each of Jeffrey M. Ettinger, Katherine J. Harless and Michael J. Hoffman for election to the Board to serve for a three-year term ending at the 2017 Annual Meeting of Shareholders. Each of these nominees is a current member of the Board and has consented to serve if elected. Proxies only can be voted for the number of persons named as nominees in this proxy statement, which is three.

**Board Recommendation**

**The Board of Directors unanimously recommends a vote FOR the election to the Board of the three nominees for director.**

If prior to the annual meeting the Board should learn that any nominee will be unable to serve for any reason, the proxies that otherwise would have been voted for that nominee will be voted for a substitute nominee as selected by the Board. Alternatively, at the Board's discretion, the proxies may be voted for that fewer number of nominees as results from the inability of any nominee to serve. The Board has no reason to believe that any of the nominees will be unable to serve.

**Information About Board Nominees and Continuing Directors**

The following paragraphs provide information about each nominee for election to the Board at the annual meeting and each other member of the Board, including all positions he or she currently holds, his or her principal occupation and business experience for the past five years, and the names of other publicly held companies of which he or she currently serves as a director or has served as a director during the past five years. We believe that all of our director nominees and other directors display personal and professional integrity; satisfactory levels of education and business experience; business acumen; an appropriate level of understanding of our business, its industry and other industries relevant to our business; the ability and willingness to devote adequate time to the work of our Board and its committees; a fit of skills and personality with those of our other directors that helps build a Board that is effective, collegial and responsive to the needs of our Company; strategic thinking and a willingness to share ideas; a diversity of experiences, expertise and background; and the ability to represent the interests of all of our shareholders. The information presented below regarding each director nominee or director also sets forth specific experience, qualifications, attributes and skills that led our Board to conclude that he or she should serve as a director in light of our business and structure.

**Nominees for Election to the Board Current Term Ending at the 2014 Annual Meeting.**

**Jeffrey M. Ettinger, age 55**, is the Chairman, President and Chief Executive Officer of Hormel Foods Corporation, Austin, Minnesota (a multinational manufacturer and marketer of consumer-

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branded food and meat products). Mr. Ettinger has held these positions since November 2006. Previously, he was President and Chief Executive Officer of Hormel Foods from January 2006 to November 2006, and was President and Chief Operating Officer from 2004 to 2006. First elected to the Toro Board in July 2010, he is a member of the Audit Committee and the Compensation & Human Resources Committee. Mr. Ettinger has served as a director of Hormel Foods since 2004, and currently serves on the boards of the Grocery Manufacturers of America, the American Meat Institute, the Minnesota Business Partnership and The Hormel Foundation.

Mr. Ettinger has developed throughout his career, and brings to our Board, strong business acumen, significant executive leadership attributes and relevant experience of driving growth through innovation and strategic acquisitions. As Chairman, President and Chief Executive Officer of Hormel Foods, a Fortune 500 public company with global operations, Mr. Ettinger provides our Board and Management relevant insight and guidance with respect to numerous issues important to our Company, including in particular our strategy of driving growth in our business through the development of innovative, customer-valued products and expansion of our global presence through targeted acquisitions. Additionally, he contributes knowledge of public company requirements and issues, which are helpful to his service as a member of our Audit Committee and Compensation & Human Resources Committee.

**Katherine J. Harless, age 62**, was the President and Chief Executive Officer of Idearc Inc., Dallas/Fort Worth, Texas (a provider of sales, publishing and related services including Verizon Yellow Pages and SuperPages.com), from November 2006 until her retirement in February 2008. On March 31, 2009, Idearc Inc. and all of its domestic subsidiaries filed voluntary petitions in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, seeking reorganization relief under the provisions of Chapter 11 of Title 11 of the United States Bankruptcy Code. On December 31, 2009, Idearc emerged from the Chapter 11 bankruptcy proceedings and under its plan of reorganization has, among other things over time, merged with Dex One Corporation to form Dex Media, Inc. and now trades on the NASDAQ Global Market under the symbol DXM. Ms. Harless also previously served as President and Chief Executive Officer of Verizon Information Services Inc. from 2000 to November 2006, when it was spun off by Verizon Communications, Inc. to become Idearc, and was a director of Idearc from November 2006 to May 2008. First elected to the Toro Board in 2000, she is a member of the Audit Committee, the Compensation & Human Resources Committee and the Nominating & Governance Committee. Ms. Harless also currently serves on the advisory board of the McCombs School of Business at the University of Texas, Austin, is a director and program co-chair for the North Texas Chapter of the National Association of Corporate Directors and a director for The Board Connection.

Ms. Harless brings to our Board executive leadership and management skills that she developed through her positions as former President and Chief Executive Officer of Idearc and as former President of several strategic business units at Verizon Communications, Inc. and GTE Corporation. Ms. Harless was the first woman to become President of an operating company of GTE Corporation. Ms. Harless provides our Board with a seasoned business perspective and provides valuable business, leadership and management insights with respect to our strategic direction. Through her position as former President and Chief Executive Officer of Idearc, a public company, Ms. Harless gained experience and knowledge of financial, executive compensation, corporate governance and other requirements and issues applicable to public companies, which are helpful to her service as a member of our Audit Committee, Compensation & Human Resources Committee and Nominating & Governance Committee.

**Michael J. Hoffman, age 58**, is our Chairman of the Board, President and Chief Executive Officer, and we generally refer to him in this proxy statement as our Chairman and CEO. Mr. Hoffman was appointed as Chairman in March 2006, was elected as Chief Executive Officer in March 2005, and was

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elected as President in October 2004. Mr. Hoffman was first elected to the Toro Board in March 2005, and since November 2005 has also served as a director of Donaldson Company, Inc.

In his more than 36 years with our Company, Mr. Hoffman has developed and brings to our Board leadership experience and extensive knowledge of all aspects of our Company, business, industry, markets and day-to-day operations. Mr. Hoffman contributes an unwavering commitment to quality and innovation in our products, customer service, manufacturing, and marketing, and is a strong steward of our culture and ethical tone at the top. Mr. Hoffman's role as Chairman of the Board and Chief Executive Officer of our Company creates a critical link between our Board and our Management. As a result of his dual role, Mr. Hoffman provides unique insight into our Company's future strategies, opportunities and challenges, and serves as the unifying element between the leadership and strategic direction provided by our Board and the implementation of our business strategies by Management. Additionally, Mr. Hoffman's service on the board of directors of Donaldson enables him to bring an enhanced understanding of, and experience with, public company requirements and issues.

**Continuing Members of the Board - Current Term Ending at the 2015 Annual Meeting.**

**Janet K. Cooper, age 60**, was the Senior Vice President and Treasurer of Qwest Communications International Inc., Denver, Colorado (a U.S. telecommunications company that merged with and now does business as CenturyLink), from September 2002 to June 2008. From 2001 to 2002, she served as Chief Financial Officer and Senior Vice President of McDATA Corporation. From 2000 to 2001, she served as Senior Vice President, Finance of Qwest. From 1998 to 2000, she served in various senior level finance positions at US West Inc., including as Vice President, Finance and Controller and Vice President and Treasurer. From 1978 to 1998, Ms. Cooper served in various capacities with The Quaker Oats Company, including as Vice President, Treasurer and Tax from 1997 to 1998 and Vice President, Treasurer from 1992 to 1997. First elected to the Toro Board in 1994, she is the Chair of the Audit Committee and a member of the Finance Committee. Ms. Cooper has served as a director of Lennox International Inc. since 1999. In addition, she currently serves as a director of MWH Global, Inc., a privately held company.

Through her experience in various senior level financial positions with Qwest, McDATA Corporation, US West and Quaker Oats, Ms. Cooper has developed a substantial financial and accounting background and expertise, which she contributes to our Board and more specifically to our Audit Committee, in her role as Chair, and to our Finance Committee. Ms. Cooper's financial expertise and acumen in capital markets, audit, tax, accounting, treasury and risk-management matters assists our Board in providing oversight to Management on these matters. Ms. Cooper's senior leadership experience also enables her to provide strategic input to our Board, in addition to her financial expertise, discipline and oversight.

**Gary L. Ellis, age 57**, is the Senior Vice President and Chief Financial Officer of Medtronic, Inc., Minneapolis, Minnesota (a global medical technology company). Mr. Ellis has held these positions since May 2005. Previously, he was the Vice President, Corporate Controller and Treasurer of Medtronic from 1999 to May 2005. First elected to the Toro Board in 2006, he is the Chair of the Finance Committee and a member of the Audit Committee. Mr. Ellis currently serves on the boards of the Science Museum of Minnesota and the Greater Twin Cities United Way.

As Chief Financial Officer of Medtronic, a Fortune 500 public company with global operations, Mr. Ellis possesses and brings relevant financial leadership experience and expertise to our Board and more specifically to our Finance Committee, in his role as Chair, and our to Audit Committee. Such experience assists our Board in providing oversight to Management regarding capital structure, financial condition and policies, long-range financial objectives, tax strategies, financing requirements and arrangements, capital budgets and expenditures, risk-management, insurance coverage, and strategic planning matters. Additionally, Mr. Ellis contributes his international experience managing

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worldwide financial operations and analyzing financial implications of merger and acquisition transactions, as well as aligning business strategies and financial decisions. As a result, Mr. Ellis provides our Board valuable perspectives as our Company continues its efforts to improve revenue growth and profitability, including growth in international markets, and maintain a strong balance sheet.

