TORO CO
Form DEF 14A
February 01, 2011

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**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 (Amendment No. )**

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

þ Definitive Proxy Statement

o Definitive Additional Materials

o 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):

þ No fee required.

o 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 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:

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:

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NOTICE OF 2011
ANNUAL MEETING AND

PROXY STATEMENT

FOR MARCH 15, 2011

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**The Toro Company**
**8111 Lyndale Avenue South, Bloomington, Minnesota 55420-1196**
**Telephone 952-888-8801**

***Michael J. Hoffman***
**Chairman and CEO**

February 1, 2011

Dear Fellow Shareholders:

I am pleased to invite you to join us for The Toro Company 2011 Annual Meeting of Shareholders to be held on Tuesday, March 15, 2011, at 1:30 p.m., Central Daylight Time, at our corporate offices. 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 of Annual Meeting 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 an electronic or paper 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

**Your vote is important. Please exercise your right to vote as soon as possible by following the instructions for voting on the Notice Regarding the Availability of Proxy Materials you received for the meeting or, if you received an electronic or paper 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. By doing so, you may save us the expense of additional solicitation.**

**You also 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 by Internet at 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 2011 Annual Meeting of Shareholders will be held on Tuesday, March 15, 2011, 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 four (4) nominees named in the attached proxy statement, each to serve for a term of three years ending at the 2014 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, 2011;

3. To hold an advisory vote on executive compensation;

4. To hold an advisory vote on the frequency of an executive compensation advisory vote; and

5. 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 21, 2011, 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 4, 2011, 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 an electronic or paper 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 1, 2011**

**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**
2011 ANNUAL MEETING OF SHAREHOLDERS
TUESDAY, MARCH 15, 2011
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 2011 Annual Meeting of Shareholders to be held at 1:30 p.m., Central Daylight Time, on Tuesday, March 15, 2011. We intend to mail Notices 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 1, 2011. Please note that references in this proxy statement to Toro, the Company, we, us, our and similar terms refer to The Toro Company.

## GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on Tuesday, March 15, 2011.**

This proxy statement and our 2010 Annual Report, which includes our Annual Report on Form 10-K for the fiscal year ended October 31, 2010, are available at www.thetorocompany.com/proxy.

Pursuant to rules adopted by the Securities and Exchange Commission, or 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 (excluding 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, The Toro Company Deferred Compensation Plan for Non-Employee 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 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 email on an ongoing basis.

### Date, Time and Place of the Meeting

The annual meeting will be held on Tuesday, March 15, 2011, at 1:30 p.m., Central Daylight Time, at our corporate offices located at 8111 Lyndale Avenue South, Bloomington, Minnesota, 55420-1196.

**Purposes of the Meeting**

The purposes of the annual meeting are to vote on the following items:

1. To elect as directors the four (4) nominees named in this proxy statement, each to serve for a term of three years ending at the 2014 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, 2011;

3. To hold an advisory vote on executive compensation;

4. To hold an advisory vote on the frequency of an executive compensation advisory vote; and

5. To transact any other business properly brought before the annual meeting or any adjournment or postponement of the annual meeting.

**Who Can Vote**

Shareholders of record at the close of business on January 21, 2011, 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 21, 2011, there were 31,772,820 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.

**Dividend Reinvestment Plan Shares.** If you are a participant in our Dividend Reinvestment Plan, the number of shares shown on your proxy card includes shares you hold in that plan.

**Employee Benefit Plan Shares.** If you are a participant in a Toro employee benefit plan that allows participant-directed voting of our common stock held in that plan, the number of shares shown on your proxy card includes shares you hold in that plan, as well as shares you own of record, if any. The trustee for each plan will cause votes to be cast confidentially in accordance with your instructions. Plan shares not voted by participants will be voted by the trustee in the same proportion as the votes actually cast by participants, in accordance with the terms of the respective plans.

**How You Can Vote**

Your vote is important. If you are a shareholder whose 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 the Internet site www.proxyvote.com and following the instructions for Internet voting shown on your proxy card, voting instruction form or Notice Regarding the Availability of Proxy Materials.

> **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 your shares are held in street name (through a broker, bank or other nominee), 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.

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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. For Proposal One Election of Directors, you may:

Vote **FOR** all four nominees;

**WITHHOLD** your vote from all four 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 Executive Compensation Advisory Vote, you may:

Vote **FOR** the proposal;

Vote **AGAINST** the proposal; or

**ABSTAIN** from voting on the proposal.

For Proposal Four Advisory Vote on the Frequency of Executive Compensation Advisory Vote, you may vote for a frequency of every three years, every two years or every year, or you may abstain from voting on the proposal.

