

TOLL BROTHERS INC
Form DEFA14A
February 20, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

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

Toll Brothers, Inc.

(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:

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

(3) Per unit 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):

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- o Fee paid previously with preliminary materials.
- o 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:

[The following letter will be mailed by Toll Brothers, Inc. to certain institutional holders of its common stock beginning February 20, 2007]

February 20, 2007

Dear Stockholder:

I write to solicit your support for the position of Toll Brothers, Inc. (Toll or the Company) and its Board of Directors on certain proposals to be voted on at the Company s Annual Meeting scheduled to take place on March 14, 2007. In addition to soliciting votes for the election of four of our directors and a vote on the re-appointment of our auditors, we are seeking stockholder approval of two new stock incentive plans the Toll Brothers, Inc. Stock Incentive Plan for Employees (2007), which will provide for the issuance of up to 10 million shares, and the Toll Brothers, Inc. Stock Incentive Plan for Non-Employee Directors (2007), which will provide for the issuance of up to 2 million shares. Because the number of options already outstanding under Toll s current plan exceeds the Institutional Shareholders Services (ISS) cap for our industry for option plan cost (i.e., overhang), we believe that ISS may recommend a vote against both of the new stock incentive plans being proposed by Toll. We believe that both of the proposed plans otherwise meet all other aspects of the ISS test for option plans, including the burn rate test.

Our Board believes stockholders should support our new stock incentive plans for the following reasons:

Overhang generally refers to the percentage of all outstanding shares represented by options granted and unexercised and options and stock awards not yet granted under incentive plans. In our case, our overhang results primarily from our executive officers, employees and directors holding their stock options for all or most of the full ten year term before exercising and selling. We believe this is a positive factor because this practice aligns their interests with those of our other investors and shows that they believe in the long-term prospects of the Company.

Our fiscal 2006 burn rate (the number of stock options granted in a fiscal year divided by the number of outstanding shares at the end of the fiscal year) of approximately 0.9% is much lower than the ISS cap for our industry of 3.0%, and our 3 year average burn rate of approximately 1.5% is also below the ISS cap.

We grant stock options and restricted stock as an incentive to retain and motivate key executives and senior management, and as a significant component of director compensation. Continuity and stability of our management have helped to increase stockholder value over the years and we believe this continuity is key to our long term success.

I enclose a copy of our Proxy Statement for your review, which includes the two new stock incentive plans Toll is proposing. Thank you for your time and consideration of this matter. If you wish to discuss this matter further, or require any additional information, please call Joel Rassman, Chief Financial Officer at (215) 938-8039 or Fred Cooper, Director of Investor Relations at (215) 938-8312.

Sincerely,

/s/ Michael I. Snyder

Michael I. Snyder

Senior Vice President and Secretary