**Gregg W. Steinhafel, age 59**, is the Chairman, President and Chief Executive Officer of Target Corporation, Minneapolis, Minnesota (a variety retailing company). Mr. Steinhafel was appointed as Chairman of Target in February 2009, was elected as Chief Executive Officer in May 2008, and was elected as President in 1999. First elected to the Toro Board in 1999, he is a member of the Compensation & Human Resources Committee and the Nominating & Governance Committee. Mr. Steinhafel has served as a director of Target since 2007 and also currently serves on the board of the Retail Industry Leaders Association.

Mr. Steinhafel brings to our Board strong leadership experience and retail knowledge that he has developed in his more than 30 years with Target, a Fortune 500 public company. As Chairman, President and Chief Executive Officer of Target, Mr. Steinhafel is responsible for Target's excellent brand recognition, devotion to innovation, strong supply chain initiatives, and disciplined approach to managing its business and investing in future growth, all of which are important to our Company's business strategies. In addition, he contributes executive decision-making skills and valuable strategic planning expertise, as well as significant and relevant knowledge of public company requirements and issues. Mr. Steinhafel's significant retail knowledge assists our Board in providing guidance with respect to our residential business, which is affected by consumer confidence and spending levels, changing buying patterns of customers and the amount of product placement at mass retailers, such as The Home Depot.

**Continuing Members of the Board Current Term Ending at the 2016 Annual Meeting.**

**Robert C. Buhrmaster, age 66**, was the Chairman and Chief Executive Officer of Jostens, Inc., Minneapolis, Minnesota (a designer and producer of athletic championship and scholastic products), until his retirement in 2004. Mr. Buhrmaster was appointed Chairman of Jostens in 1998 and was elected as Chief Executive Officer in 1994. He also served as President of Jostens from 1994 to January 2003. First elected to the Toro Board in 1996, he serves as our presiding non-management director, or Lead Director, is the Chair of the Nominating & Governance Committee and is a member of the Finance Committee. Mr. Buhrmaster has served as a director of SurModics, Inc. since January 2008 and as its Chairman since January 2009. Mr. Buhrmaster is retiring from SurModics' board of directors effective at the conclusion of its Annual Meeting of Shareholders scheduled to be held on February 4, 2014. From August 2009 to May 2013 he also served as a director of Caraustar Industries, Inc., a privately held company.

Mr. Buhrmaster has developed and brings to our Board strong business leadership, corporate strategy and operational expertise that he acquired throughout his long career at Jostens, including as its Chairman, Chief Executive Officer and President. Additionally, as an experienced public company director, Mr. Buhrmaster contributes an enhanced knowledge of public company requirements and issues, including corporate governance matters, which are specifically relevant to his role as our Lead Director and to his service on our Nominating & Governance Committee, in his role as Chair. As a result, Mr. Buhrmaster is able to draw on his management and boardroom experiences to foster active discussion and collaboration among the non-employee directors of the Board and with our Management.

**James C. O'Rourke, age 53**, is the Executive Vice President Operations and Chief Operating Officer of The Mosaic Company, Plymouth, Minnesota (a global producer and marketer of combined concentrated phosphate and potash crop nutrients for the global agriculture industry), a position he has held since August 2012. In this role, Mr. O'Rourke has responsibility for Mosaic's mining and



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manufacturing operations, as well as environmental, health and safety, supply chain and procurement. Previously, Mr. O'Rourke was the Executive Vice President Operations from January 2009, when he joined Mosaic, to August 2012. From 2006 to 2008, Mr. O'Rourke was the President, Australia Pacific of Barrick Gold Corporation, Toronto, Ontario, Canada (a global producer and seller of gold and copper also engaged in related activities including exploration and mine development), where he was responsible for the Australia Pacific Business Unit consisting of gold and copper mines in Australia and Papua New Guinea and oversight of approximately 6,500 employees. Throughout his career, Mr. O'Rourke has held various senior management, engineering and other positions in the mining industry. First elected to the Toro Board in August 2012, he is a member of the Audit Committee and the Finance Committee.

Mr. O'Rourke has developed and brings to our Board significant leadership skills, strategic and innovative thinking and strong international business expertise. He also contributes substantial knowledge of worldwide manufacturing, distribution and supply chain strategies and environmental, health and safety matters gained through his tenure with Mosaic, a Fortune 500 company with global presence, and various previous positions in Canada, Papua New Guinea and Australia. As a result of his background and experience, Mr. O'Rourke provides our Board and Management relevant insight and guidance with respect to numerous issues important to our Company, including in particular as we explore opportunities to increase our global presence and grow our revenues by investing in new products and infrastructure that are intended to connect us more closely with international customers, and strive to further increase operational efficiencies and improve quality worldwide.

**Christopher A. Twomey, age 65**, was the Chairman of Arctic Cat Inc., Thief River Falls, Minnesota (a manufacturer of all-terrain vehicles and snowmobiles), a position he held from August 2003 until August 2012. Previously, Mr. Twomey was also the Chief Executive Officer of Arctic Cat from 1986 until his retirement in December 2010. First elected to the Toro Board in 1998, he is the Chair of the Compensation & Human Resources Committee and a member of the Nominating & Governance Committee. Mr. Twomey has served as a director of Arctic Cat since 1987.

Mr. Twomey brings to our Board meaningful strategic, management and operational experience and knowledge developed in his more than 25 years with Arctic Cat. As a result of Mr. Twomey's long career in a business and industry dependent on distributor relationships and financing sources, and affected by weather conditions and seasonality considerations, he provides valuable knowledge and insight with respect to similar issues faced by our Company in our industry. Also, as former Chairman and Chief Executive Officer of a public company, Mr. Twomey contributes a solid understanding of public company requirements and issues, including executive compensation and corporate governance issues, which are relevant to his service on our Compensation & Human Resources Committee, in his role as Chair, and as a member of our Nominating & Governance Committee.

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**CORPORATE GOVERNANCE**

**Corporate Governance Guidelines**

The Board has adopted Corporate Governance Guidelines, which describe our corporate governance practices and policies and provide a framework for our Board governance. The topics addressed in our Corporate Governance Guidelines include: director qualifications and responsibilities; Board committees; director access to officers and employees; compensation; independence and related party transactions; Chief Executive Officer, or CEO, evaluation and management succession; and Board annual self-evaluation. Our Corporate Governance Guidelines provide, among other things, that:

The Board will have a majority of directors who meet the criteria for independence required by applicable law, the rules and regulations of the SEC and the NYSE listing standards.

Individual directors who significantly change the responsibility they held when they were elected to the Board should offer their resignation to provide an opportunity for the Board, through the Nominating & Governance Committee, to review the continued appropriateness of Board membership under the circumstances.

No director may serve on boards of directors of more than four publicly held companies without the approval of the Nominating & Governance Committee.

No director who is an active full-time employee of our Company may serve as a director of more than two other publicly held companies and there may be no interlocking board memberships without the approval of the Nominating & Governance Committee.

While the Board does not believe it should establish age limits, any director who has attained the age of 70 should volunteer not to stand for re-election.

While the Board does not believe it should establish term limits, the Nominating & Governance Committee will review and make a recommendation to the Board regarding each director's continuation on the Board before the annual meeting at which a director is to be proposed for re-election.

Within five years of joining the Board, each non-management director is expected to own a dollar value of our common stock equal to at least five times the amount of the director's annual cash retainer for Board service.

At any time that the offices of Chairman and CEO are held by the same person, or the Chairman does not meet the criteria for independence as established by applicable law, the rules and regulations of the SEC or the NYSE listing standards, then the Board, upon recommendation of the Nominating & Governance Committee, shall appoint a Lead Director who shall have such duties as are described in the Corporate Governance Guidelines or otherwise determined by the Board.

The non-management directors will meet in regularly scheduled executive sessions without Management.

The Board will maintain an Audit Committee, Compensation & Human Resources Committee and Nominating & Governance Committee at all times.

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The Board will annually review top management succession plans and periodically review an emergency leadership preparedness plan applicable in the event the CEO unexpectedly becomes incapacitated or otherwise is unable to serve.

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. Our Corporate Governance Guidelines can be found on our website at [www.thetorocompany.com](http://www.thetorocompany.com) (select the [Investor Information](#) link and then the [Corporate Governance](#) link). From time to time the

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Board, upon recommendation of the Nominating & Governance Committee, reviews and updates our Corporate Governance Guidelines as it deems necessary and appropriate.