If 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 four nominees for election to the Board of Directors in Proposal One Election of Directors, **FOR** Proposal Two Ratification of Selection of Independent Registered Public Accounting Firm, **FOR** Proposal Three Executive Compensation Advisory Vote, and for a frequency of every **THREE YEARS** on Proposal Four Advisory Vote on the Frequency of Executive Compensation Advisory Vote.

**How Does the Board Recommend that You Vote**

The Board of Directors unanimously recommends that you vote:

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

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

**FOR** Proposal Three Executive Compensation Advisory Vote; and

For a frequency of every **THREE YEARS** on Proposal Four Advisory Vote on the Frequency of Executive Compensation Advisory Vote.

**How You May Revoke or Change Your Vote**

If you are a shareholder whose 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 your shares through a broker, bank or other nominee, you may revoke your proxy by following instructions your broker, bank or other nominee provides.

**Quorum Requirement**

The presence at the annual meeting, in person or represented by proxy, 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 are also counted in determining whether a quorum is present for the transaction of business at the annual meeting. A broker non-vote is a proxy submitted by a broker that does not indicate a vote for some or all of the proposals because the broker does not have discretionary voting authority on certain types of proposals and has not received instructions from its client as to how to vote on a particular proposal. If there is not a quorum, a majority of the shares present at the annual meeting may adjourn the annual meeting to a later date as discussed under Discretionary Voting and Adjournments on page 5.

**Vote Required**

Proposal One Election of Directors will be decided by the affirmative vote of a plurality of shares of our common stock as of the record date present in person or represented by proxy 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 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 the 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 will be decided by the affirmative vote of a majority of the shares, present in person or represented by proxy, and entitled to vote at the annual meeting.

Proposal Three Executive Compensation Advisory Vote will be decided by the affirmative vote of a majority of the shares, present in person or represented by proxy, and entitled to vote at the annual meeting. This is a non-binding 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.

Proposal Four Advisory Vote on the Frequency of Executive Compensation Advisory Vote will be decided by the affirmative vote of a plurality of shares of our common stock as of the record date present in person or represented by proxy at the annual meeting. A plurality for Proposal Four means the choice of frequency that receives the greatest number of votes cast will be considered the preference of our shareholders. This is a non-binding advisory vote; however, our Compensation & Human Resources Committee and Board expect to take into account the outcome of the vote when considering the frequency of future executive compensation advisory votes.

Under the New York Stock Exchange, or NYSE, rules, if your shares are held in street name and you do not indicate how you wish to vote, your broker is permitted to exercise its discretion to vote your shares only on certain routine matters. Proposal One Election of Directors, Proposal Three Executive Compensation Advisory Vote and Proposal Four Advisory Vote on the Frequency of Executive Compensation Advisory Vote are not routine matters. Accordingly, if you do not direct your broker how to vote, your broker may not exercise discretionary voting authority and may not vote your shares. This is called a broker non-vote and although your shares will be considered to be represented by proxy at the annual meeting, as previously discussed above under Quorum Requirements, 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. 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 Executive Compensation Advisory Vote proposal will be counted in determining the total number of shares entitled to vote on such proposal and will have the effect of a vote Against a director or a proposal. If you Abstain from voting on Proposal Four Advisory Vote on the Frequency of Executive Compensation Advisory Vote, the abstention will not have an effect on the outcome of the vote.

**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.

**Discretionary Voting and Adjournments**

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, including to adjourn the annual meeting.

Adjournment of the annual meeting may be made for the purpose of, among other things, soliciting additional proxies. Any adjournment may be made from time to time by approval of the holders of common stock representing a majority of the votes present in person or by proxy at the annual meeting, whether or not a quorum exists, without further notice other than by an announcement made at the annual meeting.

**Procedures at the 2011 Annual Meeting**

The presiding officer at the annual meeting will determine how business at the annual 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 5, 2010. 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 16, 2010, nor earlier than November 16, 2010. Additionally, such notice for any nomination or proposal must have contained the specific information required by our Amended and Restated Bylaws, including, among other things, information about: any proposed nominee and his or her relationships with the shareholder submitting the nomination; any agreements, arrangements or understandings the shareholder may have with any proposed nominee or other parties relating to the nomination or other proposal; and the interests that the shareholder has related to the Company and our shares, including as a result of, among other things, derivative securities, voting arrangements or short positions. This summary information regarding our Amended and Restated Bylaws is qualified in its entirety by reference to the full text of the Amended and Restated Bylaws, which can be found on our website at www.thetorocompany.com (select the Investor Information link and then the Corporate Governance link).

