American Reprographics CO
Form 10-Q
August 08, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-32407

AMERICAN REPROGRAPHICS COMPANY

(Exact name of Registrant as specified in its Charter)

Delaware	**20-1700361**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1981 N. Broadway, Suite 385

Walnut Creek, California 94596

(925) 949-5100

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

As of August 3, 2012, there were 46,286,967 shares of the issuer s common stock outstanding.

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AMERICAN REPROGRAPHICS COMPANY

Form 10-Q

For the Quarter Ended June 30, 2012

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FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this Form 10-Q, the words believe, expect, anticipate, estimate, intend, plan, project, target, likely, will, variations of such words and similar expressions as they relate to our management or to American Reprographics Company (the Company) are intended to identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated herein. We have described in Part II, Item 1A- Risk Factors a number of factors that could cause our actual results to differ from our projections or estimates. These factors and other risk factors described in this Form 10-Q are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

Except where otherwise indicated, the statements made in this Form 10-Q are made as of the date we filed this report with the United States Securities and Exchange Commission (SEC) and should not be relied upon as of any subsequent date. All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation, and specifically disclaim any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, consult further disclosures we make in future filings of our Forms 10-K, Forms 10-Q, and Forms 8-K, and any amendments thereto, as well as our proxy statements.

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PART I FINANCIAL INFORMATION

Item 1. *Condensed Consolidated Financial Statements*

AMERICAN REPROGRAPHICS COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	**$ 23,318**	$ 25,437
Accounts receivable, net of allowances for accounts receivable of **$3,228** and $3,309	**60,464**	54,713
Inventories, net	**13,492**	12,107
Prepaid expenses	**4,483**	3,999
Other current assets	**7,480**	7,541
Total current assets	**109,237**	103,797
Property and equipment, net of accumulated depreciation of **$201,141** and $191,598	**56,953**	55,084
Goodwill	**229,315**	229,315
Other intangible assets, net	**38,109**	45,127
Deferred financing costs, net	**4,770**	4,574
Deferred income taxes	**1,271**	1,368
Other assets	**2,264**	2,092
Total assets	**$ 441,919**	$ 441,357
Liabilities and Equity		
Current liabilities:		
Accounts payable	**$ 23,189**	$ 21,787
Accrued payroll and payroll-related expenses	**8,293**	7,292
Accrued expenses	**20,358**	19,308
Current portion of long-term debt and capital leases	**12,503**	15,005
Total current liabilities	**64,343**	63,392
Long-term debt and capital leases	**211,908**	211,259
Deferred income taxes	**28,088**	26,447
Other long-term liabilities	**3,163**	3,194
Total liabilities	**307,502**	304,292
Commitments and contingencies (Note 6)		
Stockholders equity:		
American Reprographics Company stockholders equity:		
Preferred stock, $0.001 par value, 25,000 shares authorized; **0** shares issued and outstanding		
Common stock, $0.001 par value, 150,000 shares authorized; **46,287** and 46,235 shares issued and outstanding	**46**	46
Additional paid-in capital	**101,414**	99,728
Retained earnings	**26,703**	32,663
Accumulated other comprehensive loss	**(347)**	(1,760)

Total American Reprographics Company stockholders equity	**127,816**	130,677
Noncontrolling interest	**6,601**	6,388
Total equity	**134,417**	137,065
Total liabilities and equity	**$ 441,919**	$ 441,357

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AMERICAN REPROGRAPHICS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Reprographics services	**$ 64,293**	$ 70,460	**$ 127,309**	$ 140,482
Facilities management	**27,490**	25,596	**54,146**	49,799
Equipment and supplies sales	**14,445**	13,534	**28,346**	25,813
Total net sales	**106,228**	109,590	**209,801**	216,094
Cost of sales	**72,475**	73,895	**144,170**	147,013
Gross profit	**33,753**	35,695	**65,631**	69,081
Selling, general and administrative expenses	**23,973**	26,804	**47,430**	54,636
Amortization of intangible assets	**2,805**	4,721	**7,398**	9,465
Goodwill impairment		23,335		23,335
Income (loss) from operations	**6,975**	(19,165)	**10,803**	(18,355)
Other income	**(24)**	(35)	**(54)**	(61)
Interest expense, net	**7,255**	7,699	**14,693**	15,866
Loss before income tax provision	**(256)**	(26,829)	**(3,836)**	(34,160)
Income tax provision	**619**	57,913	**1,929**	54,264
Net loss	**(875)**	(84,742)	**(5,765)**	(88,424)
(Income) loss attributable to noncontrolling interest	**(178)**	112	**(195)**	151
Net loss attributable to American Reprographics Company	**$ (1,053)**	$ (84,630)	**$ (5,960)**	$ (88,273)
Loss per share attributable to American Reprographics Company shareholders:				
Basic	**$ (0.02)**	**$ (1.87)**	**$ (0.13)**	**$ (1.95)**
Diluted	**$ (0.02)**	**$ (1.87)**	**$ (0.13)**	**$ (1.95)**
Weighted average common shares outstanding:				
Basic	**45,667**	**45,360**	**45,604**	**45,341**
Diluted	**45,667**	**45,360**	**45,604**	**45,341**

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AMERICAN REPROGRAPHICS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2012**	**2011**	**2012**	**2011**
Net loss	**$ (875)**	$ (84,742)	**$ (5,765)**	$ (88,424)
Other comprehensive income, net of tax				
Foreign currency translation adjustments, net of tax effect of **$(27)** and **$4** for the three and six months ended June 30, 2012, respectively, and $(114) and $(60) for the three and six months ended June 30, 2011, respectively.	**(311)**	294	**9**	583
Amortization of derivative, net of tax effect of **$380** and **$849** for the three and six months ended June 30, 2012, respectively, and $544 and $1,114 for the three and six months ended June 30, 2011, respectively.	**636**	912	**1,422**	1,866
Other comprehensive income, net of tax	**325**	1,206	**1,431**	2,449
Comprehensive loss	**(550)**	(83,536)	**(4,334)**	(85,975)
Comprehensive income (loss) attributable to noncontrolling interest	**154**	(17)	**213**	(24)
Comprehensive loss attributable to American Reprographics Company	**$ (704)**	$ (83,519)	**$ (4,547)**	$ (85,951)

The accompanying notes are an integral part of these condensed consolidated financial statements

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AMERICAN REPROGRAPHICS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Cash flows from operating activities				
Net loss	**$ (875)**	$ (84,742)	**$ (5,765)**	$ (88,424)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Allowance for accounts receivable	**164**	237	**404**	417
Depreciation	**7,061**	7,445	**14,123**	15,187
Amortization of intangible assets	**2,805**	4,721	**7,398**	9,465
Amortization of deferred financing costs	**281**	221	**536**	437
Amortization of bond discount	**150**	135	**297**	267
Goodwill impairment		23,335		23,335
Stock-based compensation	**459**	1,769	**903**	3,258
Excess tax benefit related to stock-based compensation		(23)		(31)
Deferred income taxes	**(179)**	6,197	**(504)**	8,515
Deferred tax valuation allowance	**944**	64,340	**2,912**	64,340
Amortization of derivative, net of tax effect	**636**	912	**1,422**	1,866
Other non-cash items, net	**(63)**	(47)	**(93)**	(177)
Changes in operating assets and liabilities, net of effect of business acquisitions:				
Accounts receivable	**(493)**	(437)	**(6,127)**	(8,705)
Inventory	**(1,064)**	143	**(1,585)**	(1,048)
Prepaid expenses and other assets	**(140)**	(10,819)	**(406)**	(14,047)
Accounts payable and accrued expenses	**(5,231)**	(6,103)	**3,335**	(2,782)
Net cash provided by operating activities	**4,455**	7,284	**16,850**	11,873
Cash flows from investing activities				
Capital expenditures	**(5,457)**	(3,486)	**(9,262)**	(7,622)
Payment for swap transaction				(9,729)
Other	**(375)**	269	**(184)**	647
Net cash used in investing activities	**(5,832)**	(3,217)	**(9,446)**	(16,704)
Cash flows from financing activities				
Proceeds from stock option exercises	**79**	67	**79**	108
Proceeds from issuance of common stock under Employee Stock Purchase Plan	**7**		**28**	23
Excess tax benefit related to stock-based compensation		23		31
Payments on long-term debt agreements and capital leases	**(4,078)**	(6,561)	**(8,466)**	(14,101)
Net (repayments) borrowings under revolving credit facilities	**(935)**	1,820	**(383)**	14,620
Payment of deferred financing fees	**(127)**	(377)	**(839)**	(541)
Net cash (used in) provided by financing activities	**(5,054)**	(5,028)	**(9,581)**	140
Effect of foreign currency translation on cash balances	**(65)**	196	**58**	305

Net change in cash and cash equivalents	**(6,496)**	(765)	**(2,119)**	(4,386)
Cash and cash equivalents at beginning of period	**29,814**	22,672	**25,437**	26,293
Cash and cash equivalents at end of period	**$ 23,318**	$ 21,907	**$ 23,318**	$ 21,907
Supplemental disclosure of cash flow information				
Noncash investing and financing activities				
Noncash transactions include the following:				
Capital lease obligations incurred	**$ 2,884**	$ 2,992	**$ 6,730**	$ 5,453

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AMERICAN REPROGRAPHICS COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Description of Business and Basis of Presentation

American Reprographics Company (ARC or the Company) is the nation s leading document solutions company for the architecture, engineering, and construction (AEC) industry. ARC is the largest company of its kind in the United States and offers conventional reprographic services, as well as managed print services, digital color printing, and proprietary document management technology products and services. The Company conducts its operations through its wholly-owned operating subsidiary, American Reprographics Company, L.L.C., a California limited liability company, and its subsidiaries.

Basis of Presentation

The accompanying interim Condensed Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in conformity with the requirements of the SEC. As permitted under those rules, certain footnotes or other financial information required by GAAP for complete financial statements have been condensed or omitted. In management s opinion, the accompanying interim Condensed Consolidated Financial Statements presented reflect all adjustments of a normal and recurring nature that are necessary to fairly present the interim Condensed Consolidated Financial Statements. All material intercompany accounts and transactions have been eliminated in consolidation. The operating results for the three and six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim Condensed Consolidated Financial Statements and accompanying notes. The Company evaluates its estimates and assumptions on an ongoing basis and relies on historical experience and various other factors that it believes to be reasonable under the circumstances to determine such estimates. Actual results could differ from those estimates and such differences may be material to the interim Condensed Consolidated Financial Statements.

These interim Condensed Consolidated Financial Statements and notes should be read in conjunction with the consolidated financial statements and notes included in the Company s 2011 Form 10-K.

Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-08. The new guidance provides an entity the option, when testing for goodwill impairment, to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after performing a qualitative assessment, an entity determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, it is required to perform the currently prescribed two-step goodwill impairment test to identify potential goodwill impairment, and measure the amount of goodwill impairment loss to be recognized for that reporting unit (if any). The adoption of ASU 2011-08 will have no impact to the Company s Condensed Consolidated Financial Statements.

In June 2011, the FASB issued ASU 2011-05. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or present net income and other comprehensive income in two separate but consecutive statements. The Company adopted provisions of ASU 2011-05 effective January 1, 2012, and has presented a new statement titled Condensed Consolidated Statements of Comprehensive Income (Loss).

In May 2011, the FASB issued ASU 2011-04 which amends the accounting and disclosure requirements on fair value measurements. The new guidance limits the highest-and-best-use measure to nonfinancial assets, permits certain financial assets and liabilities with offsetting positions in market or counterparty credit risks to be measured at a net basis, and provides guidance on the applicability of premiums and discounts. Additionally, the new guidance expands the disclosures on Level 3 inputs by requiring quantitative disclosure of the unobservable inputs and assumptions, as well as description of the valuation processes and the sensitivity of the fair value to changes in unobservable inputs. The Company adopted provisions of ASU 2011-04 effective January 1, 2012, which did not have a material effect on its Condensed Consolidated Financial Statements.

Segment Reporting

The provisions of Accounting Standards Codification (ASC) 280, *Disclosures about Segments of an Enterprise and Related Information*, require public companies to report financial and descriptive information about their reportable operating segments. The Company identifies operating segments based on the various business activities that earn revenue and incur expense, whose operating results are reviewed by the chief operating decision maker. Based on the fact that operating segments have similar products and services, classes of customers, production processes and performance objectives, the Company is deemed to operate as a single reportable segment.

Risk and Uncertainties

The Company generates the majority of its revenue from sales of products and services provided to the AEC industry. As a result, the Company s operating results and financial condition can be significantly affected by economic factors that influence the AEC industry, such as non-residential construction spending, GDP growth, interest rates, unemployment rates, and office vacancy rates. The effects of the current economic environment in the United States have resulted in a significant reduction of activity in the non-residential portions of the AEC industry, as compared to periods prior to the recent recession. The AEC industry generally experiences downturns several months after a downturn in the general economy, and there may be a similar delay in the recovery of the AEC industry following a recovery in the general economy. Similar to the AEC industry, the reprographics industry typically lags a recovery in the broader economy. A continued downturn in the AEC industry and the reprographics industry would further diminish demand for some of ARC s products and services, and would therefore negatively impact revenues and have a material adverse impact on its business, operating results and financial condition.

Future technology advances may further facilitate and improve customers ability to print in their own offices or at a job site. As technology continues to improve, this trend toward printing on an as needed basis could result in decreasing printing volumes and declining revenues in the longer term. Failure to offset these potential declines in printing volumes by changing how the Company charges for its services and develops additional revenue sources could significantly affect its business and reduce their long term revenue, resulting in an adverse effect on its results of operations and financial condition.

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2. Earnings per Share

The Company accounts for earnings per share in accordance with ASC 260, *Earnings Per Share.* Basic earnings per share is computed by dividing net income attributable to ARC by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if common shares subject to outstanding options and acquisition rights had been issued and if the additional common shares were dilutive. Common stock equivalents are excluded from the computation if their effect is anti-dilutive. For the three and six months ended June 30, 2012, stock options for 2.3 million common shares were excluded from the calculation of diluted net income attributable to ARC per common share because they were anti-dilutive. For the three and six months ended June 30, 2011, stock options for 2.2 million common shares were excluded from the calculation of diluted net income attributable to ARC per common share because they were anti-dilutive.

Basic and diluted earnings per share for the three and six months ended June 30, 2012 and 2011 were calculated using the following common shares:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2012**	**2011**	**2012**	**2011**
Weighted average common shares outstanding basic	**45,667**	45,360	**45,604**	45,341
Effect of dilutive impact on equity-based compensation awards				
Weighted average common shares outstanding diluted	**45,667**	45,360	**45,604**	45,341

3. Goodwill and Other Intangibles Resulting from Business Acquisitions

Goodwill

In connection with acquisitions, the Company applies the provisions of ASC 805, *Business Combinations*, using the acquisition method of accounting. The excess purchase price over the fair value of net tangible assets and identifiable intangible assets acquired is recorded as goodwill.

In accordance with ASC 350, *Intangibles Goodwill and Other*, the Company assesses goodwill for impairment annually as of September 30, and more frequently if events and circumstances indicate that goodwill might be impaired. Since the Company s previous goodwill impairment analysis as of September 30, 2011, there were no triggering events that required a subsequent interim impairment analysis.

The results of the Company s analysis at September 30, 2011 indicated that nine of its 37 reporting units, eight in the United States and one in Canada, had a goodwill impairment as of September 30, 2011. Accordingly, the Company recorded a pretax, non-cash charge for the three months ended September 30, 2011 to reduce the carrying value of goodwill by $42.1 million. Given the increased uncertainty in the timing of the recovery of the construction industry, and the increased uncertainty in the economy as a whole, as well as the significant decline in the price of the Company s senior notes (resulting in a higher yield) and a decline of the Company s stock price during the third quarter of 2011, the Company concluded that it was appropriate to increase the estimated weighted average cost of capital (WACC) of its reporting units as of September 30, 2011. The increase in the Company s WACC was the main driver in the decrease in the estimated fair value of reporting units during the third quarter of 2011, which in turn resulted in the goodwill impairment.

At June 30, 2011, the Company determined that there were sufficient indicators to trigger an interim goodwill impairment analysis. The indicators included, among other factors: (1) the economic environment, (2) the performance against plan of reporting units which previously had goodwill impairment, and (3) revised forecasted future earnings. The Company s analysis indicated that six of its 36 reporting units, all of which are located in the United States, had a goodwill impairment as of June 30, 2011. Accordingly, the Company recorded a pretax, non-cash charge for the three and six months ended June 30, 2011 to reduce the carrying value of goodwill by $23.3 million.

Goodwill impairment testing is performed at the reporting unit level. Goodwill is assigned to reporting units at the date the goodwill is initially recorded. Once goodwill has been assigned to reporting units, it no longer retains its association with a particular acquisition, and all of the activities within a reporting unit, whether acquired or internally generated, are available to support the value of the goodwill.

Goodwill impairment testing is a two-step process. Step one involves comparing the fair value of the reporting units to its carrying amount. If the carrying amount of a reporting unit is greater than zero and its fair value is greater than its carrying amount, there is no impairment. If the reporting unit s carrying amount is greater than the fair value, the second step must be completed to measure the amount of impairment, if any. Step two involves calculating the implied fair value of goodwill by deducting the fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit from the fair value of the reporting unit as determined in step one. The implied fair value of goodwill determined in this step is compared to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss is recognized equal to the difference.

The Company determines the fair value of its reporting units using an income approach. Under the income approach, the Company determined fair value based on estimated discounted future cash flows of each reporting unit. The cash flows are discounted by an estimated weighted-average cost of capital, which is intended to reflect the overall level of inherent risk of a reporting unit. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and EBITDA margins, discount rates and future market conditions, among others. The Company considered market information in assessing the reasonableness of the fair value under the income approach outlined above.

Given the current economic environment and the uncertainties regarding the impact on the Company s business, there can be no assurance that the estimates and assumptions made for purposes of the Company s goodwill impairment testing in 2011 regarding the duration of the lack of significant new construction activity in the AEC industry, or the timing or strength of general economic recovery, will prove to be accurate predictions of the future. If the Company s assumptions, including forecasted EBITDA of certain reporting units, are not achieved, the Company may be required to record additional goodwill impairment charges in future periods, whether in connection with the Company s next annual impairment testing in the third quarter of 2012, or on an interim basis, if any such change constitutes a triggering event (as defined under ASC 350) outside of the quarter when the Company regularly performs its annual goodwill impairment test. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

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The changes in the carrying amount of goodwill from January 1, 2011 through June 30, 2012 are summarized as follows:

(In thousands)	Gross Goodwill	Accumulated Impairment Loss	Net Carrying Amount
January 1, 2011	$ 405,558	$ 110,799	$ 294,759
Additions			
Goodwill impairment		65,444	(65,444)
December 31, 2011	405,558	176,243	229,315
Additions			
Goodwill impairment			
June 30, 2012	**$ 405,558**	**$ 176,243**	**$ 229,315**

See Critical Accounting Policies in Management s Discussion and Analysis of Financial Condition and Results of Operations for further information regarding the process and assumptions used in the goodwill impairment analysis.

Long-lived Assets

The Company periodically assesses potential impairments of its long-lived assets in accordance with the provisions of ASC 360, *Accounting for the Impairment or Disposal of Long-lived Assets*. An impairment review is performed whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. The Company groups its assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of the other assets and liabilities. The Company has determined that the lowest level for which identifiable cash flows are available is the divisional level.

Factors considered by the Company include, but are not limited to, significant underperformance relative to historical or projected operating results; significant changes in the manner of use of the acquired assets or the strategy for the overall business; and significant negative industry or economic trends. When the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more of the above indicators of impairment, the Company estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows and eventual disposition is less than the carrying amount of the asset, the Company recognizes an impairment loss. An impairment loss is reflected as the amount by which the carrying amount of the asset exceeds the fair value of the asset, based on the fair value if available, or discounted cash flows, if fair value is not available.