### **Board Leadership Structure**

Our Corporate Governance Guidelines provide that (i) our Board has no policy with respect to the separation of the offices of the Chairman and the CEO; (ii) our Board believes that this issue is part of the succession planning process and will be reviewed as the Nominating & Governance Committee deems it appropriate; and (iii) at any time that (a) the offices of Chairman and CEO are held by the same person, or (b) the Chairman does not meet the criteria for independence as established by applicable law, the rules and regulations of the SEC or the NYSE listing standards, then the Board, upon recommendation of the Nominating & Governance Committee, shall appoint a Lead Director who shall have such duties as are described in the Corporate Governance Guidelines or otherwise determined by the Board. The Board believes it is appropriate not to have a policy requiring the separation of the offices of the Chairman and the CEO so that it may make this determination based on what it believes is best under the current circumstances. However, the Board endorses the concept of an independent, non-employee director being in a position of leadership and, thus, our Corporate Governance Guidelines require a Lead Director when the Chairman is not independent.

Our Board is currently chaired by Michael J. Hoffman, our Chairman and CEO. Our Lead Director is Robert C. Buhmaster. Our Nominating & Governance Committee and full Board believe that our current leadership structure is appropriate for several reasons, including:

(i) Mr. Hoffman's extensive knowledge of our Company, our business and our industry, obtained through his 36 years of service to our Company, which benefit Board leadership and the Board's decision-making process through his active role as Chairman; (ii) unification of Board leadership and strategic direction as implemented by our Management; and (iii) appropriate balance of risks relating to concentration of authority through the oversight of our independent and engaged Lead Director and Board. Mr. Hoffman's biography is set forth on pages 11-12.

As our Lead Director, Mr. Buhmaster (i) assists Mr. Hoffman in establishing the agenda for each Board meeting and the schedule of agenda subjects to be discussed during the year, to the degree such subjects can be foreseen; (ii) presides at regularly scheduled executive sessions of the non-employee directors without Management present; (iii) together with the Chair of the Compensation & Human Resources Committee, communicates to Mr. Hoffman the results of his annual performance review and compensation; and (iv) leads the Board's annual self-evaluation. With more than 17 years of continuous service on our Board, Mr. Buhmaster has considerable knowledge of our Company, our business and our industry. Mr. Buhmaster also has significant public company board experience. In addition to serving as our Lead Director, Mr. Buhmaster serves as the Chair of our Nominating & Governance Committee. Mr. Buhmaster's biography is set forth on page 13.

### **Board's Role in Risk Oversight**

Management is primarily responsible for the identification, assessment and management of the key risks faced by our Company. Our risk assessment processes are coordinated primarily through our internal audit function, and involve (i) the identification by senior leaders of our business functions and divisions of the particular risks relevant to their respective areas; (ii) assessment of the materiality of those risks, based on expected probability of occurrence and severity of impact; and (iii) to the extent prudent and feasible, development of strategies and plans to mitigate, monitor and control such risks.

The Board's oversight of these risks primarily occurs in connection with the exercise of its responsibility to oversee our business, including through the review of our long-term strategic plans, annual operating plans, financial results, merger and acquisition related activities, material legal

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proceedings, and management succession plans. In addition, the Board uses its committees to assist with risk oversight within their respective areas of responsibility and expertise as follows:

The Audit Committee assists through its oversight of the quality and integrity of our financial reports, compliance with applicable legal and regulatory requirements, qualifications and independence of our independent registered public accounting firm, or external auditor, performance of our internal audit function, and accounting and reporting processes, and through its review of our general policies and procedures regarding accounting and financial matters and internal controls. The Audit Committee is also responsible for discussing our policies with respect to risk assessment and risk management, including our major financial and business risk exposures and the steps Management has taken to monitor and control such exposures.

The Compensation & Human Resources Committee assists through its oversight of our compensation programs and policies, including executive compensation, and employee organizational and corporate culture plans and strategies. A discussion of the Compensation & Human Resources Committee's assessment of compensation policies and practices as they relate to our Company's risk management is found under "Assessment of Risk Related to Compensation Programs" on page 54.

The Finance Committee assists through its oversight of our capital structure and related policies, long-range objectives, tax strategies and restructuring projects, financing requirements and arrangements, equity and debt issuances and repurchases, use of derivative, hedging and similar instruments, annual capital budget and capital expenditures, D&O and liability insurance coverage, and the delegated responsibilities of our Management Investment Committee relating to our ERISA-regulated employee benefit plans; and through its evaluation of, among other things, the financial impact of proposed business combination transactions expected to have significant financial implications and related recommendations to the Board and review of post-acquisition financial integration and return on investment.

The Nominating & Governance Committee assists through its oversight of our overall corporate governance structure and policies, including director nominations, director independence and qualifications, Board leadership structure and Board committee structure. The Chair of each Board committee provides a summary of the matters discussed in their committee meeting to the full Board. Additional information regarding the responsibilities of each of these committees can be found under "Board Committees" beginning on page 18.

The Board believes that its oversight of risk is enhanced by its current leadership structure, as previously discussed, because our Chairman and CEO, who is ultimately responsible for our Management's risk responsibility, also chairs regular Board meetings and, with his in-depth knowledge and understanding of our Company, is well positioned to bring key business issues and risks to the attention of the full Board.

### **Director Independence**

The Board, following consideration of all relevant facts and circumstances and upon recommendation of the Nominating & Governance Committee, has affirmatively determined that each director who served as a member of our Board during any part of fiscal 2013 (Robert C. Buhrmaster, Gary L. Ellis, Jeffrey M. Ettinger, Janet K. Cooper, Katherine J. Harless, Robert H. Nassau, James C. O'Rourke, Gregg W. Steinhafel and Christopher A. Twomey), other than Michael J. Hoffman, our Chairman and CEO, is independent in that each such person has no material relationship with our Company, our Management, our external auditor, our external compensation consultant or our external compensation legal advisors, and otherwise meets the independence requirements as established by applicable law, the rules and regulations of the SEC and the NYSE listing standards. The Board

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determined that Michael J. Hoffman is not independent due to his status as an executive officer of our Company. The Board based its independence determinations, in part, upon a review by the Nominating & Governance Committee and the Board of certain transactions between us and the employers of certain of our directors, each of which was deemed to be pre-approved under our Corporate Governance Guidelines in that each such transaction was made in the ordinary course of business, at arm's length, at prices and on terms customarily available to unrelated third party vendors or customers generally, in amounts that are not material to us or such unaffiliated corporation, and in which the director had no direct or indirect personal interest, nor received any personal benefit.

**Director Attendance; Executive Sessions**

The Board held seven meetings during fiscal 2013 and took action by unanimous written consent once in fiscal 2013. At each regular Board meeting, our non-employee directors met in executive session without Management present and presided by our Lead Director. Each incumbent director attended at least 75% of the aggregate total number of meetings held by the Board and all committees on which he or she served.

We encourage all of our directors to attend our annual meeting of shareholders and we customarily schedule a regular Board meeting on the same day as our annual meeting. Of the nine directors serving at the time of our 2013 Annual Meeting of Shareholders held on March 12, 2013, eight directors were in attendance.

**Board Committees**

The Board has four committees with their respective principal functions and membership described below. Each committee has a charter that is posted on our website at [www.thetorocompany.com](http://www.thetorocompany.com) (select the Investor Information link and then the Corporate Governance link). On an annual basis the Audit Committee, Nominating & Governance Committee and Compensation & Human Resources Committee review the adequacy of their charter and their performance. The Finance Committee periodically reviews its charter and performance, with such review historically conducted on an annual basis.

The following table indicates the current membership of our four Board committees. Each of the members of the Audit Committee, Compensation & Human Resources Committee and Nominating & Governance Committee meets the independence and other requirements established by applicable law, the rules and regulations of the SEC, the NYSE listing standards and the Internal Revenue Code of 1986, as amended, or Code. Mr. Hoffman is not a member of any Board committee but does attend committee meetings, or portions of such meetings as appropriate, as a member of Management at the invitation of such Board committees.

Director	Compensation			
	Audit	& Human Resources	Nominating & Governance	Finance
Robert C. Buhrmaster			Chair	ü
Janet K. Cooper	Chair			ü
Gary L. Ellis	ü			Chair
Jeffrey M. Ettinger	ü	ü		
Katherine J. Harless	ü	ü	ü	
James C. O'Rourke	ü			ü
Gregg W. Steinhafel		ü	ü	
Christopher A. Twomey		Chair	ü	

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**Audit Committee.** The Audit Committee oversees our accounting and financial reporting processes, audits of our consolidated financial statements and internal control over financial reporting. The Committee assists the Board in oversight of the quality and integrity of our financial reports, our compliance with legal and regulatory requirements, the qualifications and independence of our external auditor, and the performance of our internal audit function. More specifically, the Committee's duties and responsibilities include, among others:

Reviewing and evaluating, at least annually, the qualifications, independence and performance of our external auditor and lead partners and having direct responsibility for selecting, engaging, retaining, compensating and, where appropriate, replacing our external auditor;

Reviewing and approving in advance the scope, magnitude and budgets of all examinations of our consolidated financial statements by our external auditor;

Reviewing and approving in advance the retention of our external auditor for all types of audit and permitted non-audit services to be performed by our external auditor, approving the fees for such services and establishing pre-approval policies and procedures to retain our external auditor for additional non-audit services;

Meeting with our external auditor periodically, and at least annually, without Management or other Company representatives present to discuss internal controls and accuracy and completeness of our consolidated financial statements;