## STOCK OWNERSHIP

### Significant Beneficial Owners

The following table sets forth information known to us as of January 21, 2011, 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.

| Title of Class | Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class(1) |
|---|---|---|---|
| Common Stock | Mairs and Power, Inc.<br>332 Minnesota St.<br>W-1520 First National Bank Building<br>St. Paul, MN 55101 | 2,440,046(2) | 7.68% |
| Common Stock | EARNEST Partners, LLC<br>1180 Peachtree St. NE, Suite 2300<br>Atlanta, GA 30309 | 2,293,014(3) | 7.22% |
| Common Stock | BlackRock, Inc.<br>40 East 52nd St.<br>New York, NY 10022 | 2,091,337(4) | 6.58% |
| Common Stock | The Vanguard Group<br>100 Vanguard Blvd.<br>Malvern, PA 19355 | 1,695,933(5) | 5.34% |

(1) Percent of class is based on 31,772,820 shares outstanding as of January 21, 2011.

(2) Mairs and Power, Inc., an investment adviser, filed a Schedule 13G/A with the SEC on February 8, 2010, reflecting beneficial ownership as of December 31, 2009, of 2,440,046 shares of our common stock, with sole voting power with respect to 2,049,800 shares and sole dispositive power with respect to 2,440,046 shares.

(3) EARNEST Partners, LLC, an investment advisor, filed a Schedule 13G/A with the SEC on February 9, 2010, reflecting beneficial ownership as of December 31, 2009, of 2,293,014 shares of our common stock, with sole voting power with respect to 913,975 shares, shared voting power with respect to 513,239 shares and sole dispositive power with respect to 2,293,014 shares.

(4) BlackRock, Inc., a parent holding company, filed a Schedule 13G with the SEC on January 29, 2010, reflecting beneficial ownership as of December 31, 2009, of 2,091,337 shares of our common stock, with sole voting and dispositive power with respect to 2,091,337 shares.

(5) The Vanguard Group, an investment adviser, filed a Schedule 13G with the SEC on February 8, 2010, reflecting beneficial ownership as of December 31, 2009, of 1,695,933 shares of our common stock, with sole voting power with respect to 22,351 shares, sole dispositive power with respect to 1,673,582 shares and shared dispositive power with respect to 22,351 shares.

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**Directors and Executive Officers**

The following table sets forth information known to us regarding the beneficial ownership of our common stock as of January 21, 2011, by (i) each of our 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 51 (we collectively refer to these persons as our named executive officers ), and (iii) all directors and executive officers as a group, including our named executive officers.

| **Name** | **Amount and Nature of Beneficial Ownership of Common Stock**(1)(2)(3) | **Common Stock Beneficially Owned as a Percent of Common Stock Outstanding**(4) |
|---|---|---|
| Non-Employee Directors: | | |
| Robert C. Buhrmaster | 46,178 | * |
| Janet K. Cooper | 34,980 | * |
| Gary L. Ellis | 17,717 | * |
| Jeffrey M. Ettinger | 802 | * |
| Katherine J. Harless | 28,813 | * |
| Robert H. Nassau | 30,850 | * |
| Gregg W. Steinhafel | 25,155 | * |
| Inge G. Thulin | 10,682 | * |
| Christopher A. Twomey | 44,713 | * |
| Named Executive Officers: | | |
| Michael J. Hoffman | 725,944 | 2.25% |
| Stephen P. Wolfe | 463,043 | 1.45% |
| Timothy P. Dordell | 47,147 | * |
| Peter M. Ramstad | 44,548 | * |
| William E. Brown, Jr. | 100,937 | * |
| All Directors and Executive Officers as a Group (21) | 1,911,132 | 5.84% |

* 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, 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, and the information contained in the footnotes to this table.

(2) Beneficial ownership also includes shares that a person has the right to acquire within 60 days of January 21, 2011, and, as such, includes the following shares that may be acquired upon exercise of stock options within 60 days of January 21, 2011, shares allocated to executive officers under the IS&ESOP, and common stock units, matching units and performance share units, collectively referred to as units, credited under The Toro Company

Deferred Compensation Plan for Non-Employee Directors and The Toro Company Deferred Compensation Plan for Officers. Directors and executive officers have no voting power with respect to units credited under these deferred compensation plans.