The reporting units of the Company have been negatively impacted by the decline in commercial and residential construction. Before assessing the Company s goodwill for impairment, the Company evaluated, as described above, the long-lived assets in its reporting units for impairment. Based on these assessments, there was no impairment in 2011. The Company concluded that no triggering events have occurred during the first six months of 2012 that would require a long-lived asset impairment test.

Other intangible assets that have finite lives are amortized over their useful lives. Customer relationships are amortized using the accelerated method, based on customer attrition rates, over their estimated useful lives of 13 (weighted average) years.

During the fourth quarter of 2010, the Company decided to consolidate the various brands that previously represented the Company s market presence in North America. Beginning in January 2011, each of the Company s operating segments and their respective locations began to adopt ARC, the Company s overall brand name. Original brand names were used in conjunction with the new ARC brand name to reinforce the Company s continuing presence in the business communities it serves, and ongoing relationships with its customers. Accordingly, the remaining estimated useful lives of the trade name intangible assets were revised down to 18 months. This change in estimate is accounted for on a prospective basis, resulting in increased amortization expense over the revised useful life of each trade name. The impact of this change in the three and six months ended June 30, 2012 was an increase in amortization expense of approximately $0.8 million and $3.2 million, respectively. The impact of this change in the three and six months ended June 30, 2011 was an increase in amortization expense of approximately $2.4 million and $4.7 million, respectively. Trade names are amortized using the straight-line method. The Company retired the original trade names in April 2012.

The following table sets forth the Company s other intangible assets resulting from business acquisitions as of June 30, 2012 and December 31, 2011 which continue to be amortized:

	June 30, 2012			December 31, 2011		
(In thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Amortizable other intangible assets						
Customer relationships	**$ 97,856**	**$ 60,361**	**$ 37,495**	$ 97,509	$ 56,478	$ 41,031
Trade names and trademarks	**20,349**	**19,735**Reviewing and recommending any proposed changes in director compensation to the independent members of the Board.				

The Committee held three meetings during fiscal 2011 and took action by unanimous written consent twice in fiscal 2011. At each meeting, the Committee met in private session without Management present.

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

changes, 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 adjustment events; 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 adjustment events.

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 Business Development provides input or recommendations with respect to his own compensation. The Chair of the Committee is also responsible for coordinating a performance evaluation for the Chairman and CEO based on feedback from all non-employee directors in connection with the ratification of the Chairman and CEO s compensation by the Board. Information on the compensation of our named executive officers is found under Executive Compensation beginning on page 35. Also, at the beginning of each fiscal year, the Committee confirms the achievement of performance goals previously established by the Committee at the beginning of the prior fiscal year for

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annual cash incentive awards and previously established by the Committee at the beginning of the performance period for performance share awards and approves resulting payouts, if any.

The Compensation & Human Resources Committee has retained Towers Watson to assist in the design and review of our executive compensation program. Additional information regarding the role of Towers Watson is found under Role of the Compensation Consultant on page 39. Additionally, from time to time, the Committee has engaged Towers Watson to perform other executive compensation consulting services, which in fiscal 2011 included a non-employee director compensation analysis. Towers Watson does not provide any services to our Company other than those for which it has been retained by the Committee. 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 the adequacy of, and recommending to the Board any proposed changes to, the Corporate Governance Guidelines;
- Reviewing and recommending to the Board any proposed amendments or changes to our Restated Certificate of Incorporation or Amended and Restated Bylaws;
- Overseeing the evaluation of the Board and leading the Board in its annual review of the Board s performance; and
- Recommending director nominees for each Board committee.

With respect to recommending director nominees for re-election at the annual meeting, the Nominating & Governance Committee, with the participation of the Chairman and CEO, 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 Committee held two meetings during fiscal 2011. At each of these meetings, the Committee met in private session without Management present.

Identifying New Director Nominees. In identifying new nominees for election to the Board when vacancies occur, the Nominating & Governance Committee first may solicit recommendations for nominees from persons whom the Committee believes are likely to be familiar with candidates having the skills and characteristics required for Board nominees. Such persons may include members of the Board and our Senior Management. In addition, the Committee may engage a search firm to assist it in identifying and evaluating qualified nominees. The Committee has sole authority to retain and terminate any search firm to be used to identify director candidates and has sole authority to approve the search firm s fees and other retention terms.

When reviewing the requisite skill and characteristics of potential new director nominees, the Nominating & Governance Committee, pursuant to our Corporate Governance Guidelines, will consider a variety of criteria, including an individual s independence, diversity, age, skills and experience, each

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in the context of the needs of the Board as a whole. Although the Committee does not have a formal policy regarding consideration of diversity in identifying director nominees, the Committee will evaluate a nominee based on his or her diversity of background, skills, experiences, viewpoints, and geographical representation, as well as more traditional diversity factors. As a result, the composition of the current Board reflects diversity in age, gender, skills, and business and professional experiences.

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

The Nominating & Governance Committee will consider director candidates recommended to it by our shareholders. Those candidates must be qualified and exhibit the experience and expertise required of the Board s own pool of candidates, as well as have an interest in our business, and the demonstrated ability to attend and prepare for Board, committee and shareholder meetings. Any candidate must state in advance his or her willingness and interest in serving on the Board. Candidates should represent the interests of all shareholders and not those of a special interest group. The Committee will evaluate candidates recommended by shareholders using the same criteria it uses to evaluate candidates recommended by others as described above. A shareholder that desires to nominate a person for election to the Board at a meeting of shareholders must follow the specified advanced notice requirements contained in, and provide the specific information required by, our Amended and Restated Bylaws, as described under Shareholder Proposals and Director Nominations for the 2013 Annual Meeting on page 73.

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 our Company and making recommendations to the Board regarding financial aspects of acquisitions and divestitures;
- Reviewing Management s proposed annual capital budget and certain material capital expenditures;
- Evaluating the post-acquisition financial integration and return on investment for certain transactions and report to the Board the financial implications of such acquisitions;
- Reviewing our D&O and liability insurance coverage;
- Reviewing areas of responsibility delegated to our Management Investment Committee, the committee to which responsibilities relating to our ERISA-regulated employee benefit plans have been delegated, including 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 Committee held three meetings during fiscal 2011. At each of these meetings, the Committee met in private session without Management present.

Director Compensation

Overview. Our non-employee director compensation program generally is designed to attract and retain experienced and knowledgeable directors and to provide equity-based compensation to align the interests of our directors with those of our shareholders. In fiscal 2011, our non-employee director compensation was comprised of equity compensation, in the form of automatic annual stock and stock option awards, and cash compensation, in the form of annual retainers and meeting fees. Each of these components is described in more detail below. This compensation program structure, together with the feature of The Toro Company 2010 Equity and Incentive Plan, or 2010 Plan, that enables our directors to elect to receive a portion or all of their cash compensation in the form of our common stock, causes a substantial portion of our non-employee director compensation to be linked to our common stock performance. Mr. Hoffman, our only employee director, does not receive any additional compensation for his director service.

Processes and Procedures for Consideration and Determination of Director Compensation. The Board has delegated to the Compensation & Human Resources Committee the responsibility, among other things, to annually review and recommend to the Board any proposed changes in non-employee director compensation. The Committee previously deferred such review in each of fiscal 2009 and fiscal 2010 given the then worldwide recessionary economic conditions, the resulting impact on our Company s business and the uncertainty regarding the level and rate of recovery that our Company s business would experience. In fiscal 2011, after our Company had experienced improved performance in fiscal 2010 and to-date in fiscal 2011, the Compensation & Human Resources Committee engaged its compensation consultant, Towers Watson, to provide an analysis regarding non-employee director compensation. As a result of that analysis, giving consideration to various factors, in September 2011 the Committee recommended and the Board approved changes to the non-employee director compensation program consisting of: (i) increases to annual stock and stock option award values, annual Board and committee chair retainers and per meeting fees; (ii) in connection with increases in committee chair retainers, elimination of additional per meeting fees for each committee chair; and (iii) in conjunction with increased equity awards, retainers and per meeting fees, an increase in the stock ownership guideline to a multiple of five times the non-employee director annual Board retainer from the previous multiple of three.

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Elements of Our Non-Employee Director Compensation Program. The following table sets forth our fiscal 2011 non-employee director compensation program from November 1, 2010 to September 30, 2011, and as changed effective as of October 1, 2011.

Non-Employee Director Compensation	Prior to September 30, 2011	Effective as of October 1, 2011
Annual Stock Award Value	$ 20,000	$ 44,000
Annual Stock Option Award Value	$ 40,000	$ 44,000
Annual Retainers		
Board	$ 40,000	$ 42,500
Audit Committee Chair	$ 5,000	$ 15,000
Compensation & Human Resources Committee Chair	$ 5,000	$ 10,000
Nominating & Governance Committee Chair	$ 2,500	$ 5,000
Finance Committee Chair	$ 2,500	$ 5,000
Lead Director	$ 7,500	$ 15,000
Per Meeting Fees		
Board Meeting Attended in Person	$ 1,500	$ 1,625
Committee Meeting Attended in Person	$ 1,250	$ 1,250
Telephonic Board or Committee Meeting	$ 500	$ 500
Audit Committee Chair	$ 2,000	$ 0
Compensation & Human Resources Committee Chair	$ 1,000	$ 0
Nominating & Governance Committee Chair	$ 1,000	$ 0
Finance Committee Chair	$ 1,000	$ 0

Stock Awards. Stock awards are designed to link non-employee director compensation with shareholder interests. On the first business day of our fiscal year (usually November 1), each non-employee director is automatically awarded shares of our common stock under the 2010 Plan. In fiscal 2011 (November 1, 2010), the value of this non-employee director stock award was $20,000 and in fiscal 2012 (November 1, 2011) was and thereafter until otherwise changed by the Committee will be $44,000. The stock award is determined by dividing the stock award value by the average of the closing prices of our common stock, as reported on the NYSE, during the three months prior to the award. Accordingly, on November 1, 2010, the first day of fiscal 2011, 369 shares were awarded to each non-employee director based on a stock award value of $20,000 and a three-month average closing price of our common stock, as reported on the NYSE, of $54.15. The shares awarded are fully vested at the time of grant.

Stock Option Grants. Stock option awards also are designed to align non-employee director compensation with the interests of our shareholders. On the first business day of our fiscal year, each non-employee director is automatically awarded a stock option to purchase shares of our common stock. In fiscal 2011, the value of this non-employee director stock option award was $40,000 and in fiscal 2012 was and thereafter until otherwise changed by the Board will be $44,000. The stock option award is determined by dividing the stock option award value by the grant date fair value of a stock option to purchase one share of our common stock. For fiscal 2011, the fair value used for purposes of calculating the number of options awarded was based on a Black-Scholes model valuation of $17.31 per share. Accordingly, on November 1, 2010, each non-employee director received a stock option to purchase 2,311 shares of our common stock based on a stock option award value of $40,000. The exercise price per share of these stock options is equal to 100% of the fair market value of one share of our common stock on the date of grant, as determined by the closing price of our common stock, as reported on the NYSE, which was $56.48 on November 1, 2010. Except as described below, these

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stock options vest in three equal installments on each of the first, second and third year anniversaries of the date of grant and remain exercisable for a term of ten years after the date of grant.

If a director becomes disabled or dies and the director s outstanding unvested stock options awarded prior to March 16, 2010 under The Toro Company 2000 Directors Stock Plan, or the 2000 Directors Stock Plan, or under the 2010 Plan, as applicable, have not expired previously, all outstanding unvested stock options will vest in full on the date the director s service ceases by reason of such disability or death. In addition, the director s guardian or legal representative may exercise the stock options up to the earlier of the date the stock options expire or one year after the date the director s service ceased by reason of such disability or death.

If a director has served as a member of the Board for ten full fiscal years or longer and terminates his or her service on the Board, his or her outstanding unvested stock options will continue to vest in accordance with their terms and the director may exercise the vested portions of the stock options for up to four years after the director s date of termination, but not later than the date the stock options expire. If a director has served as a member of the Board for less than ten full fiscal years and terminates his or her service on the Board, his or her outstanding unvested stock options will expire and be canceled and the director may exercise any vested portions of the stock options for up to three months after the director s date of termination, but not later than the date the stock options expire. The following directors have served as a member of the Board for ten full fiscal years or longer: Robert C. Buhrmaster, Janet K. Cooper, Katherine J. Harless, Robert H. Nassau, Gregg W. Steinhafel and Christopher A. Twomey.

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

Common Stock In Lieu of Annual Retainers and Meeting Fees. Under our 2010 Plan, our non-employee directors may elect to convert a portion or all of their calendar year annual retainers and/or per meeting fees otherwise payable in cash into shares of our common stock. Annual retainers and per meeting fees earned after the date a director makes a stock-in-lieu election for a calendar year are issued in shares of common stock in December of that year. The number of shares of our common stock to be issued is determined by dividing the dollar amount of the annual retainers and per meeting fees earned in the calendar year and elected to be converted into shares of our common stock by the closing price of our common stock, as reported on the NYSE, on the date that the shares are issued. For calendar 2011, such shares were issued on December 15, 2011, based on that day s closing stock price of $57.81. Details regarding the number of shares received by our non-employee directors who elected to receive common stock in lieu of cash paid in calendar 2011 may be found in the Director Compensation for Fiscal 2011 table and footnotes beginning on page 28.

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

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

Details regarding deferred compensation elections may be found in the Director Compensation for Fiscal 2011 table and footnotes beginning on page 28.

Stock Ownership Guidelines. In September 2011, in conjunction with its approval of other changes to the non-employee director compensation program and to further align the interests of our directors with those of our shareholders, the Board approved an increase in the non-employee director stock ownership guideline to a multiple of five times the non-employee director annual Board retainer from a multiple of three. Previously, non-employee directors were expected to meet the three times multiple within five years of joining the Board. As of September 2011, each non-employee director who had served for five years or more satisfied the three times multiple stock ownership guideline. In connection with the increase to the five times multiple, it was determined that each non-employee director who did not then meet such guideline would have five years from the date of adoption to comply with the five times stock ownership guideline. As of January 23, 2012, each of our non-employee directors who is required to meet the five times multiple stock ownership guideline has met such guideline.

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

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

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

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Director Compensation for Fiscal 2011. The following table provides summary information concerning the compensation of each individual director who served during fiscal 2011, other than Michael J. Hoffman, our Chairman and CEO, who is not compensated separately for his service as a director and whose compensation is discussed in the Executive Compensation section beginning on page 35.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Stock Option Awards ($)(3)(4)	All Other Compensation ($)(5)	Total ($)
Robert C. Buhrmaster	$ 67,542	$ 20,841	$ 39,994	$ 0	$ 128,377
Janet K. Cooper(6)	$ 80,542	$ 20,841	$ 39,994	$ 21	$ 141,398
Gary L. Ellis(7)	$ 65,417	$ 20,841	$ 39,994	$ 0	$ 126,252
Jeffrey M. Ettinger(8)	$ 61,708	$ 20,841	$ 39,994	$ 302	$ 122,845
Katherine J. Harless	$ 64,708	$ 20,841	$ 39,994	$ 500	$ 126,043
Robert H. Nassau	$ 64,708	$ 20,841	$ 39,994	$ 0	$ 125,543
Gregg W. Steinhafel	$ 52,708	$ 20,841	$ 39,994	$ 389	$ 113,932
Inge G. Thulin(9)	$ 58,458	$ 20,841	$ 39,994	$ 465	$ 119,759
Christopher A. Twomey	$ 63,875	$ 20,841	$ 39,994	$ 8,616	$ 133,326

(1) Unless a director otherwise elects to convert a portion or all of his or her annual retainers and/or per meetings fees into shares of our common stock as described in footnote 2 below, annual retainers and per meeting fees are paid in cash on a calendar year basis. Annual retainers are paid in advance and per meeting fees are paid in arrears in four quarterly installments on each of January 1, April 1, July 1 and October 1. Though annual retainers and per meeting fees are paid on a calendar year schedule, the amount reported represents the amount applicable to fiscal 2011.

(2) Amount reported represents the grant date fair value computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 718 of the fiscal 2011 annual stock award automatically granted to each of our non-employee directors on November 1, 2010. The calculation of the number of shares included in the annual stock award was based on the three-month average closing price of our common stock, as reported on the NYSE, as opposed to the closing price on the grant date, which is used in calculating the grant date fair value. As of October 31, 2011, no directors held any restricted stock or other unvested stock awards.

(3) Amount reported represents the grant date fair value computed in accordance with FASB ASC Topic 718 of the fiscal 2011 annual stock option award automatically granted to each of our non-employee directors on November 1, 2010, which were the only stock options granted to directors during fiscal 2011. The exercise price per share is equal to 100% of the fair market value of one share of our common stock on the date of grant, as determined by the closing price for our common stock, as reported on the NYSE, which was $56.48 on November 1, 2010. The grant date fair value is based on a Black-Scholes model valuation of $17.31 per share. The following assumptions were used in the calculation: a risk-free interest rate of 1.72%; expected life of 6 years; expected volatility of 33.34%; and an expected dividend yield of 1.16%. The actual value of the stock option awards, if any, to be realized by a director depends upon whether the price of our common stock at exercise is greater than the exercise price of the stock options.

(4) As of October 31, 2011, the aggregate number of stock options (exercisable and unexercisable) held by each director was as follows: Mr. Buhrmaster 22,872; Ms. Cooper 22,872; Mr. Ellis 15,326; Mr. Ettinger 2,311; Ms. Harless 22,872; Mr. Nassau 15,326; Mr. Steinhafel 22,872; Mr. Thulin 12,048; and Mr. Twomey 18,872. These numbers are different from the numbers

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set forth in the Stock Options column in footnote (2) to the Directors and Executive Officers stock ownership table on page 8 which sets forth information as of January 23, 2012, and, therefore, includes options granted on November 1, 2011, but does not include options that will become exercisable more than 60 days after January 23, 2012.

(5) We generally do not provide perquisites and other personal benefits to our non-employee directors other than Company products for personal use and matching gifts to support eligible charitable giving. The amount reported for each of Ms. Cooper and Messrs. Ettinger, Steinhafel, Thulin and Twomey represents the value of products, parts or accessories, as described under Company Products on page 27, which is also the amount included on the director s IRS Form 1099 for the calendar year in which such items were ordered. The amount reported for Ms. Harless represents a charitable donation under our director matching gift program, as described under Charitable Giving on page 27.

(6) Ms. Cooper elected to defer receipt of her annual stock grant under the Deferred Plan for Directors.

(7) Mr. Ellis did not elect to defer receipt of his retainers and meeting fees paid in calendar 2010, but did elect to defer receipt of his retainers and meeting fees paid in calendar 2011 under the Deferred Plan for Directors. Therefore the amount shown includes $54,538 deferred by Mr. Ellis and paid in calendar 2011.

(8) Mr. Ettinger elected to convert 100% of his calendar 2010 and calendar 2011 retainers and meeting fees into shares of our common stock under the 2010 Plan. On December 15, 2011, based on that day s closing stock price of $57.81, Mr. Ettinger received 1,074 shares of our common stock in lieu of $62,088 paid in calendar 2011. The amount shown in the Fees Earned or Paid in Cash column represents the amount Mr. Ettinger earned for fiscal 2011.

(9) Mr. Thulin elected to defer receipt of his annual stock grant under the Deferred Plan for Directors and elected to convert 75% of his calendar 2010 and calendar 2011 retainers and meeting fees into shares of our common stock under the 2010 Plan. On December 15, 2011, based on that day s closing stock price of $57.81, Mr. Thulin received 763 shares of our common stock in lieu of $44,109, which was 75% of the amount paid in calendar 2011. The amount shown in the Fees Earned or Paid in Cash column represents the amount Mr. Thulin earned for fiscal 2011.

Policies and Procedures Regarding Related Person Transactions

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

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

Transactions in the ordinary course of business, between us and an unaffiliated corporation of which one of our non-employee directors serves as an officer, that are at arm s length, at prices and on terms customarily available to unrelated third party vendors or customers generally, in which the

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non-employee director had no direct or indirect personal interest, nor received any personal benefit, and in amounts that are not material to our business or the business of such unaffiliated corporation, are deemed conclusively pre-approved.