Reviewing the annual audit plans of our internal audit function and its capability to perform its duties, including its organization, staffing and independence, and reviewing significant comments and recommendations of our internal audit function and Management's responses;

Reviewing our Code of Conduct and our Code of Ethics for our CEO and Senior Financial Officers, as well as policies and procedures for the receipt, retention and treatment of complaints from employees on accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

Reviewing with Management and our external auditor any correspondence with regulators or governmental agencies and any significant employee complaints or published reports that raise material issues regarding our consolidated financial statements or accounting policies;

Reviewing our policies with respect to risk assessment and risk management, including our major financial risk exposures and Management's efforts to monitor and control such exposures;

Reviewing with Management and our external auditor our annual audited consolidated financial statements and audit results, Annual Report on Form 10-K and quarterly condensed consolidated financial statements and Quarterly Reports on Form 10-Q; in each case with a focus on difficulties encountered, material errors or irregularities, weaknesses in internal controls and similar issues, disagreements with Management, and notifying the Board of major problems or deficiencies discovered in carrying out the Committee's duties;

Reviewing the type and presentation of information included in our earnings releases and any financial information or earnings guidance provided to financial analysts and rating agencies;

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Receiving analyses and comments regarding significant accounting pronouncements which might affect our Company; and

Reviewing our general policies and procedures with respect to accounting and financial matters and internal controls.

The Board has determined that all members of the Audit Committee, in addition to being independent under the rules and regulations of the SEC and the NYSE listing standards, are financially



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literate and that Audit Committee Chair Janet K. Cooper meets the definition of "audit committee financial expert" as a result of her experience in senior corporate executive positions with financial oversight responsibilities, including her previous experience as the Senior Vice President and Treasurer of Qwest Communications International Inc. and as the Chief Financial Officer and Senior Vice President of Finance and Administration of McDATA Corporation, as well as other finance positions with Qwest and The Quaker Oats Company. Shareholders should understand that this designation is an SEC disclosure requirement related to Ms. Cooper's experience and understanding with respect to certain accounting and auditing matters. The designation does not impose upon her any duties, obligations or liability greater than are generally imposed on her as a member of the Audit Committee and the Board, and her designation as a financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board. Other members of the Audit Committee who currently are serving or have served as chief executive officers or chief financial officers of other public companies also may be considered financial experts, but the Board has not so designated them.

The Committee held 11 meetings during fiscal 2013. At six of these meetings the Committee met in private session independently without Management present. The Committee met in separate private sessions with our external auditor four times, with Senior Management five times, and with our internal auditor three times. Additional information regarding the Committee and our external auditor is set forth in "Proposal Two - Ratification of Selection of Independent Registered Public Accounting Firm" on page 31.

**Compensation & Human Resources Committee.** The Compensation & Human Resources Committee is responsible for discharging the Board's responsibilities relating to compensation of our CEO and other executive officers and reviewing and monitoring our human resource and organizational matters. The Committee has overall responsibility for approving and evaluating all of our compensation plans, policies and programs, as well as our philosophy and strategy, as they affect the CEO, other executive officers and senior management employees. More specifically, the Committee's duties and responsibilities include, among others:

Having sole authority to retain, obtain the advice from, or terminate any external compensation consultant, independent legal counsel or other advisors used to assist the Committee, including approval of fees to be paid to such Committee advisors, and before selecting any such advisor, and from time to time, the Committee shall consider all factors relevant to the advisor's independence from the Company's management, including the provision of other services to our Company and the amount of fees received from our Company;

Reviewing and approving on an annual basis corporate goals and objectives relevant to the CEO's compensation, evaluating the CEO's performance in light of those goals and objectives, approving the compensation levels for the CEO based on such evaluation and presenting such determination to the Board for ratification;

Reviewing and approving the annual base salaries, incentive opportunities and other compensation arrangements of the CEO and other executive officers;

Reviewing compensation policies and practices as they affect all employees and relate to risk management practices and risk-taking incentives and reviewing all significant compensation policies and benefit plans to ensure continued appropriateness, including overall employee salary policies and equity-based programs for all categories of employees;

Reviewing and monitoring compliance with the stock ownership guidelines for the CEO, other executive officers and directors and recommending any proposed changes to such guidelines to the Board;

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Reviewing, approving and administering executive compensation plans, incentive compensation plans and equity-based plans and monitoring compliance with NYSE shareholder approval requirements regarding equity compensation plans;

Monitoring employee organizational and corporate culture plans and strategies to ensure alignment with our beliefs and philosophies, including key initiatives that are designed to reinforce and strengthen our core values;

Reviewing with Management the Compensation Discussion and Analysis, the Committee report on executive compensation, and any compensation-related proposals, including say-on-pay and frequency of say-on-pay proposals, to be included in our proxy statement for our annual meeting; and

Reviewing and recommending any proposed changes in director compensation to the non-employee directors. The Committee held two meetings during fiscal 2013 and took action by unanimous written consent five times in fiscal 2013. At each of these meetings, the Committee met in private session without Management present.

***Determining Executive Compensation.*** At the beginning of each fiscal year, the Compensation & Human Resources Committee reviews and approves compensation for our Chairman and CEO and each other executive officer, including each of the other named executive officers, which generally includes:

changes, if any, to base salary; and

incentive awards, including:

annual cash incentive awards for the current fiscal year, including (i) participation targets expressed as a percentage of base salary, target payout amounts, and maximum cash payout amounts authorized under Code Section 162(m), and (ii) performance measures, weightings, goals and adjustment events;

long-term incentive awards, including (i) stock option awards, and (ii) three-year performance share awards, including (a) target share payout amounts and maximum share payout amounts authorized under Code Section 162(m), and (b) performance measures, weightings, goals and adjustment events; and

other incentive awards, including time-based or performance-based restricted stock or restricted stock units.

In connection with this review and approval, the Committee receives information regarding (i) market base salary, total cash compensation and total direct compensation data and analysis prepared by its external compensation consultant, Towers Watson; (ii) total cash compensation to be paid for the current fiscal year if annual cash incentive awards are achieved and paid at target; (iii) prior fiscal year target equity values; and (iv) total direct compensation for the current fiscal year for equity awards at target. Additionally, the Committee obtains compensation recommendations from our Chairman and CEO, Vice President, Human Resources and Business Development, and Managing Director, HR and Total Rewards, that reflect individual performance; corporate, division and/or plant performance, as applicable; tenure in the position; and outside market factors, including general economic conditions. Neither the Chairman and CEO nor the Vice President, Human Resources and Business Development provides input or recommendations with respect to his own compensation. The Chair of the Committee is also responsible for coordinating a performance evaluation for the Chairman and CEO based on feedback from all non-employee directors in connection with the ratification of the Chairman and CEO's compensation by the Board. Information on the compensation of our named

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executive officers is found under **Executive Compensation** beginning on page 35. Also, at the beginning of each fiscal year, the Committee confirms the achievement of performance goals previously established by the Committee at the beginning of the prior fiscal year for annual cash incentive awards and previously established by the Committee at the beginning of the performance period for performance share awards and approves resulting payouts, if any.

The Compensation & Human Resources Committee has retained Towers Watson to assist in the design and review of our executive compensation program. Additional information regarding the role of Towers Watson is found under **Role of the External Compensation Consultant** beginning on page 39. From time to time, the Committee also has engaged Towers Watson to perform other compensation consulting services, which in fiscal 2013 included a non-employee director compensation analysis. Towers Watson does not provide any services to our Company other than those for which it has been retained by the Committee. The Committee has assessed the independence of Towers Watson pursuant to SEC and NYSE rules and concluded that the work of Towers Watson did not raise any conflicts of interest. Representatives from Towers Watson periodically attend meetings of the Committee to act as a resource to the Committee in carrying out its responsibilities. The Committee, through its Chair, can request an independent meeting with representatives from Towers Watson at any time. The Committee also has the authority to obtain advice and assistance from external legal, accounting or other advisors.

**Nominating & Governance Committee.** The Nominating & Governance Committee's duties and responsibilities include, among others:

Reviewing and recommending to the Board the exact number of directors to constitute the full Board;

Having sole discretion and authority to retain, obtain the advice of, or terminate any external search firm to be used to assist in identifying director candidates, any independent legal counsel or other advisors and having sole authority to approve the fees and other terms and conditions of any advisor or legal counsel;

Identifying individuals qualified to become Board members and recommending to the Board director nominees for the annual meeting;

Reviewing the adequacy of, and recommending to the Board any proposed changes to, the Corporate Governance Guidelines;

Reviewing and recommending to the Board any proposed amendments or changes to our Restated Certificate of Incorporation or Amended and Restated Bylaws;

Overseeing the evaluation of the Board and leading the Board in its annual review of the Board's performance; and

Recommending director nominees for each Board committee.

With respect to recommending director nominees for re-election at the annual meeting, the Chair of the Nominating & Governance Committee and/or the Chairman and CEO annually polls the members of the Board about each director whose term is expiring and has not attained the age of 70 and will be retiring from the Board. If the Chair of the Committee determines that a director does not continue to have the affirmative support of a majority of the members of the Board, the Chair will recommend to the Committee that the director not stand for re-election.