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| Name | Stock Options | IS&ESOP | Units under the Deferred Compensation Plan for Non-Employee Directors | Units under the Deferred Compensation Plan for Officers |
|---|---|---|---|---|
| Non-Employee Directors: | | | | |
| Robert C. Buhrmaster | 16,931 | | 4,131 | |
| Janet K. Cooper | 16,931 | | 10,221 | |
| Gary L. Ellis | 9,385 | | 0 | |
| Jeffrey M. Ettinger | 0 | | 0 | |
| Katherine J. Harless | 16,931 | | 0 | |
| Robert H. Nassau | 15,597 | | 15,253 | |
| Gregg W. Steinhafel | 16,931 | | 1,271 | |
| Inge G. Thulin | 6,107 | | 1,456 | |
| Christopher A. Twomey | 16,931 | | 2,224 | |
| Named Executive Officers: | | | | |
| Michael J. Hoffman | 443,201 | 31,509 | | 47,596 |
| Stephen P. Wolfe | 121,952 | 28,725 | | 249,324 |
| Timothy P. Dordell | 42,471 | 148 | | 2,694 |
| Peter M. Ramstad | 41,134 | 158 | | 0 |
| William E. Brown, Jr. | 52,404 | 6,898 | | 0 |
| All Directors and Executive Officers as a Group (21) | 974,584 | 111,539 | 34,556 | 313,819 |

(3) Includes shares held in trust for estate planning purposes as follows: 11,882 shares for Ms. Harless, 25,558 shares for Mr. Twomey, 63,042 shares for Mr. Wolfe, 1,765 shares for Mr. Dordell and 101,878 shares for all directors and executive officers as a group. Each of Messrs. Twomey and Wolfe and Ms. Harless has shared voting and investment power with respect to the shares held in trust. Also includes 7,828 shares pledged by Ms. Cooper under the terms of a credit agreement under which there were no amounts outstanding as of January 21, 2011.

(4) Percentages are calculated pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended, or 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 21, 2011, 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 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, 2010, or fiscal 2010.

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## 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 10 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:

| Current Term Ending at 2011 Annual Meeting | Current Term Ending at 2012 Annual Meeting | Current Term Ending at 2013 Annual Meeting |
|---|---|---|
| Jeffrey M. Ettinger | Janet K. Cooper | Robert C. Buhrmaster |
| Katherine J. Harless | Gary L. Ellis | Robert H. Nassau |
| Inge G. Thulin | Gregg W. Steinhafel | Christopher A. Twomey |
| Michael J. Hoffman | | |

### Nominees for Director

The Board has nominated each of Jeffrey M. Ettinger, Katherine J. Harless, Inge G. Thulin and Michael J. Hoffman for election to the Board to serve for a three-year term ending at the 2014 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 four.

### Board Recommendation

**The Board of Directors unanimously recommends a vote FOR the election to the Board of the four 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, the proxies, at the Board s discretion, 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/or business experience; business acumen; an appropriate level of understanding of our business and 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 the 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 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.

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**Nominees for Election to the Board Current Term Ending at the 2011 Annual Meeting**

**Jeffrey M. Ettinger, age 52,** is the Chairman, President and Chief Executive Officer of Hormel Foods Corporation, Austin, Minnesota (a multinational manufacturer and marketer of consumer-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 (NYSE: HRL) since 2004, and currently he serves on the boards of the Grocery Manufacturers of America, the American Meat Institute, the Minnesota Business Partnership, the Austin Medical Center Foundation and The Hormel Foundation.

Throughout his career, Mr. Ettinger has developed 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 to our strategy of driving growth in our businesses 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 a member of our Audit Committee and Compensation & Human Resources Committee.

**Katherine J. Harless, age 59,** was President and Chief Executive Officer of Idearc Inc., Dallas/Fort Worth, Texas (publisher of Verizon Yellow Pages and SuperPages.com), from November 2006 until her retirement in February 2008. On March 31, 2009, Idearc 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, changed its name to SuperMedia Inc. and now trades on the NASDAQ Global Market under the symbol SPMD. Ms. Harless also 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.

Ms. Harless brings to our Board executive leadership and management skills that earned her positions as former President and Chief Executive Officer of Idearc and former President of several strategic business units of 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.

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**Inge G. Thulin, age 57,** is the Executive Vice President, International Operations of 3M Company, Saint Paul, Minnesota (diversified technology), a position he has held since 2003. Previously he was Area Vice President, Asia Pacific of 3M from 2003 to 2004 and Area Vice President, Europe, Central/East Europe & Middle East from 2002 to 2003. First elected to the Toro Board in September 2007, he is a member of the Audit Committee and the Finance Committee. Mr. Thulin also currently serves on the boards of the United States Counsel for International Business and the Carlson School of Management, University of Minnesota.