Board of Directors Business Ethics Policy Statement

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

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

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

Communications with Directors; Complaint Procedures

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

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

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PROPOSAL TWO RATIFICATION OF SELECTION OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Selection of Independent Registered Public Accounting Firm

The Audit Committee again has selected KPMG LLP, or KPMG, to serve as our independent registered public accounting firm, or external auditor, for fiscal 2012. Although it is not required to do so, the Board, as it traditionally has done in the past, is asking our shareholders to ratify the Audit Committee s selection of KPMG. If our shareholders do not ratify the selection of KPMG, the Audit Committee may reconsider its selection. Even if the selection is ratified by our shareholders, the Audit Committee in its discretion may change the appointment at any time during the year, if it determines that such a change would be in the best interests of our Company and our shareholders.

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

Audit, Audit-Related, Tax and Other Fees

The following table sets forth the aggregate fees billed to us for professional services rendered by KPMG for fiscal 2011 and fiscal 2010 by category, as described in the footnotes to the table.

	Fiscal 2011	Fiscal 2010
Audit Fees(1)	$ 1,214,825	$ 1,151,154
Audit-Related Fees(2)	$ 60,800	$ 40,800
Tax Fees(3)	$ 54,025	$ 95,230
All Other Fees	$ 0	$ 0

(1) Consist of aggregate fees billed, or expected to be billed, for fiscal 2011 and fiscal 2010 for professional services rendered by KPMG in connection with the audit of our annual financial statements included in our Annual Report on Form 10-K, review of our financial statements included in our Quarterly Reports on Form 10-Q, statutory audits of certain of our international subsidiaries and the audit of internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. For fiscal 2010, also consists of fees billed for professional services rendered by KPMG in connection with the rendering of a consent relating to the Registration Statement on Form S-8 filed on March 19, 2010.

(2) Consist of aggregate fees billed for KPMG s services related to audits of employee benefit plans and financial due diligence services related to potential transactions. For fiscal 2011, also consists of agreed upon procedures related to transfer pricing studies.

(3) Consist of aggregate fees billed for professional services rendered by KPMG for domestic and international tax compliance services.

Pre-Approval Policies and Procedures

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

Board Recommendation

The Board of Directors unanimously recommends a vote FOR ratification of the selection of KPMG LLP as our independent registered public accounting firm for fiscal 2012.

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Audit Committee Report

This report is furnished by the Audit Committee with respect to our financial statements for fiscal 2011. The Committee operates pursuant to a written charter.

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

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

In performing its oversight role, the Audit Committee has (i) reviewed and discussed with Management our audited financial statements for fiscal 2011, (ii) discussed with KPMG the matters required to be discussed by the Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as in effect for fiscal 2011, (iii) received the written disclosures and the letter from KPMG required by the PCAOB independence and ethics rule, Rule 3526 *(Communication with Audit Committees Concerning Independence)*, as in effect for fiscal 2011, and (iv) discussed with KPMG its independence and concluded that it is independent from Toro and its Management.

Based on the review and discussions referred to in the foregoing paragraph, in reliance on the unqualified opinion of KPMG regarding our audited financial statements, and subject to the limitations on its responsibilities set forth in its charter, the Audit Committee recommended to our Board that our audited financial statements for fiscal 2011 be included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2011, for filing with the SEC.

Audit Committee:

Janet K. Cooper (Chair)

Gary L. Ellis

Jeffrey M. Ettinger

Katherine J. Harless

Robert H. Nassau

Inge G. Thulin

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PROPOSAL THREE EXECUTIVE COMPENSATION ADVISORY VOTE

The Board is providing our shareholders with an advisory vote on executive compensation. This advisory vote, commonly known as a say-on-pay vote, is a non-binding vote on the compensation paid to our named executive officers as set forth in the Executive Compensation section of this proxy statement beginning on page 35, including in the Compensation Discussion and Analysis, the accompanying compensation tables and the corresponding narrative discussion and footnotes. At the 2011 Annual Meeting of Shareholders held on March 15, 2011, over 94% of the votes cast by our shareholders were in favor of the say-on-pay vote. The Compensation & Human Resources Committee generally believes that such results affirmed shareholder support of our approach to executive compensation.

Our executive compensation program is generally designed to attract, retain, motivate and reward highly qualified and talented executive officers, including our named executive officers, that will enable us to perform better than our competitors and drive long-term shareholder value. The underlying core principles of our executive compensation program include (i) linking pay to performance and aligning the interests of our executives with those of our shareholders by providing compensation opportunities that are tied directly to achievement of financial performance goals and long-term stock price performance; and (ii) providing competitive compensation opportunities targeted at the market 50th percentile for both individual elements of compensation and total direct compensation at target levels of financial performance, which allows us to attract and retain the necessary executive talent while motivating and rewarding the accomplishment of annual and long-term financial performance goals and maintaining an appropriate cost structure. The Compensation Discussion and Analysis, which begins on page 35, describes our executive compensation program and the executive compensation decisions made by the Compensation & Human Resources Committee in fiscal 2011 in more detail. Important considerations include:

A significant portion of the compensation paid or awarded to our currently-employed named executive officers in fiscal 2011 was performance-based or at-risk compensation that is tied directly to the achievement of financial performance goals or long-term stock price performance.

Annual cash incentive awards and three-year performance share awards granted in fiscal 2011 are performance-based in that certain threshold, or minimum, levels of financial performance must be achieved in order for there to be any payout for a specified performance measure, and the annual cash incentive awards and the threshold level of EPS performance must have been achieved in order for there to be any corporate payout.

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

None of our executive officers have employment or severance agreements or arrangements, except as provided for in our change in control severance compensation policy, or CIC policy, which was amended in fiscal 2011 to reduce potential payments and eliminate tax gross-up payments.

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

Our executive officers receive only modest perquisites.

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We believe that our executive compensation objectives and core principles have resulted in an executive compensation program and related decisions that have appropriately incentivized the achievement of financial goals and produced financial results that have benefited our Company and our shareholders and are expected to drive long-term shareholder value over time. For example:

- Our fiscal 2011 net sales increased by 11.5% compared to fiscal 2010 and reached a record $1,884 million;

- Our fiscal 2011 diluted net earnings per share of $3.70 represented an increase of 32.6% over fiscal 2010 diluted net earnings per share of $2.79;

- We continued our history of paying quarterly cash dividends and increased our fiscal 2011 quarterly cash dividend by 11 percent to $0.20 per share compared to our quarterly cash dividend in fiscal 2010 of $0.18 per share; and

- Our stock repurchase program continued to return a significant amount of cash to our shareholders in the amount of $130 million during fiscal 2011, which continued to reduce our number of shares outstanding and resulted in a benefit to our diluted net earnings per share of approximately $0.18 per share in fiscal 2011 compared to fiscal 2010.

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

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

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

Board Recommendation

The Board of Directors unanimously recommends a vote FOR the advisory vote on executive compensation, or say-on-pay vote.

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EXECUTIVE COMPENSATION

Compensation & Human Resources Committee Report

The Compensation & Human Resources Committee has reviewed and discussed the Compensation Discussion and Analysis with Management and, based on such review and discussion, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and in our Annual Report on Form 10-K for the fiscal year ended October 31, 2011.

Compensation & Human Resources Committee:

Christopher A. Twomey (Chair)

Jeffrey M. Ettinger

Katherine J. Harless

Robert H. Nassau

Gregg W. Steinhafel

Compensation Discussion and Analysis

Overview. In this Compensation Discussion and Analysis, or CD&A, we describe the key principles and approaches used to determine elements of compensation paid to, awarded to and earned by the following named executive officers whose compensation is set forth in the Summary Compensation Table on page 54:

- Michael J. Hoffman, our Chairman of the Board, President and Chief Executive Officer, or our Chairman and CEO;
- Renee J. Peterson, our current Vice President, Finance and Chief Financial Officer, who commenced employment with us on August 22, 2011;
- Stephen P. Wolfe, our former Vice President, Finance and Chief Financial Officer, who retired on July 31, 2011, after more than 25 years of service with us;
- Timothy P. Dordell, our Vice President, Secretary and General Counsel;
- Peter M. Ramstad, our Vice President, Human Resources and Business Development; and
- Michael D. Drazan, our Vice President, Contractor Business and Chief Information Officer.

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

Executive Summary

Financial Results and Impact On Variable Compensation. As described in more detail in Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our most recent Annual Report Form 10-K, fiscal 2011 was a strong year with double digit net sales and earnings growth. Included below is a brief summary of our fiscal 2011 financial performance that relates to the key financial metrics that we used in evaluating our performance for the purposes of making compensation decisions, as well as some other financial highlights.

Our fiscal 2011 net sales increased 11.5% compared to fiscal 2010 and reached a record $1,884 million.

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Our fiscal 2011 diluted net earnings per share of $3.70 represented an increase of 32.6% over fiscal 2010 diluted net earnings per share of $2.79.

Our average net working capital (accounts receivable plus inventory less trade payables) as a percent of net sales at the end of fiscal 2011 was up slightly to 15.0% as compared to 13.9% at the end of fiscal 2010, primarily due to higher average inventory levels in fiscal 2011 driven by anticipation of higher demand for our residential segment products that did not occur as expected.

We continued our history of paying quarterly cash dividends and increased our fiscal 2011 quarterly cash dividend by 11% to $0.20 per share compared to our quarterly cash dividend in fiscal 2010 of $0.18 per share.

Our stock repurchase program continued to return a significant amount of cash to our shareholders in the amount of $130 million during fiscal 2011, which continued to reduce our number of shares outstanding. This reduction resulted in a benefit to our diluted net earnings per share of approximately $0.18 per share in fiscal 2011 compared to fiscal 2010.

One of our key executive compensation objectives is to link pay to performance. As a result of our strong net sales and diluted EPS performance, annual cash incentive award payouts to our executive officers, including our named executive officers, were well above target, with corporate results at 164% of target and division results of up to 191% of target. Our performance share award payouts for the fiscal 2009 to fiscal 2011 performance period were 50% of target. The difficult economic situation in fiscal 2009 had a significant impact on our ability to achieve the three-year cumulative performance goals established for the fiscal 2009 to fiscal 2011 performance period. Both cumulative three-year revenue growth and cumulative net income plus after-tax earnings were below minimum, or threshold, levels of performance, resulting in no payout for either of those performance measures. However, during that three-year timeframe, we strengthened our focus on asset efficiency and, as a result, we exceeded the maximum goal established for cumulative corporate average net assets turns for the fiscal 2009 to fiscal 2011 performance period, which resulted in 200% payout for that performance measure. When factoring in the 25% weighting on the cumulative corporate average net assets turn performance measure, the overall performance share award payout for the fiscal 2009 to fiscal 2011 performance period was 50% of target.

Fiscal 2011 Compensation-Related Actions and Highlights of Compensation Practices. During fiscal 2011, we took a number of actions that supported our executive compensation philosophy of ensuring that our executive compensation program is reflective of our financial performance, is market competitive and is aligned with and responsive to the interests of our shareholders.

We terminated individual change in control employment agreements, which would have become effective upon a change in control, and instead adopted a new change in control severance compensation policy, or CIC policy, that applies to all of our executive officers. We did this to both conform our change in control practices to evolving market best practices and to ensure that the appropriate executive officers were covered by such policy. As a result, we: (i) replaced the modified single trigger with a double trigger for severance payments; (ii) decreased the multiple of base salary and annual cash incentive award to be paid as severance from three times to two times for all executive officers except for the Chairman and CEO; (iii) decreased the amount of the annual cash incentive award used in the severance payment calculation from the highest annual cash incentive award over the last three years to the current target annual cash incentive award; (iv) reduced the payout of any performance share awards from maximum to target performance levels; (v) eliminated any gross-up for taxes on severance payments; (vi) required as a condition of receiving the severance benefits the execution of a release by the executive officer; and (vii) tightened the change in control definition to increase the acquisition of beneficial ownership percent from 15% to 20%. Additional information on severance paid in connection with our CIC policy can be found under Potential Payments Upon Termination or Change In Control beginning on page 65.

For fiscal 2011, we revised the corporate and division performance measures weightings for our annual cash incentive awards. Specifically, we increased the weightings on revenue growth and profitability measures and decreased the weighting on asset efficiency. Our asset efficiency improved significantly during fiscal 2010; therefore, we revised the weightings in fiscal 2011 to refocus our efforts on both revenue growth and profitability. Similarly, we revised the weightings of the performance measures in our fiscal 2011 to fiscal 2013 performance share awards by increasing the weighting of the cumulative corporate revenue growth measure and decreasing the weighting on asset efficiency.

As a result of our annual assessment on risk in our compensation programs, we concluded that our compensation policies, practices and programs and related compensation governance structure work together to minimize exposure to excessive risk while appropriately pursuing growth strategies that emphasize shareholder value creation.

At our 2011 Annual Meeting, our shareholders had the opportunity to provide an advisory vote on the compensation paid to our named executive officers, or a say-on-pay vote, and on the frequency with which they believed we should hold a say-on-pay vote. Over 94% of the votes cast by our shareholders were in favor of the say-on-pay vote. Accordingly, the Compensation & Human Resources Committee generally believes that such results affirmed shareholder support of our approach to executive compensation and did not believe it was necessary to, and therefore did not, make any significant changes to our executive officer compensation program solely in response to the vote. However, in response to the voting results for the frequency of the say-on-pay vote, in which over 59% of the votes cast supported an annual vote, we are providing our shareholders with the opportunity to annually provide a say-on-pay advisory vote.

We hired a new Vice President, Finance and Chief Financial Officer, Renee J. Peterson, who commenced employment on August 22, 2011. Ms. Peterson replaced Mr. Stephen P. Wolfe, who retired as our Vice President, Finance and Chief Financial Officer on July 31 after more than 25 years of service with us.

In addition to the compensation-related actions we took during fiscal 2011, we maintain other compensation practices that support our executive compensation philosophy, as well as benefit our shareholders. Some of these practices include the following:

We tie compensation directly to financial performance. For our annual cash incentive awards and performance share awards, we require that certain threshold levels of financial performance be met in order for there to be a payout for that performance measure. For the annual cash incentive award, the threshold level of EPS performance must be met in order for there to be any corporate payout or any corporate portion payout to division participants. Additionally, even if maximum levels of performance are exceeded, our annual cash incentive awards and performance share awards are capped at 200% of target.

A significant portion of our executive officers compensation is performance-based or at risk, ranging in fiscal 2011 from 80% of total direct compensation for our Chairman and CEO to more than 60% of total direct compensation for our other currently-employed named executive officers, assuming target levels of performance and grant date fair values for equity awards.

Value received under our annual equity awards varies based on our financial performance and/or long-term stock price performance. Payouts of our three-year performance share awards to our executive officers vary based on financial performance as payout of those awards is contingent upon meeting three-year cumulative performance goals. Any value received by our executive officers from annual stock option grants is contingent upon long-term stock price performance in that the stock options only have value if the stock price exceeds the exercise price.

Pursuant to the terms of our 2010 Plan, all equity awards granted to our employees, including our executive officers, must have a minimum three-year vesting period, except in limited circumstances, and the repricing or exchange of any equity awards is prohibited without shareholder approval.

Our 2010 Plan and related award agreements, as well as prior stock option plans and agreements and performance share plan and agreements, include a clawback mechanism. Additional information is provided under Clawback Provisions beginning on page 71.

We do not have individual employment agreements or arrangements with any of our executive officers, except in connection with our CIC policy as described under Change in Control beginning on page 69.

We do not provide tax gross-up payments under our CIC policy or in connection with any other compensation, benefits or perquisites provided to our executive officers, with the exception of our relocation policy, in which we provide a flat supplemental gross-up to cover the incremental tax impact of certain relocation expenses.

We provide only modest perquisites to our executive officers.

We maintain stock ownership guidelines for all of our executive officers.

Compensation Program Objectives. Our guiding compensation philosophy is to maintain an executive compensation program that allows us to attract, retain, motivate and reward highly qualified and talented executive officers that will enable us to perform better than our competitors and drive long-term shareholder value. The following core principles provide a framework for our executive compensation program:

Link Pay to Performance. We provide annual and long-term incentive compensation opportunities, which are tied directly to achievement of annual and long-term financial performance goals. Actual levels of incentive compensation and, therefore, total direct compensation, vary based on the level of achievement of the performance goals annually and over the long-term.

Provide Competitive Target Total Direct Compensation Opportunities. We provide market competitive total direct compensation opportunities, which allow us to attract and retain the necessary executive talent, motivate and reward the accomplishment of annual and long-term financial performance goals, and maintain an appropriate cost structure. Generally, our goal is to target the market 50th percentile for individual elements of compensation and target total direct compensation.

Align with Shareholder Interests. To align the interests of our executive officers with those of our shareholders, we provide long-term incentives through a combination of stock options and three-year performance share awards. We believe that our incentive programs focus on financial business results has a direct link to the value of our common stock. We also maintain stock ownership guidelines to encourage significant ownership of our common stock by our executive officers.

Our compensation policies, practices and programs are designed such that we believe that they do not create risks that are reasonably likely to have a material adverse effect on our Company.

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Additional detail regarding our risk assessment of our compensation policies, practices and programs is set forth under Assessment of Risk Related to Compensation Programs on page 53.

How We Make Compensation Decisions. In order to most effectively implement our established compensation philosophy, there are several stakeholders involved in making executive officer compensation decisions. These stakeholders and their roles are described briefly below.

Role of the Compensation & Human Resources Committee. The Compensation & Human Resources Committee, which is comprised solely of independent directors, oversees our executive compensation program. Within its duties, the Committee approves compensation for our Chairman and CEO, which is then submitted to the other independent directors for ratification, and each other executive officer, who we define as any employee at or above the vice president level. In doing so, the Committee:

- Approves the total direct executive compensation package for each executive officer, including his or her base salary, annual cash incentive award and long-term incentive awards;
- Reviews and approves corporate and division financial performance goals, measures, weightings and performance adjustment events, if any, related to our annual and long-term incentive awards;
- Reviews and approves annual cash incentive award payouts and performance share award payouts;
- Evaluates market competitiveness of each of our executive officer s compensation (in total and by each individual element); and
- Evaluates proposed significant changes to all other elements of our executive compensation program, including retirement plans and perquisites.

The Committee is supported in its duties, and receives input from, Towers Watson, its independent executive compensation consultant, and our Management, including our Chairman and CEO, our Vice President, Human Resources and Business Development and our Director, Total Rewards and HR Services.

Role of the Compensation Consultant. The Committee has sole authority to hire consultants, approve their fees and determine the nature and scope of their work. The Committee may replace consultants or hire additional consultants at any time.

A representative from Towers Watson attended each Committee meeting in fiscal 2011 and occasionally communicates with the chair of the Committee in advance of, or following, Committee meetings. Each year, Towers Watson provides market data for all of our executive officers, including our named executive officers, along with a comparison of their base salaries, target total cash compensation and target total direct compensation to the market 25^{th}, 50^{th} and 75^{th} percentile. Additionally, Towers Watson reviews all executive officer compensation recommendations in advance of the Committee meetings and participates in discussions at the Committee meetings regarding those recommendations.

Towers Watson is engaged by the Committee from time to time to perform other compensation consulting services, which in fiscal 2011 included a review of non-employee board of director compensation and completion of work from fiscal 2010 relating to supplement benefit plan practices.

Role of Management. Management s role is to provide current compensation information to Towers Watson and provide analysis and recommendations on executive officer compensation to the Committee based on the comparison to market; the executive s level of professional experience; individual performance as assessed during an annual performance evaluation; tenure; historic

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corporate and division performance; and internal pay comparisons. Neither the Chairman and CEO nor the Vice President, Human Resources and Business Development provides input or recommendations with respect to his own compensation.