The Committee held two meetings during fiscal 2013. At each of these meetings, the Committee met in private session without Management present.

**Identifying New Director Nominees.** In identifying new nominees for election to the Board when vacancies occur, the Nominating & Governance Committee first may solicit recommendations for



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nominees from persons whom the Committee believes are likely to be familiar with candidates having the skills and characteristics required for Board nominees. Such persons may include members of the Board and our Senior Management. In addition, the Committee may engage a search firm to assist it in identifying and evaluating qualified nominees. The Committee has sole authority to retain and terminate any search firm to be used to identify director candidates and has sole authority to approve the search firm's fees and other retention terms.

When reviewing the requisite skill and characteristics of potential new director nominees, the Nominating & Governance Committee, pursuant to our Corporate Governance Guidelines, will consider a variety of criteria, including an individual's independence, diversity, age, skills and experience, each in the context of the needs of the Board as a whole. Although the Committee does not have a formal policy regarding consideration of diversity in identifying director nominees, the Committee will evaluate a nominee based on his or her diversity of background, skills, experiences, viewpoints, and geographical representation, as well as more traditional diversity factors. As a result, the composition of the current Board reflects diversity in age, gender, skills, and business and professional experiences.

The Nominating & Governance Committee may solicit the views of Senior Management, Board members and any other individuals it believes may have insight into a candidate. The Committee may designate one or more of its members and/or other Board members to interview any proposed candidate. The Committee then will recommend a director nominee to the Board based on its evaluation of such criteria.

The Nominating & Governance Committee will consider director candidates recommended to it by our shareholders. Those candidates must be qualified and exhibit the experience and expertise required of the Board's own pool of candidates, as well as have an interest in our business, and the demonstrated ability to attend and prepare for Board, committee and shareholder meetings. Any candidate must state in advance his or her willingness and interest in serving on the Board. Candidates should represent the interests of all shareholders and not those of a special interest group. The Committee will evaluate candidates recommended by shareholders using the same criteria it uses to evaluate candidates recommended by others as described above. A shareholder that desires to nominate a person for election to the Board at a meeting of shareholders must follow the specified advanced notice requirements contained in, and provide the specific information required by, our Amended and Restated Bylaws, as described under "Shareholder Proposals and Director Nominations for the 2015 Annual Meeting" beginning on page 73.

**Finance Committee.** The Finance Committee's duties and responsibilities include, among others:

Reviewing our capital structure and related financial policies and long-range objectives;

Reviewing tax strategies and restructuring projects as developed by Management;

Reviewing our financing requirements, evaluating Management's proposals to support such financing requirements and recommending, as appropriate, specific financing arrangements to the Board;

Reviewing and making recommendations to the Board regarding our cash dividend policy, annual cash dividend level and any other special dividends;

Reviewing and making recommendations to the Board regarding authorization for the repurchase of equity or long-term debt;

Reviewing our use of derivative, hedging and similar instruments to manage financial, currency and interest rate exposure;

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Evaluating the financial impact of proposed merger, acquisition, divestiture, joint venture and other business combination transactions expected to have significant financial implications for our Company and making recommendations to the Board regarding financial aspects of acquisitions and divestitures;

Reviewing Management's proposed annual capital budget and certain material capital expenditures;

Evaluating the post-acquisition financial integration and return on investment for certain transactions and report to the Board the financial implications of such acquisitions;

Reviewing our D&O and liability insurance coverage;

Reviewing areas of responsibility delegated to our Management Investment Committee, the committee to which responsibilities relating to our ERISA-regulated employee benefit plans have been delegated, including periodic review of the Management Investment Committee Charter, financial performance of benefit plan assets, and the performance of the Management Investment Committee in the discharge of its duties; and

Monitoring our investor relations program.

The Committee held three meetings during fiscal 2013. At two of these meetings, the Committee met in private session without Management present.

## **Director Compensation**

**Overview.** Our non-employee director compensation program generally is designed to attract and retain experienced and knowledgeable directors and to provide equity-based compensation to align the interests of our directors with those of our shareholders. In fiscal 2013, our non-employee director compensation was comprised of equity compensation, in the form of automatic annual stock and stock option awards, and cash compensation, in the form of annual retainers. Each of these components is described in more detail below. This compensation program structure, together with the feature of The Toro Company 2010 Equity and Incentive Plan, as amended, or 2010 Plan, that enables our directors to elect to receive a portion or all of their cash compensation in the form of our common stock, causes a substantial portion of our non-employee director compensation to be linked to our common stock performance. Mr. Hoffman, our only employee director, does not receive any additional compensation for his service as a director.

**Processes and Procedures for Consideration and Determination of Director Compensation.** The Board has delegated to the Compensation & Human Resources Committee the responsibility, among other things, to annually review and recommend to the Board any proposed changes in non-employee director compensation. In connection with such review, the Compensation & Human Resources Committee engages its external compensation consultant, Towers Watson, to provide analysis regarding non-employee director compensation. As a result of such analysis, and giving consideration to various factors, the Committee recommended and the Board approved changes to the non-employee director compensation program for fiscal 2013 which resulted in the (i) the elimination of all per meeting fees, (ii) approval of an increase to the annual Board retainer, (iii) implementation of annual committee retainers, and (iv) an increase in the Lead Director annual retainer. Effective for fiscal 2014, the compensation structure for our non-employee directors remained the same as fiscal 2013, with amounts increasing slightly for all components of non-employee director compensation, except the annual committee chair retainers were not changed.

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**Elements of Our Non-Employee Director Compensation Program.** The following table sets forth our fiscal 2013 and fiscal 2014 non-employee director compensation programs.

<b>Non-Employee Director Compensation</b>	<b>Fiscal 2013</b>	<b>Fiscal 2014</b>
Annual Stock Award Value	\$ 44,000	\$ 47,000
Annual Stock Option Award Value	\$ 44,000	\$ 47,000
Annual Board and Committee Member Retainers		
Board	\$ 61,375	\$ 65,000
Audit Committee Member	\$ 9,000	\$ 10,000
Compensation & Human Resources Committee Member	\$ 3,750	\$ 4,500
Nominating & Governance Committee Member	\$ 2,500	\$ 3,000
Finance Committee Member	\$ 3,750	\$ 4,500
Annual Lead Director and Committee Chair Additional Retainers		
Lead Director	\$ 20,000	\$ 22,500
Audit Committee Chair	\$ 15,000	\$ 15,000
Compensation & Human Resources Committee Chair	\$ 10,000	\$ 10,000
Nominating & Governance Committee Chair	\$ 5,000	\$ 5,000
Finance Committee Chair	\$ 5,000	\$ 5,000

**Stock Awards.** On the first business day of our fiscal year (usually November 1), each non-employee director is automatically awarded shares of our common stock under the 2010 Plan. In fiscal 2013, the value of this non-employee director stock award was \$44,000. The stock award is determined by dividing the stock award value by the average of the closing prices of our common stock, as reported on the NYSE, during the three months prior to the award. Accordingly, on November 1, 2012, 1,128 shares were awarded to each non-employee director based on a three-month average closing price of our common stock, as reported on the NYSE, of \$39.00. The shares awarded are fully vested at the time of grant.

**Stock Option Grants.** On the first business day of our fiscal year, each non-employee director also is automatically awarded a stock option to purchase shares of our common stock. In fiscal 2013, the value of this non-employee director stock option award was \$44,000. The stock option award is determined by dividing the stock option award value by the grant date fair value of a stock option to purchase one share of our common stock. For fiscal 2013, the fair value used for purposes of calculating the number of options awarded was based on a Black-Scholes model valuation of \$12.86 per share. Accordingly, on November 1, 2012, each non-employee director received a stock option to purchase 3,421 shares of our common stock. The exercise price per share of these stock options is equal to 100% of the fair market value of one share of our common stock on the date of grant, as determined by the closing price of our common stock, as reported on the NYSE, which was \$43.11 on November 1, 2012. Except as described below, these stock options vest in three equal installments on each of the first, second and third year anniversaries of the date of grant and remain exercisable for a term of ten years after the date of grant.

If a director becomes disabled or dies, under the 2010 Plan and The Toro Company 2000 Directors Stock Plan, or 2000 Directors Stock Plan, all outstanding unvested stock options will vest in full on the date the director's service ceases by reason of such disability or death and the options may be exercised up to the earlier of the date the stock options expire or one year after the date the director's service ceased by reason of such disability or death.

Under the 2010 Plan and 2000 Directors Stock Plan, if a director has served as a member of the Board for ten full fiscal years or longer and terminates his or her service on the Board, other than due to death or disability, his or her outstanding unvested stock options will continue to vest in accordance with their terms and the director may exercise the vested portions of the stock options for up to four

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years after the director's date of termination, but not later than the date the stock options expire. If a director has served as a member of the Board for less than ten full fiscal years and terminates his or her service on the Board, other than due to death or disability, his or her outstanding unvested stock options will expire and be canceled and the director may exercise any vested portions of the stock options for up to three months after the director's date of termination, but not later than the date the stock options expire. The following directors have served as a member of the Board for ten full fiscal years or longer: Robert C. Buhrmaster, Janet K. Cooper, Katherine J. Harless, Gregg W. Steinhafel and Christopher A. Twomey. In addition, Robert Nassau, a former director, completed more than 24 years of service on our Board as of the 2013 Annual Meeting, which was the day he completed his service as a director of our Company.