Through his tenure with 3M, a Fortune 500 public company with global diversified manufacturing operations and, in 2009, international operations representing approximately 63 percent, or $14.6 billion, of 3M s $23.1 billion in sales, Mr. Thulin has developed and brings to our Board significant leadership skills, strong international expertise and a proven ability to develop successful growth strategies in global organizations. He also contributes international structuring, operational and acquisition experience gained through his various positions with 3M, including as the leader of several businesses and subsidiaries in Sweden, France, Belgium and Russia. Mr. Thulin is a native of Sweden. As a result of his background and experience, Mr. Thulin provides valuable insight as our Company continues to focus on increasing global presence to grow our revenues by investing in new products designed specifically for international markets and in infrastructure around the world that will connect us more closely to international customers.

**Michael J. Hoffman, age 55,** 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 elected as President in October 2004. He was our Chief Operating Officer from October 2004 to March 2005. 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. (NYSE: DCI).

In his more than 33 years with our Company, Mr. Hoffman has developed and brings to our Board leadership experience and extensive knowledge of all aspects of our Company, businesses, 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. 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 our 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 2012 Annual Meeting

**Janet K. Cooper, age 57,** was the Senior Vice President and Treasurer of Qwest Communications International Inc., Denver, Colorado (telecommunications), from September 2002 to June 2008. From 2001 to 2002, she served as Chief Financial Officer and Senior Vice President of McDATA Corporation, a global leader in open storage networking solutions. 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., a regional Bell operating company, including 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 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. (NYSE: LII) since 1999, and also currently serves as a director of MWH Global, a private firm that provides environmental engineering, construction and strategic consulting services worldwide.

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Through her experience in various senior level financial positions with Qwest, McDATA Corporation, US West and Quaker, 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 our Finance Committee. Ms. Cooper s financial expertise and acumen in capital markets, audit, tax, accounting, and treasury 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 54,** is the Senior Vice President and Chief Financial Officer of Medtronic, Inc., Minneapolis, Minnesota (medical technology). 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 previously served as the Chairman of the Board of the American Heart Association from 2007 to 2008 and currently serves on the boards of Salient Surgical Technologies, 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 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, insurance coverage, and strategic planning matters. Additionally, Mr. Ellis contributes his international experience managing 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 specifically growth in international markets, and maintain a strong balance sheet.

**Gregg W. Steinhafel, age 56,** is the Chairman, Chief Executive Officer and President of Target Corporation, Minneapolis, Minnesota (retailing). 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 (NYSE: TGT) since 2007 and also currently serves on the board of the Retail Industry Leaders Association.

Mr. Steinhafel brings to our Board meaningful 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 strong 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 2013 Annual Meeting**

**Robert C. Buhrmaster, age 63,** was Chairman and Chief Executive Officer of Jostens, Inc., Minneapolis, Minnesota (consumer manufacturing), 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,

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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. (NASDAQ: SRDX) since January 2008 and as its Chairman since January 2009. Since August 2009, he has also served as a director of Caraustar Industries, Inc., a privately-held integrated manufacturer of recycled paperboard and converted paperboard products. From December 2004 through February 2008, Mr. Buhrmaster served as a director of Innovex, Inc. (OTC: INVX).

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 independent directors of the Board and with our Company s Management.

**Robert H. Nassau, age 69,** was the Regional Director of Corporate Accounts of F2 Intelligence Group, Minneapolis, Minnesota (consulting), from November 2003 until his retirement in November 2006. Previously, he was the owner and Chief Executive Officer of Nasly Inc., Lahaina, Hawaii (food, beverage and entertainment), from February 2000 to November 2003. He also previously served as President and Chief Executive Officer of St. Raymond Wood Products Holding Limited (wood manufacturing) from January 1997 to August 1999. First elected to the Toro Board in 1988, he is a member of the Audit Committee, the Compensation & Human Resources Committee and the Nominating & Governance Committee.

Mr. Nassau has developed and brings to our Board many years of business, management and operations expertise, including specific experience with lawn and garden tractors and riding mowers acquired early in his career through previous positions with Ford Motor Company and J.I. Case Company. Additionally, as our longest serving director having over 20 years of Board service, Mr. Nassau has developed deep and meaningful knowledge of our Company, our businesses and industry over the long term. As a result, Mr. Nassau provides valuable historical perspective, as well as insight regarding future strategic opportunities and challenges.