Use of Market Data. Since one of the objectives of our executive compensation program is to provide market competitive target total direct compensation opportunities, the Committee uses market data provided by Towers Watson to help evaluate and make compensation decisions. Market data provided by Towers Watson each year is derived from the executive database within the Towers Watson Compensation Data Bank, which is a published compensation survey. The data in the compensation survey (there were 411 participating companies in the 2011 survey) is size adjusted, using a regression analysis, for our revenue size. If regression data is not available, data is provided for a sub-set of companies with annual revenue between $1 billion and $3 billion (there were 105 participating companies in the 2011 survey in this revenue range). For executive officers with divisional responsibilities, the data is size adjusted for specific division revenue. We believe that the market for our executive officer talent is not limited to the manufacturing industry; therefore, we do not focus specifically on manufacturing companies within the database, nor do we identify a separate group of peer companies within the manufacturing industry. The market data provided by Towers Watson is in aggregate form and individual data for participating companies in the survey is not provided and, therefore, not considered when determining executive officer compensation in total or for any individual element.

Market data is obtained for comparable positions in which each of our executive officer serves. Due to their broad and varying scope of responsibilities, fiscal 2011 market data obtained for Messrs. Ramstad and Drazan did not fully represent the scope of their respective positions. Mr. Ramstad has responsibility for both the human resources and business development functions. When evaluating the appropriate market data for Mr. Ramstad, we determined that within the Towers Watson Compensation Data Bank, the top human resources executive most closely matched Mr. Ramstad s duties and responsibilities; therefore, market data was obtained for that position. The fact that the market data reflected only a portion of Mr. Ramstad s duties and responsibilities was considered by the Committee when evaluating and determining Mr. Ramstad s compensation. Mr. Drazan is our Chief Information Officer and, during fiscal 2011, had three divisions reporting directly to him, which included our Exmark, Micro Irrigation and Sitework Systems divisions. There were two positions within the Towers Watson Compensation Data Bank that reflected Mr. Drazan s responsibilities, which included a chief information officer and a multi-profit center executive , and both sets of market data were considered by the Committee when evaluating and determining Mr. Drazan s compensation.

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Elements of Our Executive Compensation Program. During fiscal 2011, our executive compensation program consisted of the following key elements: base salary, annual cash incentive, long-term incentives, health and welfare benefits, retirement plans and perquisites. The following table provides some of the key characteristics of and purpose for each element along with some key actions taken during fiscal 2011.

Element	Key Characteristics	Purpose	Key Fiscal 2011 Actions
Base Salary	Reviewed annually and, if appropriate, adjusted.	Provide a source of fixed income that is market competitive and reflects scope and responsibility of the position held.	Our named executive officers received increases to annual base salaries, effective as of December 1, 2010, ranging from 3% to 7% of their then current annual base salaries.
Annual Cash Incentive	A variable, short-term element of compensation that is payable in cash based on achievement of key pre-established annual corporate and, for division participants, division financial goals.	Motivate and reward our executive officers for achievement of annual business results that drive overall company performance.	Target awards as a percent of base salary for our named executive officers were established at 50% to 95% of base salary. The corporate and division performance measures weightings in our annual cash incentive award were modified, with increased weightings on revenue growth and profitability measures and a decreased weighting on asset efficiency.
Long-Term Incentives	A variable, long-term element of compensation that is generally provided in the form of stock options and performance share awards. Stock options are time-based and performance share awards are payable based on achievement of cumulative financial goals after three years and are paid out in shares of our common stock.	Align the interests of our executive officers with our shareholders; encourage focus on long-term Company financial performance; promote retention of our executive officers; and encourage significant ownership of our common stock.	Named executive officers were granted stock options that vest ratably over three years and performance share awards that are payable based on achievement of pre-established three-year cumulative financial goals. The performance measures weightings in our fiscal 2011 to fiscal 2013 performance share awards were modified, with an increased weighting on cumulative corporate revenue growth and decreased weighing on asset efficiency.
Health and Welfare Benefits	Includes medical and dental insurance; life, accidental death and dismemberment insurance; and long-term disability insurance.	Provide competitive health and welfare benefits at a reasonable cost and promote employee health.	There were no significant changes to our health and welfare benefits in fiscal 2011.
Retirement Plans	Includes a defined contribution retirement plan and certain nonqualified retirement plans.	Provide an opportunity for employees to save for retirement.	There were no significant changes to our retirement plans in fiscal 2011.
Perquisites	Includes a company-leased automobile, financial planning allowance, company products and executive physicals.	Assist in promoting the health and personal financial security of our executive officers; promote the personal use of our products by our executive officers; and promote the attraction and retention of our executive officers.	There were no significant changes to our perquisites in fiscal 2011.

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During fiscal 2011, in addition to the elements described above, our executive compensation program for Ms. Peterson and Mr. Wolfe included certain other unique elements of compensation. These elements included special, one-time cash bonuses, relocation benefits and a restricted stock grant and are described briefly below. Additional information can be found in the Summary Compensation Table footnotes relating to the Bonus and All Other Compensation columns, beginning on page 54.

Element	Key Characteristics	Purpose	Key Fiscal 2011 Actions
Special, One-Time Cash Bonuses	Special, one-time cash payments that are not a typical element of our executive compensation program.	Occasionally used as part of the employment offer in the form of a cash sign on bonus to, among other things, offset a portion of an annual cash incentive award that an executive officer may forfeit by leaving a former employer. May also be used for retention purposes or to ensure leadership through a transition.	A cash sign-on bonus of $180,000 was paid to our newly hired Vice President, Finance and Chief Financial Officer, Ms. Peterson. A bonus of $250,000 was paid to our retiring Vice President, Finance and Chief Financial Officer, Mr. Wolfe.
Restricted Stock Awards	Special, one-time awards that are not a typical element of our executive compensation program.	Occasionally used in connection with the hiring of a new executive officer to, among other things, offset a portion of the long-term incentive value that an executive officer may not realize and/or forfeit by leaving a former employer. May also be used for retention purposes or to ensure leadership through a transition.	Provided a restricted stock award of 22,500 shares to Ms. Peterson as part of her employment offer and upon commencement of her employment.
Relocation Benefits	Includes, but is not limited to, shipment of goods, temporary living, home finding and sale assistance and tax gross-up .	Provide assistance and reimburse expenses associated with an employee relocation to help ensure a smooth transition to the new location.	Provided temporary living, home sale and finding assistance, and shipment of household goods to our newly hired Vice President, Finance and Chief Financial Officer, Ms. Peterson.

We believe that a significant portion of our executive officers target total compensation package should be comprised of short-term and long-term variable performance-based or at risk compensation. As described previously, such compensation comprised 63% to 80% of the target total direct compensation package for our currently employed named executive officers. This compensation consisted of both short-term in the form of our annual cash incentive awards, and long-term in the form of stock options and three-year performance share awards.

The overall mix of annual base salaries, target annual cash incentive awards and grant date fair value long-term incentive awards as a percent of target total direct compensation for our Chairman and CEO and the other named executive officers as a group for fiscal 2011 is provided below. Given our strong fiscal 2011 results, an even greater percentage of the total direct compensation package was performance-based. The value of the long-term incentives represented is based on the grant date fair value of stock options and performance share awards granted during fiscal 2011. Actual long-term

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incentive value will be based on long-term stock price performance for the stock options and on results achieved against three-year cumulative financial goals for the performance share awards.

We describe each key element of our executive compensation program in more detail in the following pages, along with the compensation decisions made in fiscal 2011.

Base Salary

General. We review base salaries for our executive officers on an annual basis. Specifically, the base salaries for our executive officers are reviewed and discussed at the regular meeting of the Compensation & Human Resources Committee held in November or December of each year and base salary increases, if any, for our executive officers are approved at that meeting and prior to fiscal 2012, were effective as of December 1. Effective in fiscal 2012, base salary increases are effective as of November 1, the first day of our fiscal year.

Discussion and Analysis. When we determined and recommended fiscal 2011 base salaries for our executive officers, including each of our named executive officers other than Ms. Peterson, the following factors were considered: current base salary, base salary relative to the market 50th percentile, historical and current levels of individual performance, scope and complexity of the position and internal pay comparisons. Ms. Peterson commenced employment in August 2011 and in determining her base salary we considered market data for the top financial executive position, Ms. Peterson s previous experience, her base salary in effect at the time the employment offer was extended and the base salary of our former Vice President, Finance and Chief Financial Officer. Fiscal 2011 annual base salaries (effective as of December 1, 2010), fiscal 2011 annual base salary increases compared to fiscal 2010 and fiscal 2011 annual base salaries compared to the market 50th percentile are provided in the table below for each of our named executive officers:

Name	Fiscal 2011 Annual Base Salary	Fiscal 2011 Annual Base Salary Increase Compared to Fiscal 2010	Fiscal 2011 Annual Base Salary Compared to Market 50th Percentile
Mr. Hoffman	$ 850,000	3.0%	2.4% above
Ms. Peterson	$ 400,000	N/A	7% below
Mr. Wolfe	$ 425,000	5.1%	1.2% below
Mr. Dordell	$ 348,000	3.6%	0.6% below
Mr. Ramstad	$ 348,000	3.6%	18.0% above
Mr. Drazan	$ 310,000	7.0%	1.6% below to 12.7% above

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Generally, the base salaries of our named executive officers are very close to the market 50^{th} percentile. As described previously, market data for Mr. Ramstad s position as Vice President, Human Resources and Business Development does not fully reflect the scope of his individual duties and responsibilities. The Committee takes this into account when determining his annual base salary and believes it is appropriate that his base salary exceeded the market 50^{th} percentile for a top human resources executive given his overall responsibilities for both the human resources and business development functions. The comparisons to market for Mr. Drazan s position include both a comparison to a multi-profit center executive, which is listed first, and to a chief information officer. As indicated in the table, Mr. Drazan s base salary compared to the market 50^{th} percentile ranges from 1.6% below for a multi-profit center executive to 12.7% above for a chief information officer. As previously described, Mr. Drazan has overall responsibility for three different divisions, including our Exmark, Micro Irrigation and Sitework Systems divisions, and is also our Chief Information Officer. Due to the scope and scale of both of these positions, when evaluating Mr. Drazan s total compensation and each element of total compensation against the market, we considered market data for both of those positions and the Committee believed it was appropriate that his base salary was between the market 50^{th} percentile for these two positions.

Actual base salary earnings for the fiscal year are set forth in the Summary Compensation Table on page 54 in the Salary column. Fiscal year base salary earnings set forth in the table vary from December 1, 2010, base salaries because the effective date of the base salary increases for fiscal 2011 were one month into the fiscal year. Fiscal year base salary earnings set forth in the table for Ms. Peterson represent base salary earned from August 22, 2011, the date her employment commenced, through October 31, 2011. Fiscal year base salary earnings for Mr. Wolfe represent base salary earned through July 31, 2011, the date of his retirement.

To align with the beginning of our fiscal year and for proxy disclosure and Code Section 162(m) compliance purposes, base salaries for all executive officers for fiscal 2012 became effective as of November 1, 2011.

Annual Cash Incentives

General. To help ensure we meet our compensation program objective of linking pay to performance, we provide the opportunity for our executive officers to earn an annual cash incentive, which is designed to motivate attainment and reward accomplishment of annual financial business goals. This is done by establishing financial goals for our annual incentive plan that link closely to our annual financial business plan.

At the beginning of each fiscal year, during its regular meeting held in November or December, the Compensation & Human Resources Committee approves a target award expressed as a percentage of base salary for each executive officer, including each of our named executive officers. Additionally, the Committee approves specific performance measures, weightings, goals and performance adjustment events, if any, at both the corporate and division level for the new fiscal year. For each performance measure, a threshold, target and maximum level of performance is defined, which have corresponding payout percentages. During the fiscal year, the Committee reviews progress against the established corporate and division goals. Following the end of the fiscal year, at its regular meeting held in November or December, Management presents a summary of, and the Committee confirms, actual performance in comparison to the established corporate and division goals along with a corresponding payout percent, which is expressed as a percent of target performance. Annual cash incentive awards are paid out to the executive officers in December and are contingent on our final earnings release for the recently completed fiscal year.

Target Awards. When determining the target award, as a percent of base salary, for each executive officer, we review the market 50^{th} percentile for target total cash compensation (sum of base

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salary and target annual cash incentives) for the positions in which such executive officer serves. Our objective is that when we achieve target levels of performance, resulting total cash compensation paid to our executive officers is within a reasonable range of the market 50^{th} percentile. Actual total cash compensation will exceed the market 50^{th} percentile if performance exceeds established annual financial business goals and will be less than the market 50^{th} percentile if actual performance is below established annual financial business goals. In addition to considering the market data, the Committee also considers experience, scope and complexity of the executive officer s position, as well as individual contributions and performance. Actual awards can range from 0% (if threshold levels of performance are not met) to 200% of the target award (if maximum levels of performance are met for all of the performance measures).

In December 2010, the Committee approved the fiscal 2011 target awards shown below for each of our named executive officers other than Ms. Peterson. Since Ms. Peterson commenced employment in August 2011, during our fiscal 2011 fourth quarter, she was not granted an annual cash incentive award for fiscal 2011 and, therefore, did not receive any annual cash incentive payout for fiscal 2011. The fiscal 2011 target annual cash incentive award, resulting fiscal 2011 target total cash compensation (sum of fiscal 2011 annual base salary and fiscal 2011 target annual cash incentive award) and the comparison to the market 50^{th} percentile are also provided.

Name	Fiscal 2011 Annual Base Salary	Award at Target (% of base salary)	Fiscal 2011 Target Annual Cash Incentive Award	Fiscal 2011 Target Total Cash Compensation	Fiscal 2011 Target Total Cash Compensation Compared to Market 50^{th} Percentile
Mr. Hoffman	$ 850,000	95%	$ 807,500	$ 1,657,500	0.7% below
Mr. Wolfe	$ 425,000	65%	$ 276,250	$ 701,250	0.5% below
Mr. Dordell	$ 348,000	50%	$ 174,000	$ 522,000	4.2% below
Mr. Ramstad	$ 348,000	50%	$ 174,000	$ 522,000	18.6% above
Mr. Drazan	$ 310,000	50%	$ 155,000	$ 465,000	4.1% below to 17.7% above

We believe that the fiscal 2011 target awards reflect market competitive annual cash incentive opportunities and that the differentiation of target awards among the named executive officers is appropriate given the scope and responsibility of their respective positions and achievements. The target award as a percent of base salary for Mr. Hoffman was increased from 85% to 95% in fiscal 2011, which was intended to bring Mr. Hoffman s target total cash compensation closer to the market 50^{th} percentile. There were no changes to the target awards for Messrs. Wolfe, Dordell, Ramstad and Drazan for fiscal 2011.

The target awards resulted in fiscal 2011 target total cash compensation being slightly below the market 50^{th} percentile for Messrs. Hoffman, Wolfe, and Dordell. Mr. Ramstad s target total cash compensation exceeded the market 50^{th} percentile for a top human resources executive, which the Committee believed was appropriate given that Mr. Ramstad has responsibility for both the human resources and business development functions. Mr. Drazan s total cash compensation was slightly below the market 50^{th} percentile when compared to a multi-profit center executive and his total cash compensation exceeded the market 50^{th} percentile for a chief information officer, which the Committee believed was appropriate given Mr. Drazan s responsibility for three divisions and his position as the Chief Information Officer. Details regarding actual total cash compensation for fiscal 2011 can be found under Annual Cash Incentives Discussion and Analysis beginning on page 47.

Performance Measures, Weightings and Goals. Each year, the Compensation & Human Resources Committee and Management discuss performance measures, weightings, goals and performance adjustment events, if any, for the annual cash incentive awards. We believe that in order to motivate our executive officers to achieve annual business results, it is important to select performance

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measures designed to motivate our named executive officers to achieve our annual financial plan, as well as drive shareholder value. Key drivers in our annual financial plan generally include, and included for fiscal 2011, revenue growth, profitability and asset efficiency. Accordingly, the corporate performance measures for fiscal 2011 were corporate revenue growth, fully diluted EPS and corporate average net assets turns, and the division performance measures were division revenue growth, division controllable profit contribution, or CPC, and division working capital as a percent of sales.

In evaluating the weightings for fiscal 2011, the Committee and Management discussed our improved asset efficiency in fiscal 2010, including achievement of our goal to drive working capital as a percentage of net sales into the teens. As a result of our improved asset efficiency, the Committee and Management established corporate weightings that decreased emphasis on corporate asset efficiency and increased emphasis on both revenue growth and earnings. Similarly, division revenue growth was weighted more heavily in fiscal 2011 compared to fiscal 2010 and division working capital as a percent of sales was weighted less heavily compared to fiscal 2010.

The corporate and division performance measures and weightings for fiscal 2011, as approved by the Committee, were:

Corporate Performance Measures	**Division Performance Measures**
30% Corporate revenue growth	50% Division revenue growth
50% Fully diluted EPS	40% Division CPC
20% Corporate average net assets turns	10% Division working capital as a percent of sales

Our executive officers with all corporate responsibilities had 100% of their annual cash incentive tied to corporate performance. Our division executive officers had at least 50% of their annual cash incentive tied to division performance.

For fiscal 2011, threshold, target and maximum goals were established for all performance measures at both the corporate and division level. Target levels of performance were established based on our annual financial plan, which takes into account our prior fiscal year financial business results, our competitive situation and the general outlook for our business. The EPS threshold goal, which was set at 80% of plan, must have been met in order for there to be any payout for corporate participants and any corporate portion payout for division participants. For division participants to receive any division payout, CPC must have been at 80% of plan, or the threshold level of performance. Division participants are still eligible to receive a corporate portion payout if CPC is at 60% of plan or greater.

As provided for and in accordance with our 2010 Plan, the Committee also established specific adjustment events relating to the evaluation of corporate performance for determining payouts under the fiscal 2011 annual cash incentive awards. The impact of an acquisition on the fiscal 2011 annual cash incentive award payouts was determined by the size of the acquisition based on projected year one revenue. The impact of any acquisition greater than $10 million was to be excluded from the payout calculation and the impact of any acquisition less than $10 million was to be included in the payout calculation. Additionally, any externally driven changes in accounting principles and standards were to be excluded if the cumulative net impact on the payout of all such accounting adjustments affected the award payout by more than 2%.

Below are tables summarizing the fiscal 2011 corporate performance measures, applicable to each of Messrs. Hoffman, Wolfe, Dordell and Ramstad, and the fiscal 2011 weighted aggregate division performance measures for our Exmark, Micro Irrigation and Sitework Systems divisions applicable to Mr. Drazan, together with the threshold, target, maximum and actual levels of performance. For corporate results, both actual results for financial reporting purposes and adjusted results used for purposes of the calculating fiscal 2011 annual cash incentive award payouts are provided. The adjusted results differ from actual results due to the above-described performance

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adjustment events approved by the Committee and, specifically, excluded the impact of one acquisition with projected year one revenue in excess of $10 million.

Corporate:	**Threshold**	**Target**	**Maximum**		
Fiscal 2011 Performance Measures	**(40% payout)**	**(100% payout)**	**(200% payout)**	**Actual**	**Adjusted**
Corporate revenue growth	2.0%	5% 8%	10.5%	11.5%	10.8%
Fully diluted EPS	$2.60	$3.25	$3.90	$3.73	$3.70
Corporate average net assets turns	2.77072	3.25967	3.74862	3.0605	3.14158

Weighted Aggregate for Exmark, Micro Irrigation and Sitework Systems:	**Threshold**	**Target**	**Maximum**	
Fiscal 2011 Performance Measures	**(40% payout)**	**(100% payout)**	**(200% payout)**	**Actual**
Division revenue growth	9.8%	13.0% 16.7%	19.5%	17.8%
Division CPC (in thousands)	$13,616	$17,020	$20,424	$17,346
Division working capital as a percent of sales	11.5%	9.5%	7.4%	9.3%

Discussion and Analysis. The resulting corporate performance payout for fiscal 2011 was 164% of target, which was driven by our strong performance in revenue growth (with actual results exceeding the maximum levels of performance) and fully diluted EPS (with actual results between the target and maximum levels of performance). Performance against the corporate average net assets turns was between the threshold and target levels of performance. The resulting division performance payouts for all of our divisions ranged from 19.7% to 191% of target, with Exmark, Micro Irrigation and Sitework Systems payouts at 75%, 191% and 190.3% of target, respectively. For our Exmark division, actual results were between the threshold and target levels of performance for revenue growth and CPC and between target and maximum levels of performance for working capital as a percent of sales. For both our Micro Irrigation and Sitework Systems divisions, actual results exceeded maximum levels of performance for revenue growth and CPC and were between target and maximum levels of performance for working capital as a percent of sales.