Stock options granted under the 2000 Directors Stock Plan will vest if there is a change in control of our Company and will remain exercisable for three years following the change in control, but not later than the date the stock options expire, and stock options granted under the 2010 Plan will vest if there is a change in control of our Company and will remain exercisable for the entirety of the term. Generally, and subject to some exceptions, a change in control is deemed to have occurred under the 2000 Directors Stock Plan and the 2010 Plan, as applicable, if: (i) another person becomes the beneficial owner of a specified percentage of our then-outstanding common stock or the combined voting power of our then-outstanding voting stock, which is 15% under the 2000 Directors Stock Plan and 20% under the 2010 Plan; (ii) a majority of the Board becomes comprised of persons other than those for whom election proxies have been solicited by the Board; (iii) the completion of certain business combinations, including certain reorganizations, mergers, consolidations, the sale of all or substantially all of our assets or the acquisition by us of assets or stock of another entity, where the shareholders before the business combination fail to beneficially own and have voting power for more than 50% of our Company or the resulting company after the business combination; or (iv) our shareholders approve a complete liquidation or dissolution of our Company.

***Common Stock In Lieu of Annual Retainers.*** Under our 2010 Plan, our non-employee directors may elect to convert a portion or all of their calendar year annual retainers otherwise payable in cash into shares of our common stock. Annual retainers earned after the date a director makes a stock-in-lieu of cash election for a calendar year are issued in shares of common stock in December of that year. The number of shares of our common stock to be issued is determined by dividing the dollar amount of the annual retainers earned in the calendar year and elected to be converted into shares of our common stock by the closing price of our common stock, as reported on the NYSE, on the date that the shares are issued. For calendar 2013, such shares were issued on December 16, 2013, based on that day's closing stock price of \$60.61. Details regarding the number of shares received by our non-employee directors who elected to receive common stock in lieu of cash paid in calendar 2013 may be found in the footnotes to the Director Compensation for Fiscal 2013 table beginning on page 27.

***Deferred Compensation Plan.*** Non-employee directors may elect to defer receipt of all or a part of his or her stock award and/or cash compensation on a calendar year basis under the Deferred Plan for Directors. Stock awards deferred by a director are credited to a bookkeeping common stock unit account maintained for the director participant and such common stock units fluctuate in value with the market price of our common stock. Dividends paid on our common stock are credited to a director's account as additional common stock units. Cash amounts deferred by a director are credited to a bookkeeping cash account maintained for the director participant and such account accrues interest with the rate of return based on funds selected by such director that are comparable to the funds available to our employees through the IS&ESOP, excluding the option to invest in Toro common stock.

A director participant's common stock unit and cash accounts are at all times fully vested. Distributions under the Deferred Plan for Directors are payable in accordance with the director participant's prior distribution elections upon the earliest of retirement, prior to retirement if a valid election has been made or in an unforeseeable financial emergency.



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Details regarding deferred compensation elections may be found in the footnotes to the Director Compensation for Fiscal 2013 table below.

**Stock Ownership Guidelines.** To further align the interests of our non-employee directors with those of our shareholders, pursuant to our Corporate Governance Guidelines, each non-employee director is expected to own a dollar value of Toro common stock equal to at least five times the director's annual cash retainer for Board service. Non-employee directors are expected to meet this guideline within five years of joining the Board. As of January 22, 2014, each of our non-employee directors who is required to meet the five times multiple stock ownership guideline met such guideline.

**Company Products.** Each of our non-employee directors is entitled to receive certain Company products and related parts, service and accessories for his or her personal use, at no cost; provided, however, that directors are responsible for payment of applicable taxes attributable to the value of such items. There is an \$8,000 lifetime limit on installation and products for an irrigation system and a \$5,000 lifetime limit on installation and products for a landscape lighting system. The value of products, parts and accessories is deemed to be our distributor net price or its equivalent, which is also the price at which such items are generally available to our employees for purchase. This value is generally included on the non-employee director's IRS Form 1099 for the calendar year in which the product, part or accessory was ordered. However, for certain consumer rider products, professional products, commercial vehicles and related accessories, a director may elect at the time he or she orders the product to return such product in the future and, in that case, the director's IRS Form 1099 for each calendar year in which the product is in his or her possession will include the depreciable amount for such year using the IRS prescribed MACRS depreciation rate.

**Charitable Giving.** We support our non-employee directors' charitable organizations through our director matching gift program, which provides that a gift in the amount of \$25 to \$1,000 by a director and/or his or her spouse to one or more tax exempt 501(c)(3) charitable organizations located in the United States will be matched by us in an aggregate amount of up to \$1,000 per director per year.

**Indemnification and Directors and Officers Insurance.** Each non-employee director is a party to an indemnification agreement with us pursuant to which we have agreed to provide indemnification and advancement of expenses to the fullest extent permitted by Delaware law and our Restated Certificate of Incorporation and continued coverage under our D&O insurance.

**Director Compensation for Fiscal 2013.** The following table provides summary information concerning the compensation of each individual director who served during fiscal 2013, other than Michael J. Hoffman, our Chairman and CEO, who is not compensated separately for his service as a director and whose compensation is discussed in the Executive Compensation section beginning on page 35.

Name	Fees		Stock		All Other Compensation	Total
	Earned or Paid in Cash	Stock Awards	Option Awards			
	(\$) <sup>(1)</sup>	(\$) <sup>(2)</sup>	(\$) <sup>(3)(4)</sup>	(\$) <sup>(5)</sup>		(\$)
Robert C. Buhrmaster	\$ 92,625	\$ 48,628	\$ 43,995			\$ 185,248
Janet K. Cooper	\$ 89,125	\$ 48,628	\$ 43,995	\$ 6,203		\$ 187,951
Gary L. Ellis <sup>(6)</sup>	\$ 79,125	\$ 48,628	\$ 43,995			\$ 171,748
Jeffrey M. Ettinger <sup>(7)</sup>	\$ 74,125	\$ 48,628	\$ 43,995			\$ 166,748
Katherine J. Harless <sup>(8)</sup>	\$ 76,625	\$ 48,628	\$ 43,995	\$ 9,794		\$ 179,042
Robert H. Nassau <sup>(9)</sup>	\$ 38,313	\$ 48,628	\$ 43,995	\$ 3,160		\$ 134,096
James C. O'Rourke	\$ 74,125	\$ 48,628	\$ 43,995			\$ 166,748
Gregg W. Steinhafel	\$ 67,625	\$ 48,628	\$ 43,995	\$ 6,414		\$ 166,662
Christopher A. Twomey	\$ 77,625	\$ 48,628	\$ 43,995	\$ 1,034		\$ 171,282

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- (1) Unless a director otherwise elected to convert a portion or all of his or her annual retainers into shares of our common stock under our 2010 Plan, annual retainers were paid in cash in four quarterly installments at the beginning of each fiscal quarter.
- (2) Amount reported represents the grant date fair value, computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 718, of the fiscal 2013 annual stock award automatically granted to each of our non-employee directors on November 1, 2012, which were the only stock awards granted to directors during fiscal 2013. The calculation of the number of shares included in the annual stock award was based on the three-month average closing price of our common stock of \$39.00, as reported on the NYSE, as opposed to the closing price on the grant date of \$43.11, which is used in calculating the grant date fair value. As of October 31, 2013, no directors held any restricted stock or other unvested stock awards.
- (3) Amount reported represents the grant date fair value computed in accordance with FASB ASC Topic 718 of the fiscal 2013 annual stock option award automatically granted to each of our non-employee directors on November 1, 2012, which were the only stock options granted to directors during fiscal 2013. The exercise price per share is equal to 100% of the fair market value of one share of our common stock on the date of grant, as determined by the closing price for our common stock, as reported on the NYSE, which was \$43.11 on November 1, 2012. The grant date fair value is based on a Black-Scholes model valuation of \$12.86 per share. The following assumptions were used in the calculation: a risk-free interest rate of 1.01%; expected life of 6 years; expected volatility of 35.18%; and an expected dividend yield of 1.04%. The actual value of the stock option awards, if any, to be realized by a director depends upon whether the price of our common stock at exercise is greater than the exercise price of the stock options.
- (4) As of October 31, 2013, the aggregate number of stock options (exercisable and unexercisable) held by each director was as follows: Mr. Buhrmaster 54,189; Ms. Cooper 46,189; Mr. Ellis 39,097; Mr. Ettinger 13,067; Ms. Harless 27,295; Mr. Nassau 3,957 (Mr. Nassau retired from the Board, see note 9 below); Mr. O'Rourke 3,421; Mr. Steinhafel 32,541; and Mr. Twomey 46,189. These numbers are different from the numbers set forth in the Stock Options column in footnote (2) to the Directors and Executive Officers stock ownership table beginning on page 7 which sets forth information as of January 22, 2014, and, therefore, includes options granted on November 1, 2013 and does not include options that will become exercisable more than 60 days after January 22, 2014.
- (5) We generally do not provide perquisites and other personal benefits to our non-employee directors other than Company products for personal use. The amount reported for each of Ms. Cooper and Harless and Messrs. Nassau, Steinhafel and Twomey represents the value of products, parts, service or accessories, as described under Company Products on page 27, which is also the amount included on the director's IRS Form 1099 for the calendar year in which such items were ordered or service was provided. The amount reported for each of Ms. Cooper and Harless also includes a charitable donation under our director matching gift program, as described under Charitable Giving on page 27.
- (6) Mr. Ellis elected to defer receipt of his calendar 2012 and calendar 2013 retainers earned for fiscal 2013 under the Deferred Plan for Directors.
- (7) Mr. Ettinger elected to convert 100% of his calendar 2012 and calendar 2013 retainers into shares of our common stock under the 2010 Plan. On December 16, 2013, based on that day's closing stock price of \$60.61, as reported on the NYSE, Mr. Ettinger received 1,245 shares of our common stock in lieu of \$75,459 cash that would have been paid in calendar 2013. The amount shown in the Fees Earned or Paid in Cash column represents the amount Mr. Ettinger earned for fiscal 2013.