**Christopher A. Twomey, age 62,** is Chairman of Arctic Cat Inc., Thief River Falls, Minnesota (recreational vehicle manufacturer), a position he has held since August 2003. Previously, Mr. Twomey served as 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 been a director of Arctic Cat (NASDAQ: ACAT) 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 Chairman and former 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.

# 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, responsibilities, compensation and independence; Board committees; director access to officers and employees; related party transactions; Chief Executive Officer, or CEO, evaluation and succession; and annual performance evaluations. 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 in writing 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 Toro 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, as term limits have the disadvantage of losing the contribution of directors who have been able to develop over time increasing insight into the Company and its operations and therefore provide an increasing contribution to the Board as a whole, the Nominating & Governance Committee will review 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 director is expected to own a dollar value of our common stock equal to at least three 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.

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 (select the Investor Information link and then the Corporate Governance link). From time to time the 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 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. Buhrmaster. 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 the Company, our businesses and our industry, obtained through his more than 33 years of service to the Company, which benefit Board leadership and the Board s decision-making process through his active role as Chairman; (ii) it unifies Board leadership and strategic direction as implemented by our Management; and (iii) we are able to appropriately balance 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 page 11.

As our lead director, Mr. Buhrmaster (i) presides at regularly scheduled executive sessions of the non-employee directors; (ii) provides direction on Board meeting agendas and other materials; (iii) manages the Board s annual self-assessment process; and (iv) together with the Chair of the Compensation & Human Resources Committee, communicates to Mr. Hoffman the results of his annual performance review and compensation. With more than 14 years of continuous service on our Board, Mr. Buhrmaster has considerable knowledge of the Company, our business and our industry. Mr. Buhrmaster also has significant public company board experience. In addition to serving as our lead director, Mr. Buhrmaster serves as the Chair of our Nominating & Governance Committee. Mr. Buhrmaster s biography is set forth on pages 12 and 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 Business Risk and Process Improvement function, which is 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, and performance of our internal audit function; 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 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 the Company s risk management is found under Assessment of Risk Related to Compensation Programs beginning on page 50.

The Finance Committee assists through its oversight of our capital structure, financial condition and policies, long-range financial objectives, tax strategies and restructuring projects, financing requirements and arrangements, 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 acquisition and divestiture 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 the committee to the full Board. Additional information regarding the responsibilities of each of these committees can be found under Board Committees beginning on page 17.

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 the 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 fiscal 2010 (Robert C. Buhrmaster, Winslow H. Buxton, Gary L. Ellis, Jeffrey M. Ettinger, Janet K. Cooper, Katherine J. Harless, Robert H. Nassau, Gregg W. Steinhafel, Inge G. Thulin 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 the Company, our Management or our external auditor, 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 determined that Michael J. Hoffman is not independent due to his status as an executive officer of the Company. The Board based its independence determinations, in part, upon a review by the Nominating & Governance

Committee and the Board of certain transactions

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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 our business or the business of such unaffiliated corporation, and in which the director had no direct or indirect personal interest, nor received any personal benefit. Specifically, the pre-approved transactions reviewed by the Nominating & Governance Committee and the Board included: (a) ordinary course of business purchases from us by Arctic Cat, Inc., where Mr. Twomey is Chairman, and during fiscal 2010 was an executive officer, in the aggregate amount of approximately $1,575; (b) ordinary course of business purchases from us by Medtronic, Inc., where Mr. Ellis is, and during fiscal 2010 was, an executive officer, in the aggregate amount of approximately $120,022; and (c) ordinary course of business purchases from us by Target Corporation, where Mr. Steinhafel is, and during fiscal 2010 was, an executive officer, in the aggregate amount of approximately $1,359,082, and ordinary course of business purchases by us from Target in the aggregate amount of approximately $63,228.

**Director Attendance; Executive Sessions**

The Board held six meetings during fiscal 2010 and took action by unanimous written consent once in fiscal 2010. 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. Nine of our ten directors attended the annual meeting of shareholders held in March 2010.

**Board Committees**

The Board has four committees with their respective principal functions and membership described below. Each committee has a charter which is posted on our website at www.thetorocompany.com (select the Investor Information link and then the Corporate Governance link).