For fiscal 2011, Messrs. Hoffman, Wolfe, Dordell and Ramstad s annual cash incentive award payouts were based entirely on corporate performance because of their overall corporate responsibilities, with none of these individuals having specific divisional responsibilities. Therefore, each of these executive officers received a payout of 164% of the target award. This translates to payouts of 156% of fiscal 2011 base salary earnings for Mr. Hoffman, 107% of fiscal 2011 base salary earnings for Mr. Wolfe and 82% of fiscal 2011 base salary earnings for each of Messrs. Dordell and Ramstad. Fiscal 2011 base salary earnings for Mr. Wolfe consisted of base salary earnings through his retirement date of July 31, 2011. Mr. Drazan s annual cash incentive award payout was based 50% on corporate performance and 50% on performance equally weighted between corporate and the divisions over which he had ultimate responsibility. As a result, in total, 75% of his annual cash incentive was tied to corporate performance and 25% was tied to performance of the divisions over which he has ultimate responsibility, which included the Exmark, Micro Irrigation and Sitework Systems divisions in fiscal 2011. Division performance was weighted to generally reflect the difference between the size and profitability of these divisions, as well as the time Mr. Drazan spent among these divisions, with the Exmark division weighted at more than 50%, followed by the Micro Irrigation division and the Sitework System division. Accordingly, Mr. Drazan received an annual cash incentive award payout that was 77% of his fiscal 2011 base salary earnings. Since the fiscal 2011 annual cash incentive award payouts generally exceeded target for each of our named executive officers who received a fiscal 2011 annual cash incentive award payout, which included each named executive officer other than Ms. Peterson, the resulting fiscal 2011 actual total cash compensation (sum of fiscal year base salary earnings and annual cash incentive award payout) exceeded the market 50th percentile for each such named executive officer. This is consistent with our philosophy of linking pay to performance in that when financial performance exceeds target, resulting compensation is above the market

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50th percentile. Fiscal 2011 actual total cash compensation and its position relative to the market 50th percentile is reflected in the table below. Actual total cash compensation is not provided for Ms. Peterson since she did not receive an annual cash incentive award payout for any portion of fiscal 2011 or for Mr. Wolfe since he only received a pro-rated annual cash incentive award payout for fiscal 2011 based on fiscal 2011 base salary earnings through his retirement date of July 31, 2011.

Name	Fiscal 2011 Base Salary Earnings	Fiscal 2011 Actual Total Annual Cash Incentive Award Payout	Fiscal 2011 Actual Total Cash Compensation	Fiscal 2011 Actual Total Cash Compensation Compared to Market 50th Percentile
Mr. Hoffman	$ 847,926	$ 1,321,069	$ 2,168,995	29.9% above
Mr. Dordell	$ 347,000	$ 284,540	$ 631,540	15.9% above
Mr. Ramstad	$ 347,000	$ 284,540	$ 631,540	43.5% above
Mr. Drazan	$ 308,310	$ 236,370	$ 544,680	12.3% to 37.9% above

There were no changes to the corporate or division performance measures or weightings for fiscal 2012 for our named executive officers.

Long-Term Incentives

General. We believe that the use of long-term incentives tied to our common stock, along with our established stock ownership guidelines, help align the interests of our executive officers with our shareholders. Therefore, we provide the opportunity for our executive officers to earn market competitive long-term incentives in the form of both stock options and performance share awards that are granted annually. Stock options generally vest ratably over a three-year period and have a ten-year term and performance share awards are paid following a three-year performance period based on the achievement of cumulative three-year financial goals. We generally target the market 50th percentile for granting long-term incentive awards. With respect to annual grants of long-term incentive awards, in addition to considering the market data, we also consider for each executive officer scope and complexity of the position, tenure, internal pay comparisons, individual performance and historical targeted grant levels. Generally, one-half of the long-term incentive value is delivered in the form of stock options (using an estimated Black-Scholes value) and one-half of the long-term incentive value is delivered in the form of performance share awards (using an estimated stock price). Actual value realized from our long-term incentive awards may exceed or be less than the market 50th percentile based on actual performance against established three-year cumulative financial business goals for performance share awards and stock price for stock options. In addition to stock options and performance share awards, we also occasionally use awards of restricted stock for the hiring of new executive officers, leadership transition or retention purposes.

Stock Options. Each year at its regular meeting held in November or December, the Compensation & Human Resources Committee approves the annual grant of stock options to our executive officers. If we deliver strong shareholder returns, our stock price presumably will increase, thereby increasing the value of the stock options and resulting total compensation. If shareholder value is not delivered and our stock price does not increase, the options will have no value. Annual stock options are generally granted on the second business day following the issuance of our earnings release announcing prior fiscal year results and have a per share exercise price equal to the closing price of our common stock, as reported on the NYSE, on the date of grant.

To determine the number of options to award to our executive officers, we start with a total target value of stock options and divide that value by the expected value of an option to purchase a share of our common stock, using a Black-Scholes option pricing method. The calculation of the expected value is based on the average closing price of our common stock, as reported on the NYSE, over the last three months of the prior fiscal year. The three-month average allows for smoothing of any volatility that may be associated with a particular date s stock price.

Stock options granted to our executive officers, including our named executive officers, vest ratably in three equal installments on each of the first, second and third year anniversaries of the date of grant and are exercisable for a period of ten years following the date of grant. We believe that the three-year vesting schedule is common within our industry and at similarly sized companies. Additionally, the three-year vesting schedule is consistent with the three-year performance period for our performance share awards. The three-year period for both stock options and performance share awards provides retention value and focuses our executive officers on attainment of longer term performance. The Compensation & Human Resources Committee periodically reviews option vesting schedules and terms.

Performance Share Awards. Each year at its regular meeting held in November or December, the Compensation & Human Resources Committee approves the annual grant of performance share awards to our executive officers, including our named executive officers. Performance share awards are paid out in shares of our common stock following completion of a three-year performance period if certain performance goals are achieved.

To determine the number of target performance share awards to be granted to our executive officers, we start with a total expected value of performance share awards to be delivered. That value is divided by an expected value per share to determine the number of performance share awards to grant at target. The expected value per share is equal to the average closing price of our common stock, as reported on the NYSE, over the last three months of the prior fiscal year.

At the beginning of the fiscal year, the Compensation & Human Resources Committee establishes performance measures, weightings, goals and performance adjustment events, if any, for the three-year performance period, as well as thresholds and maximums. Similar to the process used for establishing performance goals for annual cash incentive awards, our prior fiscal year financial business results, our competitive situation and the general state of our business, including any anticipated business opportunities, are considered by the Committee when establishing performance goals for the three-year performance period. During the fiscal year, the Committee reviews progress against the performance goals for performance share awards for all outstanding performance periods. At the end of the three-year performance period, at the Committee s regular meeting in November or December, Management presents a summary of, and the Committee confirms, performance against the performance goals, and a corresponding payout, which is expressed as a percent of target. Shares of our common stock are paid out to the executive officers in December and are contingent on our final earnings release for the recently completed fiscal year. Actual payouts for performance share awards can range from 0% (if the threshold levels of performance are not met) to 200% of the target award (if maximum levels of performance are met).

Restricted Stock Awards. Occasionally Management will recommend for Committee approval, and the Committee will approve, awards of restricted stock for use in certain situations, including hiring of new executive officers, leadership transition or retention purposes. Under our 2010 Plan, restricted stock can vest no more rapidly than ratably over three years.

Fiscal 2011 Grants. The number of stock options granted to our named executive officers for fiscal 2011 can be found in the Grants of Plan-Based Awards for Fiscal 2011 Table on page 58. The per share exercise price of the options is equal to the closing price of our common stock, as reported on the NYSE, on the date of grant, which for fiscal 2011 was December 8, 2010. The per share exercise price for the fiscal 2011 stock options was $63.52. The grant date fair value of those awards can be found in the Summary Compensation Table on page 54 in the Option Awards column.

The number of performance shares at threshold, target and maximum levels of performance for our named executive officers for the fiscal 2011 through fiscal 2013 performance share awards can be found in the Grants of Plan-Based Awards for Fiscal 2011 Table on page 58 in the Estimated Future Payouts Under Equity Incentive Plan Awards columns. The grant date fair value of those awards can be found in the Summary Compensation Table on page 54 in the Stock Awards column.

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When determining and recommending the fiscal 2011 stock option grants and fiscal 2011 to fiscal 2013 performance share awards, the Compensation & Human Resources Committee, Towers Watson and Management considered the factors previously described.

As part of Ms. Peterson s employment offer, and upon commencement of her employment with us, she was awarded shares of restricted stock that vest ratably over three years. It was intended that this award would offset a portion of the long-term incentive value that she did not realize and/or forfeited upon termination of her position with her former employer. The number of shares of restricted stock awarded to Ms. Peterson during fiscal 2011 as part of her employment offer and upon commencement of employment with us can be found in the Grants of Plan-Based Awards for Fiscal 2011 Table on page 58. The grant date fair value of that award can be found in the Summary Compensation Table on page 54 in the Stock Awards column.

Performance Measures for the Performance Period Beginning in Fiscal 2011. For the fiscal 2011 to fiscal 2013 awards, the following performance measures and weightings were established:

50% Cumulative net income plus after-tax interest;

30% Cumulative corporate revenue; and

20% Cumulative corporate average net assets turns.

As a result of our improved asset management performance achieved in fiscal 2010, the Committee, upon Management s recommendation, determined that it was appropriate for fiscal 2011 to fiscal 2013 to establish weightings that decreased emphasis on cumulative asset performance and increased emphasis on cumulative corporate revenue. For fiscal 2011, in addition to approving performance measures, weightings and goals, the Compensation & Human Resources Committee also established, in accordance with our 2010 Plan, specific adjustment events relating to the evaluation of performance for determining payouts under the fiscal 2011 to fiscal 2013 performance share awards. The impact of acquisitions on the evaluation of performance will be determined based on the size of the acquisition as determined by projected year one revenue. The entire impact of any acquisition greater than $50 million will be excluded from the payout calculation for the entire performance period. All impacts for acquisitions less than $10 million will be included in the payout calculation for the entire performance period. For acquisitions between $10 million and $50 million, the impact will be excluded from the payout calculation if the transaction closes during the third year of the three-year term. If the transaction closes in the first or second year of the performance period, the impact will be included in the payout calculation with the exception of any transaction costs incurred. Additionally, any externally driven changes in accounting principles and standards will be excluded from the evaluation of performance if the cumulative net impact on the payout of all such accounting adjustments impacts the award payout by more than 2%. We believe that these adjustments are important to maintain our historical practice of fixed accounting treatment for our performance share awards.

Performance Measures for the Performance Period Ending in Fiscal 2011. The table below outlines the performance measures and weightings, as well as threshold, target and maximum goals, along with actual levels of performance, for the fiscal 2009 to fiscal 2011 performance share awards.

Fiscal 2009 to Fiscal 2011 Performance Measure	**Threshold (40% payout)**	**Target (100% payout)**	**Maximum (200% payout)**	**Actual**
50% cumulative net income plus after-tax interest (in thousands)	$ 316,976	$ 396,221	$ 449,049	$ 307,979
25% cumulative corporate revenue (in thousands)	$ 5,634,552	$ 5,864,664	$ 6,217,024	$ 5,097,778
25% cumulative corporate average net assets turns	5.26652	6.19591	7.12529	8.11670

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Discussion and Analysis. With respect to each of these three performance measures, the threshold level of performance must be met in order for there to be a payout for that performance measure. Since actual results for cumulative net income plus after-tax interest and cumulative corporate revenue were below the threshold level of performance, there was no payout for these two performance measures. Performance for the cumulative corporate average net assets turns performance measure exceeded the maximum goal, which then translated to 200% of the payout for asset performance, which together with its weighting of 25%, resulted in a performance share award payout of 50% of target. As a result, all executive officers who were previously awarded a performance share award for the fiscal 2009 to fiscal 2011 performance period received 50% of the target performance shares granted under such award. A summary of the performance shares awarded to our named executive officers for the fiscal 2009 to fiscal 2011 performance period, and the value realized on vesting for those awards, can be found in the Option Exercises and Stock Vested for Fiscal 2011 table on page 62 in the Number of Shares Acquired on Vesting and Value Realized on Vesting columns, respectively. Ms. Peterson did not have a performance share award for the fiscal 2009 to fiscal 2011 performance period.

We believe that delivering both stock options and performance share awards to our executive officers has been effective in focusing them on achievement of long-term financial business results and encouraging stock ownership. This long-term performance orientation of stock options and performance share awards is consistent with our compensation objectives of linking pay to performance and aligning with shareholder interests.

Target Total Direct Compensation. As described previously, when analyzing compensation, we look at base salary, target total cash compensation and target total direct compensation in comparison to the market 50th percentile when establishing new base salary levels, target annual cash incentive awards and long-term incentive awards. Actual value realized from long-term incentives is dependent on stock price at the time of exercise for stock option grants and actual payout of performance share awards at the end of the three-year term, which is dependent on actual cumulative performance against established performance goals. Therefore, it is difficult to assess actual total direct compensation on an annual basis in comparison to the market since the market data may have changed significantly when actual long-term incentive results are fully realized. We believe it is important to continue to review target total direct compensation when establishing long-term incentive grants. The fiscal 2011 annual base salary, target annual cash incentives and target long-term incentives at the time the grant levels were determined are compared to the market 50th percentile in the table below. Since Ms. Peterson did not receive equity grants other than her grant received upon commencement of her employment with us, her target total direct compensation is not provided in the table below. Additionally, since Mr. Wolfe retired during fiscal 2011, he will not realize his targeted long-term incentive value and his target total direct compensation is not provided in the table below.

Name	Fiscal 2011 Target Total Direct Compensation	Comparison to Market 50th Percentile
Mr. Hoffman	$ 3,747,500	0.3% below
Mr. Dordell	$ 902,000	2.5% below
Mr. Ramstad	$ 902,000	27.9% above
Mr. Drazan	$ 680,000	10.5% below to 16.2% above

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Health, Welfare and Retirement Benefits and All Other Compensation

Health and Welfare Benefits. We believe that providing competitive health and welfare benefits at a reasonable cost is an important part of any employee s compensation package and promotes employee health. Our executive officers participate in the same health and welfare benefits as our full-time office salaried employees. These health and welfare benefits for fiscal 2011 included medical and dental insurance; life, accidental death and dismemberment insurance; and long-term disability insurance. These benefits, including plan design and cost, are analyzed annually.

Retirement Benefits. We believe that it is important to allow our employees, including our executive officers, the opportunity to save for retirement through our IS&ESOP, which is our defined contribution plan. This is the plan in which the majority of our U.S.-based employees participate. This plan includes a standard 401(k) plan with a company match and two other company contributions, an investment savings contribution and an ESOP contribution. Contributions for fiscal 2011 to our defined contribution plan can be found under All Other Compensation for Fiscal 2011 beginning on page 56.

Our named executive officers compensation exceeds the IRS compensation limit; therefore, they are limited in terms of what they can contribute and what we can match in our qualified defined contribution plan. To help ensure our executive officers ability to provide financial security and save for retirement, we maintain three nonqualified plans, which include: The Toro Company Deferred Compensation Plan, or Deferred Plan, the Deferred Plan for Officers and The Toro Company Plan, or Supplemental Benefit Plan. These plans are described under Nonqualified Deferred Compensation for Fiscal 2011 beginning on page 63.

Perquisites. We provide our executive officers with modest perquisites. The perquisites provided for fiscal 2011 include a company-leased automobile, financial planning allowance, payment of an executive physical and company products for personal use. We believe these perquisites are an important part of our overall compensation package and help us accomplish our goal of attracting, retaining and rewarding top executive talent. Specifically, we believe that these perquisites assist in promoting the financial security and health of our executive officers and encourage the use and promotion of our products.

The value of all of the perquisites provided to our named executive officers for fiscal 2011 can be found under All Other Compensation for Fiscal 2011 beginning on page 56.

Relocation Benefits. With respect to our relocation benefits, we believe that we maintain a standard, market competitive relocation policy, which provides for reimbursements of and payments for certain relocation expenses. In August 2011, Ms. Peterson, who owned a home and lived in Ohio, commenced employment as our new Vice President, Finance and Chief Financial Officer. Shortly after her employment with us began, we initiated a relocation process. Within our relocation policy, we maintain several tiers of relocation benefits. The highest tier is for relocating individuals that are at the director level and above and Ms. Peterson received relocation benefits within that tier. During fiscal 2011, Ms. Peterson was reimbursed for certain relocation expenses, as included within the All Other Compensation column of the Summary Compensation Table and quantified in the related footnote to that column. These relocation expenses included transportation, temporary living, mileage, home visits, home inspection and meals. Certain of these relocation expenses are deemed to be taxable income to the recipient; therefore, in this limited instance and pursuant to our relocation policy, a flat supplemental tax gross-up was provided to Ms. Peterson to help offset the incremental tax impact.

Special One-Time Bonuses. We believe that the occasional use of special one-time bonuses, or subjectively determined cash awards, are appropriate in certain situations including, but not limited to, employment offers and leadership transition. In fiscal 2011, we paid cash bonuses to Ms. Peterson and

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Mr. Wolfe. The bonus paid to Ms. Peterson was a cash sign on bonus, which was intended to offset a portion of the annual cash incentive award that we estimated she would forfeit by terminating her employment with her former employer. Ms. Peterson must repay this bonus to us if she voluntarily terminates her employment prior to August 22, 2012, the first anniversary of her start date. The bonus paid to Mr. Wolfe represented consideration to ensure a smooth transition in financial leadership during the executive search process for a new Vice President, Finance and Chief Financial Officer and was contingent upon Mr. Wolfe remaining employed with us through his previously announced retirement date of July 31, 2011. These bonuses are described briefly in the footnote to the Bonus column in the Summary Compensation Table on page 54.

Charitable Contribution. In fiscal 2011, we made a special Company contribution in the amount of $250,000 to The Toro Foundation on behalf of Mr. Wolfe in honor and recognition of his distinguished career with our Company.

Stock Ownership Guidelines. We maintain stock ownership guidelines that enable us to meet our compensation objective of aligning the interests of our executive officers with those of our shareholders. Our guidelines require that our Chairman and CEO own a dollar value of our common stock equal to at least five times his annual base salary, and require our other executive officers, including our other named executive officers, to own a dollar value of our common stock equal to two or three times annual base salary, depending on their position. Executive officers have five years from the date of hire or, if the ownership multiple has increased during his or her tenure, five years from the date established in connection with such increase to reach their guideline. As of October 31, 2011, each of our named executive officers required to meet the stock ownership guidelines has met such guideline.

Tax Deductibility of Compensation. When designing all aspects of compensation, we consider the deductibility of executive compensation under Code Section 162(m), which provides that we may not deduct more than $1 million paid to certain executive officers, other than performance-based compensation meeting certain requirements. Our compensation plans and the annual cash incentive award payouts, stock option grants and performance share award payouts made under these plans have been designed with the intention of satisfying the requirements for performance-based compensation as defined in Code Section 162(m). While we design these plans to operate in a manner intended to qualify as performance-based under Code Section 162(m), the Committee may administer the plans in a manner that does not satisfy the requirements of Code Section 162(m) in order to achieve a result that the Committee determines to be appropriate. All performance-based compensation awarded to, earned by or paid to our named executive officers in fiscal 2011 was intended to be deductible under Code Section 162(m).