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(8) Ms. Harless elected to defer receipt of her calendar 2013 retainers earned in fiscal 2013 under the Deferred Plan for Directors.

(9) Mr. Nassau retired from the Board at the Company's Annual Meeting of Shareholders held in March 2013. Accordingly, the fees shown for Mr. Nassau are for the period from November 1, 2012, through March 12, 2013.

**Policies and Procedures Regarding Related Person Transactions**

Our Corporate Governance Guidelines set forth in writing our policies and procedures regarding the review, approval and ratification of related person transactions. All reportable related person transactions must be reviewed, approved or ratified by the Nominating & Governance Committee. In determining whether to approve or ratify such transactions, the Committee will take into account, among other factors and information it deems appropriate:

the related person's relationship to our Company and interest in the transaction;

the material facts of the transaction;

the benefits to our Company of the transaction; and

an assessment of whether the transaction is (to the extent applicable) in the ordinary course of business, at arm's length, at prices and on terms customarily available to unrelated third party vendors or customers generally, and whether the related person had any direct or indirect personal interest in, or received any personal benefit from, such transaction.

Transactions in the ordinary course of business, between us and an unaffiliated corporation of which one of our non-employee directors serves as an officer, that are at arm's length, at prices and on terms customarily available to unrelated third party vendors or customers generally, in which the non-employee director had no direct or indirect personal interest, nor received any personal benefit, and in amounts that are not material to our business or the business of such unaffiliated corporation, are deemed conclusively pre-approved.

**Board of Directors Business Ethics Policy Statement**

It is our policy to maintain the highest level of moral, ethical and legal standards in the conduct of our business. Pursuant to our Corporate Governance Guidelines, the Board has adopted, and each director annually signs, a Business Ethics Policy Statement. The policy can be found on our website at [www.thetorocompany.com](http://www.thetorocompany.com) (select the "Investor Information" link and then the "Corporate Governance" link).

**Code of Conduct and Code of Ethics for our CEO and Senior Financial Officers**

All of our employees are required to comply with our Code of Conduct to help ensure that our business is conducted in accordance with the highest level of moral, ethical and legal standards. We also have a Code of Ethics for our CEO and Senior Financial Officers applicable to our Chairman and CEO (our principal executive officer), our Vice President, Treasurer and Chief Financial Officer (our principal financial officer), our Vice President, Corporate Controller (our principal accounting officer and controller), and to all business unit controllers and senior accounting personnel identified by our Vice President, Corporate Controller who are also bound by the provisions set forth in the Code of Conduct relating to ethical conduct, conflicts of interest and compliance with the law. Our Code of Conduct and Code of Ethics for our CEO and Senior Financial Officers can be found on our website at [www.thetorocompany.com](http://www.thetorocompany.com) (select the "Investor Information" link and then the "Corporate Governance" link). If necessary, we intend to satisfy the disclosure requirements of Item 5.05 of the Current Report on Form 8-K regarding amendments to or waivers from any provision of our Code of Ethics for our CEO and Senior Financial Officers by posting such information on our website at [www.thetorocompany.com](http://www.thetorocompany.com) (select the "Investor Information" link and then the "Corporate Governance" link).

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**Communications with Directors; Complaint Procedures**

Shareholders and other interested parties may communicate directly with our Board, non-employee directors as a group, our Lead Director or any other specified individual director in writing by sending a letter addressed to The Toro Company Board of Directors, c/o Vice President, Secretary and General Counsel, 8111 Lyndale Avenue South, Bloomington, Minnesota, 55420-1196. Each communication will be reviewed by our Vice President, Secretary and General Counsel and then forwarded to the relevant director(s) unless it is unrelated to Board or shareholder matters, such as a communication regarding a job inquiry, survey, offer for goods or services, a donation request, or product idea. In addition, shareholders and other interested parties may communicate with any of our directors by calling 952-887-7268 and leaving a message in our Lead Director's confidential voicemail account, to which only he has access.

We also maintain procedures to receive, retain and treat complaints regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. A 24-hour, toll-free confidential ethics hotline and a confidential web-based reporting tool are available for the submission of concerns regarding these and other matters by any employee. Concerns and questions received through these methods relating to accounting, internal accounting controls or auditing matters are promptly brought to the attention of the Chair of the Audit Committee and are handled in accordance with procedures established by the Audit Committee. Complete information regarding our complaint procedures is contained within our Code of Conduct, which may be accessed on our website as noted above.

**Table of Contents****PROPOSAL TWO RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****Selection of Independent Registered Public Accounting Firm**

The Audit Committee has selected KPMG LLP, or KPMG, to serve as our independent registered public accounting firm, or external auditor, for fiscal 2014. Although it is not required to do so, the Board, as it traditionally has done in the past, is asking our shareholders to ratify the Audit Committee's selection of KPMG. If our shareholders do not ratify the selection of KPMG, the Audit Committee may reconsider its selection. Even if the selection is ratified by our shareholders, the Audit Committee in its discretion may change the appointment at any time during the year if it determines that such a change would be in the best interests of our Company and our shareholders.

Representatives of KPMG will be present at the annual meeting to answer appropriate questions. They also will have the opportunity to make a statement if they wish to do so.

**Audit, Audit-Related, Tax and Other Fees**

The following table sets forth the aggregate fees billed to us for professional services rendered by KPMG for fiscal 2013 and fiscal 2012 by category, as described in the footnotes to the table.

	<b>Fiscal 2013</b>	<b>Fiscal 2012</b>
Audit Fees <sup>(1)</sup>	\$ 1,715,646	\$ 1,259,012
Audit-Related Fees <sup>(2)</sup>	\$ 72,353	\$ 239,064
Tax Fees <sup>(3)</sup>	\$ 115,533	\$ 66,028
All Other Fees	\$ 0	\$ 0

- (1) Consist of aggregate fees billed, or expected to be billed, for fiscal 2013 and fiscal 2012 for professional services rendered by KPMG in connection with the audit of our consolidated financial statements included in our Annual Report on Form 10-K, review of our condensed consolidated financial statements included in our Quarterly Reports on Form 10-Q, statutory audits of certain of our international subsidiaries and the audit of internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.
- (2) Consist of aggregate fees billed for KPMG's services related to audits of employee benefit plans, financial due diligence services related to potential transactions and various other attestation procedures.
- (3) Consist of aggregate fees billed for professional services rendered by KPMG for permissible domestic and international tax consulting and compliance services.

**Pre-Approval Policies and Procedures**

The Audit Committee Charter requires that the Audit Committee review and approve in advance the retention of our external auditor for all types of audit and non-audit services to be performed for us by our external auditor and approve the fees for such services, other than de minimis non-audit services allowed by relevant rules and regulations. All of the services provided to us by KPMG for which we paid Audit Fees, Audit-Related Fees and Tax Fees, as shown in the table above, were pre-approved by the Audit Committee in accordance with this pre-approval policy and procedures.

**Board Recommendation**

**The Board of Directors unanimously recommends a vote FOR ratification of the selection of KPMG LLP as our independent registered public accounting firm for fiscal 2014.**



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**Audit Committee Report**

This report is furnished by the Audit Committee with respect to our financial statements for fiscal 2013. The Committee operates pursuant to a written charter.

Ultimate responsibility for good corporate governance rests with our Board, whose primary roles and responsibilities involve oversight, counseling and providing direction to our Management in the best long-term interests of Toro and our shareholders. As set forth in its charter, the Audit Committee assists our Board by, among other things, providing oversight of our accounting and financial reporting processes, the audits of our annual financial statements and internal control over financial reporting. A copy of our Audit Committee Charter, which further describes the role and responsibilities of the Committee, is available online at [www.thetorocompany.com](http://www.thetorocompany.com) (click on [Investor Information](#) and [Corporate Governance](#) ).