The following table summarizes 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 as a member of Management.

| Director | Audit | Compensation & 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 | |
| Robert H. Nassau | ü | ü | ü | |

| | | | | |
|---|---|---|---|---|
| Gregg W. Steinhafel | | ü | ü | |
| Inge G. Thulin | ü | | | ü |
| Christopher A. Twomey | | Chair | ü | |

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**Audit Committee.** The Audit Committee oversees our accounting and financial reporting processes and audits of our consolidated financial statements. 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 Business Risk and Process Improvement function, which is 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 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 without Management or other Company representatives present to discuss internal controls and accuracy and completeness of our consolidated financial statements;

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

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;

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

Reviewing results of audits with our external auditor and Management with a focus on difficulties encountered, material errors or irregularities, weaknesses in internal controls and similar issues, and notifying the Board of major problems or deficiencies discovered in carrying out the Committee s duties;

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;

Discussing our annual audited consolidated financial statements and quarterly condensed consolidated financial statements with Management and our external auditor, including our external auditor s audit or review of such financial statements;

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; and

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.

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 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 Audit Committee reviews the adequacy of its charter and its own performance on an annual basis. The Committee held 11 meetings during fiscal 2010. At four of these meetings the Committee met in private session with our external auditor and independently without Management present. At four of these meetings the Committee met in separate private sessions with Senior Management and at three of these meetings the Committee met in separate private sessions with the director of our internal audit function. Additional information regarding the Committee and our external auditor is set forth in the Audit Committee Report on page 71 and Proposal Two Ratification of Selection of Independent Registered Public Accounting Firm beginning on page 70.

**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 management employees. More specifically, the Committee s duties and responsibilities include, among others:

Having sole authority to retain and terminate any external compensation consultant used to assist the Committee in the evaluation of CEO or other executive officer compensation, including approval of fees to be paid to the consultant, and before selecting any consultant the committee shall consider any services provided to the Company during the most recently completed and current fiscal year and the fees paid for such services;

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 and recommending to the Board the overall compensation levels for the CEO based on such evaluation;

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Reviewing and approving the annual base salaries, annual 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 the stock ownership guidelines for the CEO and other executive officers and reviewing and recommending any proposed changes in director stock ownership guidelines to the Nominating & Governance Committee;

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 annual report on executive compensation, and any compensation-related proposals, including frequency of say-on-pay proposals, to be included in the Company s proxy statement for its annual meeting; and

Reviewing and recommending any proposed changes in director compensation to the Nominating & Governance Committee.

The Compensation & Human Resources Committee reviews the adequacy of its charter and its own performance on an annual basis. The Committee held five meetings during fiscal 2010. At four of its 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 of our vice presidents, including each of the other named executive officers, which includes:

Increases, if any, to base salary;

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

Long-term incentive awards for the current fiscal year, which includes (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 adjustments.

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 independent executive 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 Director, Total Rewards and HR Services that reflect individual performance; corporate and/or division 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

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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. For information on the compensation of our named executive officers, please refer to the Executive Compensation section beginning on page 31. 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 the sole authority to retain and terminate any external compensation consultant to be used to assist it in the evaluation of the compensation paid to our Chairman and CEO and other executive officers, including the sole authority to approve the consultant s fees and the other terms and conditions of the consultant s retention. The 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 set forth in the Compensation Discussion and Analysis beginning on page 31. Additionally, from time to time, the Committee has engaged Towers Watson to perform other executive compensation consulting services, which in fiscal 2010 included: (i) the design and review of The Toro Company 2010 Equity and Incentive Plan, or 2010 Plan, (ii) the review and assessment of our material compensation policies, practices and programs in connection with our risk assessment, (iii) the design and review of our new change in control severance compensation policy, and (iv) the review of supplemental benefit plan practices. Towers Watson does not provide any services to the Company other than those for which it has been retained by the Committee. Representatives from Towers Watson periodically attend meetings of the Committee as resources for 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;
- Identifying individuals qualified to become Board members and recommending director nominees for the annual meeting;
- Reviewing and recommending to the Board any proposed change in Board compensation or stock ownership guidelines recommended by the Compensation & Human Resources Committee;
- 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 Management 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 Nominating & Governance Committee, with the participation of the Chairman of the Board, annually polls the members of the Board about each director whose term is expiring. If the Committee determines that a director does not continue to have the affirmative support of a majority of the members of the Board, the Committee does not recommend the director to stand for re-election.

The Nominating & Governance Committee reviews the adequacy of its charter and its own performance on an annual basis. The Committee held two meetings during fiscal 2010 and took action by written consent once in fiscal 2010. At each of its 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 nominees from persons whom the Committee believes are likely to be familiar with candidates having the skills and characteristics required for Board nominees from time to time. 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.