Assessment of Risk Related to Compensation Programs. We note that (i) base salaries for all employees are targeted at the market 50th percentile, are not subject to performance risk and, for non-executive employees, constitute the largest part of total compensation; and (ii) incentive or variable compensation awarded to our executive officers, which constitutes the largest part of their total compensation, is appropriately balanced between annual and long-term performance and cash and equity compensation, and utilizes performance measures and goals that are drivers of long-term success for our Company and our shareholders. As a result, we determined that our compensation policies, practices and programs and related compensation governance structure work together to minimize exposure to excessive risk while appropriately pursuing growth strategies that emphasize shareholder value creation.

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Summary Compensation Table

Except as otherwise noted in the footnotes, the following table summarizes compensation for each of the last three fiscal years awarded to, earned by or paid to our Chairman and CEO; current Vice President, Finance and CFO, who commenced employment on August 22, 2011; former Vice President, Finance and CFO, who retired on July 31, 2011 and each of the other three most highly compensated executive officers. We collectively refer to the executive officers listed as our named executive officers. The Compensation Discussion and Analysis beginning on page 35 provides additional information about compensation paid to our named executive officers. Amounts in this Summary Compensation Table are not reduced to reflect elections, if any, by the named executive officers to defer receipt of base salary, annual cash incentive award payouts or performance share award payouts, as described in more detail under Nonqualified Deferred Compensation for Fiscal 2011 beginning on page 63.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus[1] ($)	Stock Awards[2] ($)	Option Awards[3] ($)	Non-Equity Incentive Plan Compensation[4] ($)	All Other Compensation[5] ($)	Total ($)
Michael J. Hoffman,	2011	$ 847,926	$ 0	$ 1,176,914	$ 1,303,347	$ 1,321,069	$ 224,143	$ 4,873,398
Chairman of the Board, President and	2010	$ 818,234	$ 0	$ 957,155	$ 1,055,700	$ 1,390,998	$ 240,191	$ 4,462,278
Chief Executive Officer	2009	$ 766,665	$ 0	$ 844,290	$ 713,628	$ 0	$ 131,853	$ 2,456,436
Renee J. Peterson,	2011	$ 77,778	$ 180,000	$ 1,052,100	$ 0	$ 0	$ 9,160	$ 1,319,038
Vice President, Finance and Chief								
Financial Officer								
Stephen P. Wolfe,	2011	$ 317,033	$ 250,000	$ 335,390	$ 370,620	$ 337,958	$ 336,757	$ 1,947,758
Former Vice President, Finance and	2010	$ 401,030	$ 0	$ 254,563	$ 279,450	$ 521,339	$ 116,247	$ 1,572,629
Chief Financial Officer	2009	$ 375,755	$ 0	$ 220,374	$ 187,308	$ 0	$ 75,561	$ 858,998
Timothy P. Dordell,	2011	$ 347,000	$ 0	$ 213,430	$ 236,785	$ 284,540	$ 85,700	$ 1,167,455
Vice President, Secretary and General	2010	$ 331,551	$ 0	$ 183,285	$ 198,720	$ 331,551	$ 93,918	$ 1,139,025
Counsel	2009	$ 288,157	$ 0	$ 160,272	$ 135,450	$ 0	$ 51,127	$ 635,006
Peter M. Ramstad	2011	$ 347,000	$ 0	$ 213,430	$ 236,785	$ 284,540	$ 85,223	$ 1,166,978
Vice President, Human Resources and	2010	$ 332,688	$ 0	$ 183,285	$ 198,720	$ 332,688	$ 88,685	$ 1,136,046
Business Development	2009	$ 304,553	$ 0	$ 143,100	$ 120,744	$ 0	$ 71,799	$ 640,196
Michael D. Drazan	2011	$ 308,310	$ 0	$ 121,960	$ 133,835	$ 236,370	$ 69,817	$ 870,292
Vice President, Contractor Business and								
Chief Information Officer[6]								

(1) We generally do not pay any discretionary bonuses or bonuses that are subjectively determined and did not pay any such bonuses to any named executive officers in fiscal 2009 or fiscal 2010. However, in fiscal 2011, we paid a sign-on bonus to Ms. Peterson as part of her employment offer and upon commencement of her employment with us and a bonus to Mr. Wolfe, each as described in more detail under Health, Welfare and Retirement Benefits and All Other Compensation Special One-Time Bonuses beginning on page 52. Annual cash incentive award payouts based on performance against pre-established financial performance goals are reported in the Non-Equity Incentive Plan Compensation column.

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(2) Amount reported for Messrs. Hoffman, Wolfe, Dordell, Ramstad and Drazan represents the grant date fair value, computed in accordance with FASB ASC Topic 718, of performance share awards granted for the three-year performance period beginning in each fiscal year assuming target levels of performance. Ms. Peterson was not granted a performance share award during fiscal 2011. The amount reported for Ms. Peterson represents the grant date fair value of the restricted stock awarded to her in connection with her employment offer and upon commencement of her employment with us. The amounts for fiscal 2011 are also set forth in the Grants of Plan-Based Awards Table on page 58 in the Grant Date Fair Value of Stock and Option Awards column. Provided below is the fiscal 2011 grant date fair value of performance share awards for the fiscal 2011 to fiscal 2013 performance period assuming maximum levels of performance for Messrs. Hoffman, Wolfe, Dordell, Ramstad and Drazan.

Name	Grant Date Fair Value at Maximum Levels of Performance
Mr. Hoffman	$ 2,353,828
Mr. Wolfe	$ 670,780
Mr. Dordell	$ 426,860
Mr. Ramstad	$ 426,860
Mr. Drazan	$ 243,920

(3) Amount reported represents the grant date fair value, computed in accordance with FASB ASC Topic 718, of option awards granted each fiscal year. Summarized in the table below are the specific assumptions used in the valuation of the option awards previously granted to Messrs. Hoffman, Wolfe, Dordell and Ramstad. Ms. Peterson was not granted any option awards during fiscal 2011.

Grant Date	Risk Free Rate	Expected Life	Expected Volatility	Expected Dividend Yield	Per Share Black-Scholes Value
12/08/2010	2.36%	6.0 years	33.43%	1.04%	$ 20.59
12/01/2009	2.51%	6.0 years	33.00%	1.52%	$ 12.42
12/03/2008	2.26%	6.0 years	30.60%	1.81%	$ 7.74

(4) Amount reported represents annual cash incentive awards earned for each fiscal year, but paid during the following fiscal year or deferred. Annual cash incentive awards are calculated and paid out based on performance against financial performance goals that are established and communicated at the beginning of each fiscal year. Ms. Peterson did not receive an annual cash incentive award for fiscal 2011. Additional detail regarding our annual cash incentives is set forth under Annual Cash Incentives beginning on page 44.

(5) Amounts for fiscal 2011 are set forth under All Other Compensation for Fiscal 2011 beginning on page 56.

(6) Mr. Drazan was not a named executive officer in fiscal 2009 or fiscal 2010; therefore, information on his compensation for those fiscal years is not included.

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All Other Compensation for Fiscal 2011

All other compensation includes the value of Company contributions to our retirement plan(s), the value of modest perquisites provided, the value of relocation benefits provided and the value of a charitable contribution, all of which are described below.

Element	Description
Retirement Benefits	Under our IS&ESOP, we currently match $0.50 for each employee dollar contribution, up to an employee maximum of 4%, although we retain the discretion to amend the match. In fiscal 2011, employees were eligible to contribute to the plan after 90 days of service and are eligible for the company match on the first of the month following one year of service. Additionally, there may be an annual Company discretionary investment savings and ESOP contribution. Employees were eligible for this contribution on the first of the month following two years of service. For employees whose compensation exceeds the IRS limit, we also provide nonqualified deferred compensation plans, described under Nonqualified Deferred Compensation for Fiscal 2011 on page 63.
Perquisites	We provide our executive officers, including our named executive officers, with the following modest perquisites: Company-leased automobile We pay all costs associated with leasing, operating, maintaining and insuring a company-leased automobile. Our executive officers are generally eligible for a new vehicle after 30 months and may choose to purchase the existing vehicle at book value plus payment of any miscellaneous expenses charged by our leasing company. Financial planning We encourage our executive officers to receive professional advice regarding their financial, tax and estate planning needs. Therefore, we pay up to a maximum defined amount for our Chairman and CEO and each other named executive officer to cover federal and state tax planning, tax return preparation, financial counseling and estate planning. Every three years, we will pay up to an additional 50% of the annual allowance. The annual allowance ranges from $4,000 for certain executive officers to $12,000 for our Chairman and CEO. Annual executive physical To help ensure the health of our executive officers, we generally pay up to $1,000 for approved physical exam expenses not covered by the executive officer s health insurance. Company products To enable our executive officers the opportunity to become more familiar with our products and use those products on a regular basis, we provide certain Company products and related parts and accessories for personal use at no cost; provided, however, that executive officers are responsible for applicable taxes attributable to the value of such products. The value of a product, part or accessory is generally deemed to be our distributor net price or its equivalent, which is also the price at which products are available to employees for purchase.
Relocation Benefits	We maintain a standard, market competitive relocation policy. Relocation expenses reimbursed and/or paid typically include: shipment of household goods, automobile shipment, home finding trip, temporary living, en route trip, return trips home while in temporary living, destination home purchase assistance, a miscellaneous allowance, family assistance and a gross-up to help offset the tax impact of these expenses that are reimbursed and/or paid.
Charitable Contribution	In fiscal 2011, we made a one-time charitable contribution in Mr. Wolfe s name to The Toro Foundation in honor of his years of service with us.

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Specific amounts included in the fiscal 2011 All Other Compensation column of the Summary Compensation Table are as follows:

Name	IS&ESOP Contributions(1)	Supplemental Benefit Plan Contributions(2)	Automobile(3)	Financial Planning(4)	Executive Physical(5)	Company Products(6)	Relocation Benefits(7)	Charitable Contributions(8)	Total
Mr. Hoffman	$ 22,626	$ 171,138	$ 17,879	$ 12,500	$ 0	$ 0	$ 0	$ 0	$ 224,143
Ms. Peterson	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 9,160	$ 0	$ 9,160
Mr. Wolfe	$ 22,626	$ 36,088	$ 20,243	$ 6,800	$ 1,000	$ 0	$ 0	$ 250,000	$ 336,757
Mr. Dordell	$ 22,626	$ 35,005	$ 21,286	$ 5,600	$ 1,000	$ 183	$ 0	$ 0	$ 85,700
Mr. Ramstad	$ 22,626	$ 34,965	$ 19,062	$ 5,000	$ 25	$ 3,545	$ 0	$ 0	$ 85,223
Mr. Drazan	$ 22,626	$ 27,028	$ 14,604	$ 4,000	$ 1,000	$ 559	$ 0	$ 0	$ 69,817

(1) Amount reported represents Company matching contributions, investment savings contributions and ESOP contributions to the IS&ESOP for fiscal 2011.

(2) Amount reported represents Company contributions to the Supplemental Benefit Plan for fiscal 2011.

(3) Amount reported represents Company paid automobile lease plus reportable income for gas relating to personal use of the automobile for fiscal 2011.

(4) Amount reported represents Company paid amounts for financial planning expenses for fiscal 2011

(5) Amount reported represents Company paid amounts for executive physical expenses for fiscal 2011.

(6) Amount reported represents value of company products received for personal use for fiscal 2011.

(7) Amount reported represents Company paid amounts for relocation expenses for fiscal 2011.

(8) Amount reported represents a special one-time Company contribution made during fiscal 2011 to The Toro Foundation on behalf of Mr. Wolfe in honor of his years of service.

Grants of Plan-Based Awards for Fiscal 2011

In March 2010, shareholders approved our 2010 Plan, which provides for the grant of cash and equity type awards. The types of equity awards permitted under the 2010 Plan include, but are not limited to, stock options, performance-share awards and restricted stock awards. During fiscal 2011, all plan-based awards granted to our named executive officers were granted under the 2010 Plan and included annual cash incentive awards, performance share awards, restricted stock awards and stock option awards.

Annual Cash Incentive Awards. Target annual cash incentive awards are established annually as a percentage of base salary for each executive officer, including our named executive officers. Actual annual cash incentive award payouts are based on performance against the pre-established performance measures and goals. The range of payouts included in the table below are associated with threshold levels, target and maximum levels of performance, which correspond to 40%, 100% and 200% of the target award, respectively. If threshold levels of performance are not met, there is no annual cash incentive award payout. Details on how these awards were determined, and the performance measures and goals, can be found under Annual Cash Incentives beginning on page 44.

Performance Share Awards. Target performance share awards are established annually for a three-year performance period. Payouts of the performance share awards are based on performance against pre-established performance measures and cumulative goals. The range of payouts included in the table below are associated with threshold, target and maximum levels of performance, which correspond to 40% of the target award if threshold levels of performance are met for all the performance measures, 100% and 200% of the target award if the maximum levels of performance are

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met for all the performance measures, respectively. If threshold levels of performance are not met for a performance measure, there is no payout for that performance measure. If the threshold levels of performance are not met for any of the performance measures, there is no performance share award payout. Details on how the awards were determined can be found under Long-Term Incentives and Performance Share Awards beginning on page 48.

Restricted Stock Awards. The shares of restricted stock awarded to Ms. Peterson vest ratably in three equal installments on each of the first, second and third year anniversaries of the date of grant.

Stock Option Awards. Stock options are granted annually and generally vest ratably in three equal installments on each of the first, second and third year anniversaries of the date of grant.

Grant of Plan-Based Awards for Fiscal 2011 Table. The following table summarizes all plan-based awards granted to our named executive officers during fiscal 2011 and includes the:

- Range of annual cash incentive award payouts from threshold to maximum levels of performance;
- Potential range of payouts of performance share awards granted in fiscal 2011 for the fiscal 2011 to fiscal 2013 performance period from threshold to maximum levels of performance;
- Restricted stock awarded to Ms. Peterson in fiscal 2011 in connection with her employment offer and upon commencement of her employment with us;
- Stock options granted in fiscal 2011 and the exercise price of those stock options; and
- Grant date fair value of all stock and option awards.

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1] Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards[2] Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units[3] (#)	All Other Option Awards: Number of Securities Underlying Options[4] (#)	Exercise or Base Price of Option Awards[5] ($/Sh)	Grant Date Fair Value of Stock and Option Awards[6][7]
Michael J. Hoffman												
Annual Cash Incentive Award	12/01/2010	12/01/2010	$ 322,212	$ 805,530	$ 1,611,059							
Performance Share Award	12/01/2010	12/01/2010				7,720	19,300	38,600				$ 1,176,914
Stock Options	12/08/2010	12/01/2010								63,300	$ 63.52	$ 1,303,347
Renee Peterson												

Restricted Stock Award	08/22/2011	07/25/2011							22,500			$ 1,052,100
Stephen P. Wolfe												
Annual Cash Incentive Award	12/01/2010	12/01/2010	$ 82,429	$ 206,072	$ 412,143							
Performance Share Award	12/01/2010	12/01/2010				2,200	5,500	11,000				$ 335,390
Stock Options	12/08/2010	12/01/2010								18,000	$ 63.52	$ 370,620
Timothy P. Dordell												
Annual Cash Incentive Award	12/01/2010	12/01/2010	$ 69,400	$ 173,500	$ 347,000							
Performance Share Award	12/01/2010	12/01/2010				1,400	3,500	7,000				$ 213,430
Stock Options	12/08/2010	12/01/2010								11,500	$ 63.52	$ 236,785
Peter M. Ramstad												
Annual Cash Incentive Award	12/01/2010	12/01/2010	$ 69,400	$ 173,500	$ 347,000							
Performance Share Award	12/01/2010	12/01/2010				1,400	3,500	7,000				$ 213,430
Stock Options	12/08/2010	12/01/2010								11,500	$ 63.52	$ 236,785
Michael D. Drazan												
Annual Cash Incentive Award	12/01/2010	12/01/2010	$ 61,662	$ 154,155	$ 308,310							
Performance Share Award	12/01/2010	12/01/2010				800	2,000	4,000				$ 121,960
Stock Options	12/08/2010	12/01/2010								6,500	$ 63.52	$ 133,835

(1) Amount reported represents the range of payouts of annual cash incentive awards for fiscal 2011. Actual payouts for fiscal 2011 are included in the Summary Compensation Table on page 54 in the Non-Equity Incentive Plan Compensation column.

(2) Amount reported represents the range of performance share award payouts for the fiscal 2011 to fiscal 2013 performance period. Information regarding the performance share awards is set forth under Performance Share Awards on page 49.

(3) Amount reported represents the restricted stock awarded to Ms. Peterson as part of her employment offer and upon commencement of her employment with us.

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(4) Amount reported represents stock options granted during fiscal 2011. Options have a ten-year term and vest ratably in three equal installments on each of the first, second and third year anniversaries of the date of grant. Additional information regarding stock options is set forth under Stock Options beginning on page 48.

(5) Amount reported represents the closing price of our common stock, as reported on the NYSE, on the date of grant of $63.52.

(6) Amount reported represents the grant date fair value of performance share awards at target granted for the fiscal 2011 to fiscal 2013 performance period based on the closing price of our common stock, as reported on the NYSE, on the date of grant of $60.98. These amounts are also set forth in the Summary Compensation Table on page 54 in the Stock Awards column.

(7) Amount reported for option awards represents the grant date fair value of $20.59 per share, computed in accordance with FASB ASC Topic 718, of option awards made for fiscal 2011. The specific assumptions used in the valuation of the options are included in footnote (3) to the Summary Compensation Table. Amount reported for Ms. Peterson s restricted stock award represents the grant date fair value based on the closing price of our common stock, as reported on the NYSE, on the date of grant of $46.76.