Management is primarily responsible for the establishment and maintenance of our accounting and financial reporting processes, including our internal controls, and for the preparation and presentation of complete and accurate financial statements. Our independent registered public accounting firm, KPMG LLP, is responsible for performing an independent audit of our financial statements and internal controls over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (U.S.), or PCAOB, expressing an opinion as to the conformity of the financial statements with generally accepted accounting principles, and expressing an opinion on the effectiveness of our internal control over financial reporting.

In performing its oversight role, the Audit Committee has (i) reviewed and discussed with Management our audited financial statements for fiscal 2013, (ii) discussed with representatives of KPMG the matters required to be discussed by the Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as in effect for fiscal 2013, (iii) received the written disclosures and the letters from KPMG required by applicable requirements of the PCAOB regarding KPMG's communications with the Audit Committee concerning KPMG's independence, as in effect for fiscal 2013, and (iv) discussed with representatives of KPMG its independence and concluded that it is independent from Toro and its Management.

Based on the review and discussions referred to in the foregoing paragraph and subject to the limitations on its responsibilities set forth in its charter, the Audit Committee recommended to our Board that our audited financial statements for fiscal 2013 be included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2013, for filing with the SEC.

Audit Committee:

Janet K. Cooper (Chair)

Gary L. Ellis

Jeffrey M. Ettinger

Katherine J. Harless

James C. O'Rourke

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**PROPOSAL THREE ADVISORY APPROVAL OF EXECUTIVE COMPENSATION**

The Board is providing our shareholders with an advisory vote on executive compensation pursuant to the Dodd-Frank Wall Street Consumer Protection Act and Section 14A of the Exchange Act. This advisory vote, commonly known as a "say-on-pay" vote, is a non-binding vote on the compensation paid to our named executive officers as set forth in the "Executive Compensation" section of this proxy statement beginning on page 35, including in the "Compensation Discussion and Analysis," the accompanying compensation tables and the corresponding narrative discussion and footnotes. At the 2013 Annual Meeting of Shareholders held on March 12, 2013, 94% of the votes cast by our shareholders were in favor of the say-on-pay vote. The Compensation & Human Resources Committee generally believes that such results affirmed shareholder support of our approach to executive compensation.

Our executive compensation program is generally designed to attract, retain, motivate and reward highly qualified and talented executive officers, including our named executive officers, that will enable us to perform better than our competitors and drive long-term shareholder value. The underlying core principles of our executive compensation program include (i) linking pay to performance and aligning the interests of our executives with those of our shareholders by providing compensation opportunities that are tied directly to the achievement of financial performance goals and long-term stock price performance; and (ii) providing competitive compensation opportunities targeted at the market 50<sup>th</sup> percentile for both individual elements of compensation and total direct compensation at target levels of financial performance, which allows us to attract and retain the necessary executive talent while motivating and rewarding the accomplishment of annual and long-term financial performance goals and maintaining an appropriate cost structure. The "Compensation Discussion and Analysis," which begins on page 35, describes our executive compensation program and the executive compensation decisions made by the Compensation & Human Resources Committee in fiscal 2013 in more detail. Important considerations include:

A significant portion of the compensation paid or awarded to our named executive officers in fiscal 2013 was performance-based or at-risk compensation that is tied directly to the achievement of financial performance goals or long-term stock price performance.

Annual cash incentive awards and three-year performance share awards granted in fiscal 2013 are performance-based in that certain threshold, or minimum, levels of financial performance must be achieved in order for there to be any payout for a specified performance measure and, in particular, for the annual cash incentive awards, the threshold level of diluted net earnings per share, or EPS, performance must have been achieved in order for there to be any corporate payout or any corporate portion payout to division participants.

All incentive compensation awards, including annual and long-term equity and incentive awards, are subject to a clawback mechanism.

None of our executive officers have employment or severance agreements or arrangements, except as provided for in our change in control severance compensation policy, or CIC policy.

We generally do not provide tax gross-up payments under our CIC policy or in connection with any annual or long-term compensation, benefits or perquisites provided to our executive officers.

Our executive officers receive only modest perquisites.

We have an independent Compensation & Human Resources Committee.

We utilize an independent compensation consultant.

We believe that our executive compensation objectives and core principles have resulted in an executive compensation program and related decisions that have appropriately incentivized the





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achievement of financial goals and produced financial results that have benefited our Company and our shareholders and are expected to drive long-term shareholder value over time. For example:

Our fiscal 2013 net sales reached a record \$2,041.4 million, an increase of approximately 4.2% over fiscal 2012;

Our fiscal 2013 diluted net EPS of \$2.62 represented an increase of approximately 22.4% over fiscal 2012 diluted net EPS of \$2.14;

We continued our history of paying quarterly cash dividends and increased our fiscal 2013 quarterly cash dividend by 27.3% to \$0.14 per share compared to our quarterly cash dividend in fiscal 2012 of \$0.11 per share; and

Our stock repurchase program returned nearly \$100 million in cash to our shareholders in fiscal 2013, which reduced the number of shares of common stock outstanding.

Accordingly, the Board recommends that our shareholders vote in favor of the say-on-pay vote as set forth in the following resolution:

RESOLVED, that our shareholders approve, on an advisory basis, the compensation paid to our named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including in the Compensation Discussion and Analysis, the accompanying compensation tables and the corresponding narrative discussion and footnotes, and any related material disclosed in this proxy statement.

Shareholders are not ultimately voting to approve or disapprove the Board's recommendation. As this is an advisory vote, the outcome of the vote is not binding on us with respect to future executive compensation decisions, including those relating to our named executive officers, or otherwise. Our Compensation & Human Resources Committee and Board expect to take into account the outcome of the vote when considering future executive compensation decisions.

In accordance with the result of the advisory vote on the frequency of the say-on-pay vote, which was conducted at the Company's 2011 Annual Meeting of Shareholders, the Board of Directors has determined that the Company will conduct an executive compensation advisory vote on an annual basis. Accordingly, the next say-on-pay vote will occur in 2015 in connection with our 2015 Annual Meeting of Shareholders.

## **Board Recommendation**

**The Board of Directors unanimously recommends a vote FOR approval, on an advisory basis, of our executive compensation, or say-on-pay vote.**

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**EXECUTIVE COMPENSATION**

**Compensation & Human Resources Committee Report**

The Compensation & Human Resources Committee has reviewed and discussed the Compensation Discussion and Analysis with Management and, based on such review and discussion, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and in our Annual Report on Form 10-K for the fiscal year ended October 31, 2013.

Compensation & Human Resources Committee:

Christopher A. Twomey (Chair)

Jeffrey M. Ettinger

Katherine J. Harless

Gregg W. Steinhafel

**Compensation Discussion and Analysis**

**Overview.** In this Compensation Discussion and Analysis, or CD&A, we describe the key principles and approaches used to determine elements of compensation paid to, awarded to and earned by the following named executive officers whose compensation is set forth in the Summary Compensation Table on page 55:

Michael J. Hoffman, our Chairman of the Board, President and Chief Executive Officer, or our Chairman and CEO;

Renee J. Peterson, our Vice President, Treasurer and Chief Financial Officer;

William E. Brown, Jr., our Group Vice President, Commercial and Irrigation Businesses;

Timothy P. Dordell, our Vice President, Secretary and General Counsel; and

Michael J. Happe, our Group Vice President, Residential and Contractor Businesses.

This CD&A should be read in conjunction with the accompanying compensation tables, corresponding footnotes and narrative discussion, as they provide information and context to the compensation disclosures. Additionally, this CD&A should be read in conjunction with our advisory vote on executive compensation, which can be found under Proposal Three Advisory Approval of Executive Compensation beginning on page 33, as it contains information relevant to your voting decision.

**Executive Summary.**

**Highlights of Compensation Practices.** We maintain compensation practices that support our executive compensation philosophy of ensuring that our executive compensation program is reflective of our financial performance, is market competitive and is aligned with and responsive to the interests of our shareholders. Some of these practices include the following:

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We tie compensation directly to financial performance and require that minimum, or threshold, levels of performance be met in order for there to be any payouts. For our annual cash incentive awards and performance share awards, we establish threshold levels of performance for each performance measure that must be met in order for there to be a payout for that performance measure. Additionally, for the annual cash incentive award, the threshold level of diluted net EPS performance must be met in order for there to be any corporate payout or any corporate portion of a payout to division participants.

Our annual cash incentive awards and performance share awards also have maximum levels of financial performance. At maximum or greater than maximum levels of performance, our annual

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cash incentive award and performance share award payouts are capped at 200% of the target award.

A significant portion of our executive officers' compensation is performance-based or at risk. For fiscal 2013, 79% of total direct compensation (i.e., the total of salary, annual cash incentives, and the grant date fair value of equity awards granted as part of our long term incentives) was performance-based for our Chairman and CEO and performance-based compensation for our other named executive officers ranged from 61% to 68% of total direct compensation, assuming target levels of performance for the annual cash incentive award and grant date fair values for equity awards.

We utilize a mix of performance measures within our annual cash incentive plan and our performance share awards.