In July 2010, the Board of Directors determined to increase the size of the Board, which had been decreased with the retirement of Mr. Winslow H. Buxton at the annual meeting of shareholders held in March 2010. A third-party search firm was engaged to assist in the identification and evaluation of director nominee candidates. In particular, the search firm was asked to concentrate on individuals who were currently serving in the position of chief executive officer, have proven strategic leadership, have operational and manufacturing experience, are in cultural alignment with Toro, bring diverse characteristics to the Board and are locally based. A slate of candidates, including Mr. Jeffrey M. Ettinger, was identified and referred to the Nominating & Governance Committee. Mr. Ettinger was subsequently interviewed by the Chair of the Committee and certain other directors, including our Chairman and CEO. The Committee recommended to the full Board that the Board be increased from nine to ten directors and that Mr. Ettinger be elected to fill the vacancy created by such increase. Mr. Ettinger was elected effective July 1, 2010, and is included in the group of nominees for election by our shareholders at the 2011 Annual Meeting of Shareholders for a term expiring at the 2014 Annual Meeting. See Proposal One Election of Directors beginning on page 9.

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 2012 Annual Meeting on page 74.

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

Reviewing our financial condition, financial policies and long-range financial 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 and annual cash dividend level;

Evaluating the financial impact of proposed acquisition and divestiture transactions expected to have significant financial implications for the 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 annual 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 Finance Committee reviews the adequacy of its charter and its own performance on an annual basis. The Committee held two meetings during fiscal 2010. At each of these meetings the Committee met in private session without Management present.

**Director Compensation**

**Overview.** Compensation for our non-employee directors is generally 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. A substantial portion of our director compensation is linked to our common stock performance, and directors can elect to receive all of their cash compensation for Board and committee service, consisting of annual retainers and meeting fees, in the form of our common stock.

Our compensation for our non-employee directors for fiscal 2010 was comprised of both cash compensation, in the form of annual retainers and meeting fees, and equity compensation, in the form of automatic annual stock awards and automatic annual stock option grants. Each of these components is described in more detail below. Employee directors do not receive any additional compensation for their director service. Mr. Hoffman is our only employee 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 review biennially and recommend to the Nominating & Governance Committee any proposed changes in non-employee director compensation, taking into account director compensation at comparable companies. The Compensation & Human Resources Committee most recently reviewed non-employee director compensation in fiscal 2007. In fiscal 2009, the Compensation & Human Resources Committee deferred its review of non-employee director compensation given the then worldwide recessionary economic conditions and the resulting impact on the Company s business, and again deferred its review in fiscal 2010 given the then uncertainty regarding the level and rate of recovery, if any, that the Company s business would experience. It is anticipated that the Compensation & Human Resources Committee will review non-employee director compensation in fiscal 2011. Decisions regarding non-employee director compensation made by the Compensation & Human Resources Committee and the Nominating & Governance Committee are not considered final but are subject to review and approval by the Board.

**Annual Retainers and Meeting Fees.** Currently, all non-employee directors are entitled to receive the following annual retainers and meeting fees:

- An annual board retainer of $40,000;
- Board meeting fees of $1,500 per meeting attended in person;
- Committee meeting fees of $1,250 per meeting attended in person; and
- Telephonic Board and committee meeting fees of $500 per meeting.

Committee chairs and our lead director are entitled to receive the following additional annual retainers and meeting fees:

- The Audit Committee Chair receives an additional annual chair retainer of $5,000 and an additional per Audit Committee meeting fee of $2,000;
- The Compensation & Human Resources Committee Chair receives an additional annual chair retainer of $5,000 and an additional per Compensation & Human Resource Committee meeting fee of $1,000;
- The Nominating & Governance Committee Chair receives an additional annual chair retainer of $2,500 and an additional per Nominating & Governance Committee meeting fee of $1,000;
- The Finance Committee Chair receives an additional annual chair retainer of $2,500 and an additional per Finance Committee meeting fee of $1,000; and
- Our lead director receives an additional annual retainer of $7,500.

Robert C. Buhrmaster served as our lead director during fiscal 2010 and the table on page 17 shows the Chair of each Board committee and the Board committees on which each director currently serves.

Annual retainers and meeting fees are paid in cash on a calendar year basis unless a director elects to (i) convert all or a part of his or her annual retainers and/or meeting fees into shares of our common stock, or (ii) defer receipt of all or a part of his or her annual retainers and/or meeting fees. Annual retainers are paid in advance and meeting fees are paid in arrears in four quarterly installments on each of January 1, April 1, July 1 and October 1. For example, the annual retainers paid on January 1 are for the period from January 1 through March 31 and meeting fees paid on January 1 cover meetings attended from October 1 through December 31 of the previous calendar year.