Outstanding Equity Awards at Fiscal Year-End for 2011

The following table summarizes all outstanding equity awards previously granted to our named executive officers that were outstanding on October 31, 2011, the last day of fiscal 2011. Specifically, it reflects all exercisable and unexercisable stock options, as well as unvested restricted stock awards and performance share awards. The restricted stock awards and performance share awards have a market or payout value equal to $54.04, the closing price of our common stock, as reported on the NYSE, on October 31, 2011, the last day of fiscal 2011.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable[1] (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units that Have Not Vested (#)[2]	Market Value of Shares or Units of Stock that Have Not Vested ($)[3]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested[4] (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested[5] ($)
Michael J. Hoffman								
Stock Options 1993 Plan	35,804	0	$ 16.1375	12/04/2012				
Stock Options 2000 Plan	6,196	0	$ 16.1375	12/04/2012				
	12,417	0	$ 24.1600	12/04/2013				
	14,583	0	$ 24.1600	12/04/2013				
	40,000	0	$ 37.0200	12/02/2014				
	57,700	0	$ 40.1900	11/30/2015				
	75,900	0	$ 44.9000	11/30/2016				
	62,800	0	$ 54.9300	11/28/2017				
	61,467	30,733	$ 28.6200	12/03/2018				

	28,334	56,666	$ 40.7300	12/01/2019				
Stock Options 2010 Plan	0	63,300	$ 63.5200	120/8/2020				
F10-F12 Performance Shares							47,000	$ 2,539,880
F11-F13 Performance Shares							33,486	$ 1,809,583
Renee J. Peterson								
Restricted Stock					22,500	$ 1,215,900		

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	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable[1] (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units that Have Not Vested (#)[2]	Market Value of Shares or Units of Stock that Have Not Vested ($)[3]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested[4] (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested[5] ($)
Stephen P. Wolfe[6]								
Stock Options 2000 Plan	21,400	0	$ 37.0200	12/02/2014				
	21,000	0	$ 40.1900	07/31/2015				
	21,900	0	$ 44.9000	07/31/2015				
	17,400	0	$ 54.9300	07/31/2015				
	16,133	8,067	$ 28.6200	07/31/2015				
	7,500	15,000	$ 40.7300	07/31/2015				
F10-F12 Performance Shares							4,166	$ 225,131
Timothy P. Dordell								
Stock Options 2000 Plan	5,670	0	$ 42.3300	09/19/2016				
	9,300	0	$ 44.9000	11/30/2016				
	10,500	0	$ 54.9300	11/28/2017				
	11,667	5,833	$ 28.6200	12/03/2018				
	5,334	10,666	$ 40.7300	12/01/2019				
Stock Options 2010 Plan	0	11,500	$ 63.5200	12/08/2020				
F10-F12 Performance Shares							9,000	$ 486,360
F11-F13 Performance Shares							6,073	$ 328,185
Peter M. Ramstad								
Stock Options 2000 Plan	8,000	0	$ 44.9000	11/30/2016				
	8,400	0	$ 44.9000	11/30/2016				
	9,000	0	$ 54.9300	11/28/2017				
	10,400	5,200	$ 28.6200	12/03/2018				
	5,334	10,666	$ 40.7300	12/01/2019				
Stock Options 2010 Plan	0	11,500	$ 63.5200	12/08/2020				
F10-F12 Performance Shares							9,000	$ 486,360
F11-F13 Performance Shares							6,073	$ 328,185
Michael D. Drazan								
Stock Options 2000 Plan	9,050		$ 24.1600	12/04/2013				
	7,200		$ 37.0200	12/02/2014				
	6,800		$ 40.1900	11/30/2015				
	7,000		$ 44.9000	11/30/2016				
	5,900		$ 54.9300	11/28/2017				
	5,533	2,767	$ 28.6200	12/03/2018				
	2,834	5,666	$ 40.7300	12/01/2019				
Stock Options 2010 Plan	0	6,500	$ 63.5200	12/08/2020				
F10-F12 Performance Shares							4,500	$ 243,180
F11-F13 Performance Shares							3,470	$ 187,519

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(1) Stock options have a ten-year term and vest ratably in three equal installments on each of the first, second and third year anniversaries of the date of grant. The vesting schedule for options unexercisable as of October 31, 2011, is as follows:

Name	Grant Date	12/01/11	12/03/2011	12/08/2011	12/01/2012	12/08/2012	12/08/2013	Option Expiration Date
Mr. Hoffman	12/03/2008		30,733					12/03/2018
	12/01/2009	28,333			28,333			12/01/2019
	12/08/2010			21,100		21,100	21,100	12/08/2020
Mr. Wolfe	12/03/2008		8,067					07/31/2015
	12/01/2009	7,500			7,500			07/31/2015
Mr. Dordell	12/03/2008		5,833					12/03/2018
	12/01/2009	5,333			5,333			12/01/2019
	12/08/2010			3,833		3,833	3,834	12/08/2020
Mr. Ramstad	12/03/2008		5,200					12/03/2018
	12/01/2009	5,333			5,333			12/01/2019
	12/08/2010			3,833		3,833	3,834	12/08/2020
Mr. Drazan	12/03/2008		2,767					12/03/2018
	12/01/2009	2,833			2,833			12/01/2019
	12/08/2010			2,166		2,167	2,167	12/08/2020

(2) Amount reported represents the number of shares of restricted stock awarded to Ms. Peterson on August 22, 2011 as part of her employment offer and upon commencement of her employment with us. These shares of restricted stock vest ratably in three equal installments on each of the first, second and third year anniversaries of the date of grant.

(3) Amount reported is based on the closing price of our common stock, as reported on the NYSE, on October 31, 2011, the last day of fiscal 2011, of $54.04 per share.

(4) Amount reported represents the number of performance share awards that were in progress based on actual levels of performance for fiscal 2011 and financial plan levels of performance for fiscal 2012 and fiscal 2013.

(5) Amount reported represents the value of performance share awards that were in progress based on the closing price of our common stock, as reported on the NYSE, on October 31, 2011, the last day of fiscal 2011, of $54.04 per share.

(6) Mr. Wolfe retired on July 31, 2011. Based on the terms and conditions provided in our plans, his stock options continue to vest normally, but expire on the earlier of the original expiration date or four years from the date of retirement. No portion of Mr. Wolfe s December 8, 2010 stock option grant had vested on his retirement date; therefore, 100% of this stock option award was forfeited. With respect to performance share award payouts, Mr. Wolfe will be eligible for pro-rated payouts based on the full fiscal years of employment completed during the three-year performance periods. As a result, he will be eligible for one-third of the performance share award payout for the fiscal 2010 to fiscal 2012 performance period and he fully forfeited any performance share award payout for the fiscal 2011 to fiscal 2013 performance period.

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Option Exercises and Stock Vested for Fiscal 2011

The following table summarizes all of the stock options exercised during fiscal 2011, as well as the performance share awards that were paid out or deferred by our named executive officers for the fiscal 2009 to fiscal 2011 performance period.

	Option Awards[1]		Stock Awards[2]	
	Number of Shares Acquired On Exercise	Value Realized On Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Name	**(#)**	**($)**	**(#)**	**($)**
Michael J. Hoffman				
Stock Option Exercises	48,000	$ 1,844,384		
F09-F11 Performance Share Award Payout			14,750	$ 838,980
Renee J. Peterson	0	$ 0	0	$ 0
Stephen P. Wolfe				
Stock Option Exercises	31,243	$ 1,338,784		
F09-F11 Performance Share Award Payout			2,567	$ 146,011
Timothy P. Dordell				
Stock Option Exercises	0	$ 0		
F09-F11 Performance Share Award Payout			2,800	$ 159,264
Peter M. Ramstad				
Stock Option Exercises	0	$ 0		
F09-F11 Performance Share Award Payout			2,500	$ 142,200
Michael D. Drazan				
Stock Option Exercises	19,014	$ 878,376		
F09-F11 Performance Share Award Payout			1,350	$ 76,788

(1) The number of shares acquired upon exercise reflects the gross number of shares acquired absent netting for shares surrendered to pay the option exercise price and/or satisfy tax withholding requirements. The value realized on exercise represents the gross number of shares acquired on exercise multiplied by the market price of our common stock on the exercise date, as reported on the NYSE, less the per share exercise price.

(2) The number of shares acquired upon vesting reflects the gross number of shares acquired absent netting of shares surrendered to satisfy tax withholding requirements. The value realized on vesting for performance share awards represents gross number of shares acquired multiplied by the closing price of our common stock, as reported on the NYSE, on December 6, 2011 (the payout date for the fiscal 2009 to fiscal 2011 performance share awards) of $56.88 per share. Amounts are not reduced to reflect any elections by our named executive officers to defer receipt of performance share award payouts. Under the Deferred Plan for Officers, Messrs. Dordell and Ramstad deferred receipt of 100%, or 2,800 and 2,500 shares, respectively, of their fiscal 2009 to fiscal 2011 performance share award payout.

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Nonqualified Deferred Compensation for Fiscal 2011

We maintain three nonqualified deferred compensation plans in which our named executive officers are eligible to participate.

The Toro Company Deferred Compensation Plan. This plan allows employees that are at a director-level and above, including our named executive officers, to defer on a pre-tax basis his or her calendar year base salary and/or fiscal year annual cash incentive payout to a date in the future. Participants can defer up to 50% of calendar year base salary and up to 100% of the fiscal year annual cash incentive payout. Deferred amounts are placed into a participant s account and the participant may invest such deferred amounts in an array of funds that are generally consistent with funds provided in the IS&ESOP. Deferral elections are made on an annual basis, before the beginning of the new fiscal year. Participants must elect a distribution date that is at least two years later than the date the compensation otherwise would have been received. Participants elect the frequency of payments and the number of payments to receive at the time of distribution. Any payouts distributed prior to retirement are paid out in the form of a lump sum. Participants are always 100% vested in their accounts.

The Toro Company Deferred Compensation Plan for Officers. This plan allows key employees that receive performance share awards, including our named executive officers, an opportunity to defer receipt of shares of our common stock paid out under such awards to a date in the future. Participants can defer up to 100% of the common stock payout. Each year, before the third fiscal year of the three-year performance period begins, executive officers are given the opportunity to defer the receipt of those shares to some point in the future. Participants must elect a distribution date that is at least two years later than the date the shares would have been received. Participants elect the frequency of payment and the number of payments to receive at the time of distribution. Any payouts distributed prior to retirement are paid out in the form of a lump sum. Participants are always 100% vested in their accounts.

The Toro Company Supplemental Benefit Plan. This plan is maintained for the purpose of providing to a select group of management or highly compensated employees, including our named executive officers, benefits in excess of the limitations on benefits and contributions imposed by Code Sections 401(a)(17) and 415. Our contributions to this plan are made on a calendar year basis, usually in the first calendar quarter following the end of the prior calendar year. We contribute the investment savings calculation and the ESOP fund calculation above the compensation limit into this plan. Amounts contributed are placed into a participant s account and the participant may invest such deferred amounts in an array of funds that are generally consistent with funds provided in the IS&ESOP. Participants elect the funds into which these contributions are allocated, as well as the frequency of payments and the number of payments to receive at the time of distribution. Participants are always 100% vested in their accounts.

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Nonqualified Deferred Compensation for Fiscal 2011 Table. The following table reflects any named executive officer contributions and Company contributions for fiscal 2011 to our nonqualified deferred compensation plans.

Name	Executive Contributions in Last FY[(1)] ($)	Registrant Contributions in Last FY[(2)] ($)	Aggregate Earnings in Last FY[(3)] ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE[(4)] ($)
Michael J. Hoffman					
Deferred Compensation Plan	$ 1,321,069	$ 0	$ 8,771	$ 0	$ 1,581,868
Deferred Plan for Officers	$ 0	$ 0	$ (94,490)	$ 0	$ 2,598,369
Supplemental Benefit Plan	$ 0	$ 171,138	$ 40,814	$ 0	$ 1,688,794
Renee J. Peterson	$ 0	$ 0	$ 0	$ 0	$ 0
Stephen P. Wolfe					
Deferred Compensation Plan	$ 0	$ 0	$ 43,506	$ 0	$ 755,368
Deferred Plan for Officers	$ 0	$ 0	$ (464,966)	$ 0	$ 13,611,090
Supplemental Benefit Plan	$ 0	$ 36,088	$ 57,836	$ 0	$ 1,021,640
Timothy P. Dordell					
Deferred Compensation Plan	$ 208,820	$ 0	$ 1,690	$ 0	$ 489,484
Deferred Plan for Officers	$ 159,264	$ 0	$ (17,571)	$ 0	$ 306,334
Supplemental Benefit Plan	$ 0	$ 35,005	$ (1,687)	$ 0	$ 83,240
Peter M. Ramstad					
Deferred Compensation Plan	$ 0	$ 0	$ 0	$ 0	$ 0
Deferred Plan for Officers	$ 142,200	$ 0	$ 0	$ 0	$ 142,200
Supplemental Benefit Plan	$ 0	$ 34,965	$ (2,875)	$ 0	$ 83,632
Michael D. Drazan					
Deferred Compensation Plan	$ 0	$ 0	$ 0	$ 0	$ 0
Deferred Plan for Officers	$ 0	$ 0	$ (25,967)	$ 0	$ 714,076
Supplemental Benefit Plan	$ 0	$ 27,028	$ 13,571	$ 0	$ 352,646

(1) Executive contributions of base salary and annual cash incentive award payouts are included in the Salary column and the Non-Equity Incentive Plan Compensation column, respectively, of the Summary Compensation Table on page 54. Executive contributions of the fiscal 2009 to fiscal 2011 performance share award payouts are included in the Value Realized on Vesting column of the Option Exercises and Stock Vested for Fiscal 2011 table on page 62, but are not included in the Summary Compensation Table.

Name	Deferrals	Amount
Mr. Hoffman	100% of the fiscal 2011 annual cash incentive award	$ 1,321,069
Mr. Dordell	15% of base salary from November through December 2010	$ 8,550
	20% of base salary from January through October 2011	$ 58,000
	50% of the fiscal 2011 annual cash incentive award	$ 142,270
	100% of the fiscal 2009 to fiscal 2011 performance share award	$ 159,264
Mr. Ramstad	100% of the fiscal 2009 to fiscal 2011 performance share award	$ 142,200

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(2) Amount reported represents Company contributions to the Supplemental Benefit Plan for fiscal year 2011. These amounts are included in the All Other Compensation column of the Summary Compensation Table on page 54 and the related footnote.

(3) Aggregate earnings comprise interest, dividends, capital gains and appreciation/depreciation of investment results during the fiscal year based on each named executive officer s selected fund allocation. None of these amounts are included in the Summary Compensation Table because earnings were not preferential or above market. The funds listed below are generally consistent with those funds provided in our IS&ESOP and do not include any preferential or above-market interest. The rates for fiscal 2011 are provided below:

Alger Small Cap Growth Institutional I	6.76%
American Funds EuroPacific Gr R5	-6.76%
American Funds Growth Fund of Amer R4	2.41%
Artisan Mid Cap Inv	12.92%
Eaton Vance Large-Cap Value I	2.17%
Fidelity Diversified International	-5.07%
Fidelity US Treasury Money Market	0.01%
ICM Small Company	5.83%
JPMorgan Mid Cap Value Sel	8.54%
JPMorgan Prime Money Market Morgan	0.01%
T. Rowe Price Equity Income	5.71%
T. Rowe Price International Discovery	-5.47%
Vanguard Institutional Index Instl	8.07%
Vanguard Total Bond Market Index Signal	5.03%
Toro Common Stock	-3.49%

(4) Amount reported represents total balance at October 31, 2011, the last day of fiscal 2011, plus any named executive officer s or Company contributions for fiscal 2011 that were paid after October 31, 2011. Includes the following amounts reported in the Summary Compensation Table for fiscal years 2009 and 2010: $255,922 for Mr. Hoffman, reported in the All Other Compensation column; $81,551 for Mr. Wolfe, reported in the All Other Compensation column; $203,718 for Mr. Dordell reported in the Base Salary or Nonequity Incentive Plan Compensation column and $42,266 reported in the All Other Compensation column; and $43,927 for Mr. Ramstad reported in the All Other Compensation column.

Potential Payments Upon Termination or Change In Control

Overview. The following discussion describes the payments and benefits to which our named executive officers, or his or her beneficiaries, are entitled as the result of a termination of employment in various situations, including: voluntary resignation and retirement, disability or death, involuntary termination by us, termination by us for cause, and change in control of our Company. Our named executive officers do not have any employment or severance agreements or arrangements other than as provided for in our change in control severance compensation policy, or CIC policy. Accordingly, our named executive officers do not have the right to cash severance in connection with a termination of employment except in connection with a change in control of our Company as described under Change in Control beginning on page 69. For purposes of quantifying other payments or benefits, amounts are calculated (i) for each named executive officer other than Mr. Wolfe who retired on July 31, 2011, as if the termination occurred following the close of business on October 31, 2011, the last day of our 2011 fiscal year; and (ii) using a per share value of $54.04, which represents the closing price of our common stock, as reported on the NYSE, on October 31, 2011.

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The intent of this discussion is to describe those payments and benefits for which the amount, vesting or time of payment is altered by the termination of employment in the described situation and not all payments and benefits a named executive officer will receive following termination. These other payments and benefits, which we refer to as vested benefits, include:

- Payment of individual contributions to our Deferred Plan and Deferred Plan for Officers in accordance with prior distribution elections, as described under Nonqualified Deferred Compensation for Fiscal 2011 on page 63;
- Payment of Company contributions on behalf of the named executive officer under our Supplemental Benefit Plan, as described under Nonqualified Deferred Compensation for Fiscal 2011 on page 63;
- Payment of individual contributions and vested Company investment fund and ESOP contributions on behalf of the named executive officer under our IS&ESOP, as described under Health, Welfare and Retirement Benefits and All Other Compensation Retirement Benefits on page 52;
- If employed through the end of the fiscal year, payment of annual cash incentive awards if threshold levels are met and at the percentage of the target achieved, as described under Annual Cash Incentives beginning on page 44;
- Exercise of stock options that had vested prior to the date of termination for three months after the date of termination, unless the named executive officer is determined to have taken any adverse action, as described under Long-Term Incentives Stock Options beginning on page 48;
- Retention of restricted stock that had vested prior to the date of termination, unless the named executive officer is determined to have taken any adverse action, as described under Long-Term Incentives Restricted Stock Awards on page 49; and
- Payouts under, and continuation of, health and welfare benefits under plans generally applicable to our U.S.-based office salaried employees.

Voluntary Resignation and Retirement. We are not obligated to pay any amounts in addition to a named executive officer s vested benefits, and no outstanding equity compensation awards are altered, in the event of a voluntary termination unless the named executive officer meets the criteria for retirement in connection with his or her voluntary termination. For purposes of our compensation arrangements, retirement generally means the voluntary termination of employment at or after the age of 55 and with a number of years of service that, when added together with the named executive officer s age, equals at least 65. Mr. Hoffman is the only currently employed named executive officer who meets the retirement criteria. Accordingly, in the event of retirement, Mr. Hoffman is entitled to or, upon approval by the Compensation & Human Resources Committee, may receive the following payments and benefits in addition to his vested benefits:

- Under the 2010 Plan and related annual cash incentive award agreements, if Mr. Hoffman retires prior to the end of the annual performance period, which is the end of our fiscal year, the Compensation & Human Resources Committee may approve a prorated payment of an outstanding annual cash incentive award but only (i) if threshold levels are met and at the percentage of the target achieved; and (ii) in an amount that is proportionate to the portion of the fiscal year performance period that was completed as of the named executive officer s retirement date. Accordingly, the Committee could have approved the payment of Mr. Hoffman s fiscal 2011 annual cash incentive award in the amount of $1,321,069, as set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 54.

Under our prior stock option plans, the 2010 Plan and related stock option agreements, Mr. Hoffman is entitled to an extended, post-retirement vesting and exercise period of four years (or the remaining term of the option, whichever is shorter) from his retirement date for all outstanding stock options held on his termination date. During this four-year period, any unvested stock options will continue to vest and Mr. Hoffman may exercise any vested stock options that had vested as of his retirement date or will vest during such four-year period. Mr. Hoffman would have benefited from extended, post-retirement vesting relating to options to purchase an aggregate of 150,699 shares having an aggregate intrinsic value of $1,535,457.

Under The Toro Company Performance Share Plan, or PSP, the 2010 Plan and related performance share agreements, if Mr. Hoffman retires after completion of at least one fiscal year of our current three-fiscal year performance period, the Compensation & Human Resources Committee may approve a prorated payment of an outstanding performance share award but only (i) if threshold levels are met and at the percentage of the target achieved; and (ii) in an amount that is proportionate to the portion of the performance period (determined in full fiscal years) that was completed as of Mr. Hoffman s retirement date. The Committee could have approved for Mr. Hoffman: (i) payout of his fiscal 2009 to fiscal 2011 performance share award as set forth in the Option Exercises and Stock Vested for Fiscal 2011 table on page 62, which consists of 14,750 shares having a value of $797,090; (ii) future payout of two-thirds of his fiscal 2010 to fiscal 2012 performance share award as set forth in the Outstanding Equity Awards at Fiscal Year-End for Fiscal 2011 table beginning on page 59 at the percentage of the target actually achieved and determined following the completion of the performance period, which consists of 31,333 shares having a value of $1,693,235; and (iii) future payout of one-third of his fiscal 2011 to fiscal 2013 performance share award, as set forth in the Outstanding Equity Awards at Fiscal Year-End for Fiscal 2011 table beginning on page 59, at the percentage of the target actually achieved and determined following the completion of the performance period, which consists of 11,162 shares having a value of $603,194. For future payouts of the fiscal 2010 to fiscal 2012 and fiscal 2011 to fiscal 2013 performance share awards, share amounts represent financial plan levels of performance.

Pursuant to a policy adopted by our Compensation & Human Resources Committee, Mr. Hoffman would continue to receive post-retirement perquisites consisting of reimbursement for amounts incurred for: (i) one additional year of financial planning expenses; (ii) one additional executive physical; and (iii) twelve additional months, or through the end of the lease term, whichever is shorter, of lease payments for a company-leased automobile. Additionally, Mr. Hoffman is entitled to continue to obtain certain Company products for personal use at no cost for five years following his retirement; provided, however, that he is responsible for payment of applicable taxes attributed to the value of such products. Mr. Hoffman would have benefited from perquisites having an aggregate value of approximately $33,000.

Disability or Death. In the event of termination as the result of disability or death, a named executive is entitled to receive the following payments and benefits in addition to his or her vested benefits:

Under our prior stock option plans, the 2010 Plan and related stock option agreements, all outstanding stock options held by a named executive officer on his or her termination date will immediately vest and may be exercised (by the named executive officer, his or her guardian or legal representative or beneficiary, as applicable) for a period of up to one year (or the remaining term of the option, whichever is shorter). Each of our named executive officers would have benefited from accelerated vesting of options to purchase an aggregate number of shares having an aggregate intrinsic value as follows: Mr. Hoffman,150,699 shares having a value of $1,535,457; Mr. Dordell, 27,999 shares having a value of $290,239; Mr. Ramstad, 27,366

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shares having a value of $274,148; and Mr. Drazan, 14,933 shares having a value of $145,752. Ms. Peterson did not hold any stock options as of October 31, 2011.

Under the PSP, the 2010 Plan and related performance share agreements, if a named executive officer becomes disables or dies after completion of at least one fiscal year of our current three-fiscal year performance period, the Compensation & Human Resources Committee may approve a prorated payment to the named executive officer, his guardian or legal representative or beneficiary, as applicable, of an outstanding performance share award but only (i) if threshold levels are met and at the percentage of the target achieved; and (ii) in an amount that is proportionate to the portion of the performance period (determined in full fiscal years) that was completed as of the named executive officer s termination date. Ms. Peterson is not entitled to any potential performance share payouts because she did not hold any performance share awards as of October 31, 2011. Potential performance share payouts for Mr. Hoffman are the same as those set forth above under Voluntary Termination or Retirement. Potential performance share payouts for each of the other named executive officers are as follows: (i) payout of fiscal 2009 to fiscal 2011 performance share awards as set forth in the Option Exercises and Stock Vested for Fiscal 2011 table on page 62, which consists of 2,800 shares having a value of $151,312 for Mr. Dordell, 2,500 shares having a value of $135,100 for Mr. Ramstad and 1,350 shares having a value of $72,954 for Mr. Drazan; (ii) future payout of two-thirds of fiscal 2010 to fiscal 2012 performance share awards as set forth in the Outstanding Equity Awards at Fiscal Year-End for Fiscal 2011 table beginning on page 59 at the percentage of the target actually achieved and determined following the completion of the performance period, which consists of 6,000 shares having a value of $324,240 for each of Messrs. Dordell and Ramstad and 3,000 shares having a value of $162,120 for Mr. Drazan; and (iii) future payout of one-third of fiscal 2011 to fiscal 2013 performance share awards, as set forth in the Outstanding Equity Awards at Fiscal Year-End for Fiscal 2011 table beginning on page 59, at the percentage of the target actually achieved and determined following the completion of the performance period, which consists of 2,024 shares having a value of $109,377 for each of Messrs. Dordell and Ramstad and 1,157 shares having a value of $62,524 for Mr. Drazan. For future payouts of the fiscal 2010 to fiscal 2012 and fiscal 2011 to fiscal 2013 performance share awards, share amounts represent financial plan levels of performance.

Involuntary Termination by Toro. As previously noted, our named executive officers do not have employment or severance agreements or arrangements other than as provided for in our CIC policy. Accordingly, we are not obligated to provide payments or benefits in addition to a named executive officer s vested benefits in the event of an involuntary termination of employment by us. Any negotiated separation arrangements would be determined on a case-by-case basis taking into account all relevant facts and circumstances, including the named executive officer s term of employment, past contributions and reasons for termination, and would be approved by the Compensation & Human Resources Committee. Separation arrangements typically require that the named executive officer sign a release and waiver of claims and comply with confidentiality and non-compete restrictions. Under our equity compensation plans and related award agreements, the Compensation & Human Resources Committee has discretion to approve, among other things, the immediate termination or vesting, continued vesting, or conditions of payment as applicable to stock options, performance share awards or restricted stock awards held by a named executive officer on his or her termination date.

Termination by Toro for Cause. We are not obligated to provide payments or benefits in addition to a named executive officer s vested benefits in the event of a termination of employment by us for cause. Under our prior stock option plans, the PSP and the 2010 Plan, we have certain clawback rights as described below under Clawback Provisions.

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Change in Control. On January 18, 2011, we adopted a new CIC policy applicable to our executive officers, including our named executive officers, primarily to conform our change in control practices to evolving market best practices. Adoption of the CIC policy effectively terminated our prior change of control employment agreements with certain executive officers, as each officer voluntarily agreed to terminate such agreement in connection with becoming subject to the CIC policy. If a change of control, as generally defined below, has not occurred, our Board may terminate the CIC policy after two years advance notice of such termination.

The CIC policy incorporates a double trigger mechanism and provides for a severance payment for an executive officer if within three years after a change in control an executive officer s employment is terminated by us without just cause or the executive officer terminates his or her employment for good reason, or if such termination occurs at the request of a third party who had taken steps reasonably calculated to effect the change in control. The severance payment an executive officer would be entitled to receive includes:

- a lump sum cash severance payment equal to two times (or three times for the CEO) the sum of the executive officer s then current annual base salary and target annual cash incentive award;
- a lump sum cash payment in an amount equal to the executive officer s pro-rated target annual cash incentive award for the fiscal year in which the termination date occurs, reduced by any amounts paid under the terms of the applicable equity compensation policy itself for the same period of time;
- eligibility for continuation coverage under our medical, dental and other group health plans for a period of three years following the termination date and reimbursement for any costs incurred in securing such continuation coverage that are in excess of costs that would have been incurred by the executive immediately prior to his or her termination date to obtain such coverage; and
- two years of outplacement services.

The CIC policy does not provide a gross-up for 280G excise tax and, as a condition to the payment of any severance payment, the executive officer must execute and return a release substantially in the form attached to the policy.

In addition to the CIC policy, our equity compensation plans, including our prior stock option plans, the PSP and the 2010 Plan, as applicable, provide that if we experience a change in control, as generally defined below, whether or not there is a qualifying termination of employment:

- all stock options immediately vest, become exercisable in full and, depending upon the plan under which the options were granted, remain exercisable for three years or their remaining term following the change in control (provided that in no event will three years extend beyond the remaining term of the option);
- all outstanding annual cash incentive awards for performance periods in progress at the time of the change in control immediately vest and become immediately payable at target in cash; and
- all outstanding performance share awards for performance periods in progress at the time of the change in control immediately vest and become payable in full in shares of our common stock, provided, however, that the CIC policy provides that for executive officers covered by the policy, any such performance share awards are payable at target (not in full or at maximum).

Alternatively, the Compensation & Human Resources Committee may elect to terminate such options or awards in exchange for a cash payment for each option or award in an amount equal to the excess, if any, between the consideration received by shareholders of our Company for shares of our Company in connection with the change in control and the exercise or purchase price, if any, of the

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option or award, multiplied by the number of shares subject to such option or award. Our equity compensation plans do not provide a gross-up for 280G excise tax, but do provide for a reduction of payments if such payments result in higher after-tax income including after the 280G excise tax.

For purposes of our CIC policy and equity compensation plans, and subject to limited exceptions, a change in control occurs if:

another person becomes the beneficial owner of at least 20% or more of our then-outstanding common stock or the combined voting power of our then-outstanding voting stock;

a majority of our Board becomes comprised of persons other than those for whom election proxies have been solicited by our Board;

the completion of certain business combinations, including a reorganization, merger, consolidation, the sale of all or substantially all of our assets or the acquisition by us of assets or stock of another entity, where the shareholders before the business combination fail to beneficially own and have voting power for more than 50% of our Company or the resulting company after the business combination; or

our shareholders approve a complete liquidation or dissolution of our Company.

Potential Change of Control Payments Without Employment Termination Event. The following table is provided to illustrate the potential payments to each of our named executive officers under our equity compensation plans upon a change in control of our Company and without any termination of employment event. For purposes of these calculations, we have assumed the change in control event occurred following the close of business on October 31, 2011. Accordingly, the performance periods for the fiscal 2011 annual cash incentive awards and fiscal 2009 to fiscal 2011 performance share awards would have been completed and those amounts would be paid out as set forth in the as set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 54 and the Option Exercises and Stock Vested for Fiscal 2011 table on page 62, respectively.

	Potential Payments Upon a Change in Control Without Any Termination Event		
Name	**Unvested & Accelerated Stock Options(1)**	**Accelerated Performance Share Award Payouts(2)**	**Total**
Mr. Hoffman	$ 1,535,457	$ 2,312,912	$ 3,848,369
Ms. Peterson	$ 0	$ 0	$ 0
Mr. Dordell	$ 290,239	$ 432,320	$ 722,559
Mr. Ramstad	$ 274,148	$ 432,320	$ 706,468
Mr. Drazan	$ 145,752	$ 229,670	$ 375,422

(1) This amount represents the value of the automatic acceleration of the vesting of unvested stock options held by a named executive officer and is based on the difference between: (a) $54.04, the market price (closing price of our common stock, as reported on the NYSE) of the shares of our common stock underlying the unvested stock options held by such executive as of October 31, 2011, the last trading day of our 2011 fiscal year, and (b) the exercise price of the stock options. The exercise prices for unvested stock options currently held by our named executive officers range from $28.62 to $63.52 per share.

(2) This amount represents the value of the immediate payout of the target number of shares of our common stock that such executive would have been entitled to receive as payout for performance share awards for each of the fiscal 2010 to fiscal 2012 performance period and the fiscal 2011 to fiscal 2013 performance period. Such value is based on: (a) the number of outstanding

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performance share awards held by such executive as of October 31, 2011 for each of the fiscal 2010 to fiscal 2012 performance period and the fiscal 2011 to fiscal 2013 performance period, multiplied by (b) $54.04, the market price (closing price of our common stock, as reported on the NYSE) of our common stock on October 31, 2011, the last trading day of our 2011 fiscal year.

Potential Additional Payments for Employment Termination Event. The following table quantifies the potential additional payments to each of our named executive officers under our CIC policy if, in anticipation of the change in control, at the request of a third party who took actions to cause the change in control or following a change in control, a named executive officer is terminated by us without cause or a named executive officer terminates his employment for good reason. For purposes of these calculations, except as otherwise indicated, we have assumed the termination occurred on October 31, 2011.

	Potential Additional Payments In Connection With Or Following A Change In Control With Termination By Toro Without Cause Or By Executive for Good Reason			
Name	**Severance Payment(1)**	**Welfare Plan Benefits(2)**	**Outplacement Services(3)**	**Total**
Mr. Hoffman	$ 4,972,500	$ 53,289	$ 30,000	$ 5,055,789
Ms. Peterson	$ 800,000	$ 47,172	$ 30,000	$ 877,172
Mr. Dordell	$ 1,044,000	$ 36,093	$ 30,000	$ 1,110,093
Mr. Ramstad	$ 1,044,000	$ 51,120	$ 30,000	$ 1,125,120
Mr. Drazan	$ 930,000	$ 46,782	$ 30,000	$ 1,006,784

(1) This amount represents three times for the Chairman and CEO and two times for each other named executive officer, the sum of the executive s: (a) then current annual base salary, which equals twelve times the highest monthly base salary paid to the executive during the fiscal year ended October 31, 2011, and (b) then current target annual cash incentive award. Ms. Peterson did not receive an annual cash incentive award in fiscal 2011.

(2) This amount represents the estimated value of the welfare plan benefits based on our premium levels in effect on October 31, 2011.

(3) This amount is based on the assumption that we would incur a $30,000 one-time cost for outplacement services to be provided for the two-year period.

We have established a trust for the benefit of our named executive officers (and certain other executives and employees) which, in the event of a change in control, must be funded in an amount equal to our accrued liability arising under our change in control arrangements. In addition, under our deferred compensation and retirement plans, upon the occurrence of a change in control, we must transfer cash or property to a trust for the benefit of plan participants in an amount equal to the present value of all accumulated or accrued benefits then payable to or on behalf of plan participants.

Clawback Provisions. Our stock option plans and the related stock option agreements with our named executive officers contain a clawback provision which provides that if, within one year after the termination of employment of any of our named executive officers, the executive officer is employed or retained by or renders services to a competitor, violates any confidentiality or agreement governing the ownership or assignment of intellectual property rights or engages in any other conduct or act determined to be injurious, detrimental or prejudicial to any interest of our Company, we have the right to cancel, rescind or restrict all stock options held by such individual and demand the return of the economic value of any stock option which was realized or obtained by such individual during the period beginning on the date that is 12 months prior to the date of termination to the date of the last exercise. The PSP and the related performance share agreements with our named executive officers contain a similar clawback provision applicable to any shares of our common stock that the Compensation &

Human Resources Committee determines will be paid out under performance share awards after the termination of an executive s employment with us.

In addition, under the 2010 Plan and related award agreements, if a participant, including our named executive officers, is determined by the Compensation & Human Resources Committee to have taken any adverse action similar to those actions described above, all rights of such individual under the 2010 Plan and any agreements evidencing an award then held by the individual will terminate and be forfeited and the Committee may require the participant to surrender and return to our Company any shares received, and/or to disgorge any profits or any other economic value made or realized by the individual during the period beginning one year prior to the participant s termination of employment or other service with our Company or any affiliate or subsidiary, in connection with any awards or any shares issued upon the exercise or vesting of any awards. In addition, if we are required to prepare an accounting restatement due to our material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws, then any participant, including our named executive officers, who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 must reimburse us for the amount of any award received by such individual under the 2010 Plan during the 12-month period following the first public issuance or filing with the SEC, as the case may be, of the financial document embodying such financial reporting requirement.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about shares of our common stock that may be issued under our equity compensation plans as of October 31, 2011.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,200,690[(1)]	$ 41.83[(2)]	2,497,607[(3)]
Equity compensation plans not approved by security holders	0	N/A	N/A
Total	2,200,690	$ 41.83[(2)]	2,497,607

(1) Amount includes: 50,008 outstanding stock options under The Toro Company 1993 Stock Option Plan, or 1993 Plan; 1,460,666 outstanding stock options under The Toro Company 2000 Stock Option Plan, or 2000 Plan; 154,004 outstanding stock options under the 2000 Directors Stock Plan; 217,014 outstanding stock options under the 2010 Plan; 236,198 outstanding performance share awards under the PSP, assuming a maximum level of achievement; and 82,800 outstanding performance share awards under the 2010 Plan, assuming a maximum level of achievement. The actual number of shares that will be issued under the performance share awards is determined by the level of achievement of performance goals.

(2) Performance share awards do not have exercise prices and therefore have been excluded from the weighted-average exercise price calculation in column (b).

(3)

Amount represents shares available for future issuance upon awards that may be granted under the 2010 Plan, which includes 2,750,000 shares approved by our shareholders at the Annual Meeting of Shareholders held on March 16, 2010, plus shares subject to awards outstanding under

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the 1993 Plan, the 2000 Plan, the 2000 Directors Plan and the PSP as of March 16, 2010, that were subsequently forfeited, expired or otherwise terminated, less any shares issued or surrendered and not again available for issuance under the 2010 Plan. Any shares available under the 1993 Plan, the 2000 Plan, the 2000 Directors Plan and the PSP that were not subject to awards outstanding under such plans as of March 16, 2010, are no longer available for issuance under such plans or the 2010 Plan.

OTHER INFORMATION

Shareholder Proposals and Director Nominations for the 2013 Annual Meeting

The 2013 Annual Meeting of Shareholders is expected to be held on March 12, 2013. In order for a shareholder proposal to be included in our proxy statement for the 2013 Annual Meeting, (i) our Vice President, Secretary and General Counsel must receive such proposal no later than the close of business on October 10, 2012, unless the date of the 2013 Annual Meeting is delayed by more than 30 calendar days; and (ii) such proposal must satisfy all of the requirements of, and not otherwise be permitted to be excluded under, Rule 14a-8 promulgated by the SEC and our Amended and Restated Bylaws.

Under our Amended and Restated Bylaws, in order for a shareholder to nominate one or more persons for election to the Board at the 2013 Annual Meeting or propose any other business to be brought before the 2013 Annual Meeting, complete and timely notice must be given in writing and in proper form to our Vice President, Secretary and General Counsel not later than December 20, 2012 nor earlier than November 20, 2012. However, if the date of the 2013 Annual Meeting is advanced by more than 30 days or delayed by more than 60 days from the first anniversary date of the 2012 Annual Meeting, such notice must be delivered not earlier than the 120th day prior to the date of the rescheduled 2013 Annual Meeting and not later than the close of business on the later of the 90th day prior to the date of the rescheduled 2012 Annual Meeting or the 10th day following the day on which we first make public announcement of the date of the rescheduled 2013 Annual Meeting. Any notice must contain 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 our Company and its shares, including as a result of, among other things, derivative securities, voting arrangements or short positions. Such information must be updated as of the record date for the 2013 Annual Meeting and as of the date that is 10 business days prior to the date of the 2013 Annual Meeting. 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. A copy of our Amended and Restated Bylaws can be found on our website at www.thetorocompany.com (select the Investor Information link and then the Corporate Governance link). If a nomination or proposal is not timely and properly made in accordance with the procedures set forth in our Amended and Restated Bylaws, or does not contain the specific information required by our Amended and Restated Bylaws, such nomination or proposal will be defective and will not be brought before the 2013 Annual Meeting. If a nomination or proposal is nonetheless brought before the 2013 Annual Meeting and the Chairman does not exercise the power and duty to declare the nomination or proposal defective, the persons named in the proxy may use their discretionary voting with respect to your nomination or proposal.

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Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy materials. This means that only set of proxy materials may have been sent to multiple shareholders at a shared address. Additional copies of this proxy statement and our Annual Report on Form 10-K are available upon request to our Vice President, Secretary and General Counsel at 8111 Lyndale Avenue South, Bloomington, Minnesota, 55420-1196, by telephone at 888-237-3054, or by email to invest@toro.com. These documents also may be downloaded and printed from our website at www.thetorocompany.com/proxy. Any shareholder who wants to receive separate copies of our proxy materials in the future, or any shareholder who is receiving multiple copies and would like to receive only one copy per household, should contact his, her or its bank, broker or other nominee record holder.

Annual Report

A copy of Toro s Annual Report on Form 10-K for the fiscal year ended October 31, 2011, as filed with the SEC, will be sent to any shareholder, without charge, upon written request to our Vice President, Secretary and General Counsel at 8111 Lyndale Avenue South, Bloomington, Minnesota, 55420-1196. You also may obtain our Annual Report on Form 10-K on the Internet at the SEC s website, www.sec.gov, or on our website at www.thetorocompany.com/proxy. Our Fiscal Year 2011 Annual Report, which contains information about our business but is not part of our disclosure deemed to be filed with the SEC, also is available on our website at www.thetorocompany.com/proxy.

Cost and Method of Solicitation

We will pay the cost of soliciting proxies and may make arrangements with brokerage houses, custodians, nominees and other fiduciaries to send proxy materials to beneficial owners of our common stock. We will reimburse these third-parties for reasonable out-of-pocket expenses. In addition to solicitation by mail, our non-employee directors, executive officers and other employees may solicit proxies by telephone, electronic transmission and personally. Our non-employee directors, executive officers and other employees will not receive compensation for such services other than regular non-employee director or employee compensation. We have retained Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut, 06902, for an estimated fee of $7,500, plus out of pocket expenses, to assist in distributing proxy materials and soliciting proxies.

Dated: February 7, 2012

BY ORDER OF THE BOARD OF DIRECTORS

TIMOTHY P. DORDELL

Vice President, Secretary

and General Counsel

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