TORO CO
Form DEF 14A
January 27, 2004

Table of Contents

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]
Check the appropriate box:
[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

THE TORO COMPANY

(Name of Registrant as Specified in Its Charter)

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

Payment of filing fee (Check the appropriate box):

[X] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

Table of Contents

The Toro Company

8111 Lyndale Avenue South, Bloomington, Minnesota
Telephone 952/888-8801

Kendrick B. Melrose
Chairman and CEO

January 30, 2004

Dear Fellow Stockholders:

I thank you for your continued support through Toro s Fiscal 2003 and invite you to join us for the Toro Annual Meeting of Stockholders to be held on Friday, March 12, 2004 at our corporate offices. Details about the meeting, nominees for the Board of Directors and other matters to be acted on are presented in the Notice of Annual Meeting and Proxy Statement that follow.

In addition to Annual Meeting formalities, we will report to stockholders generally on Toro s business, and will be pleased to answer stockholders questions relating to Toro. Refreshments will be served after the meeting.

We hope you plan to attend the Annual Meeting. Please exercise your right to vote by signing, dating and returning the enclosed proxy card or using the Internet or telephone voting described in the Proxy Statement, even if you plan to attend the meeting.

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

Sincerely,

/s/ Kendrick B. Melrose

Kendrick B. Melrose

YOUR VOTE IS IMPORTANT. PLEASE SIGN AND RETURN THE ENCLOSED PROXY CARD OR VOTE BY INTERNET OR TELEPHONE AS SOON AS POSSIBLE. BY DOING SO, YOU MAY SAVE TORO THE EXPENSE OF ADDITIONAL SOLICITATION.

Table of Contents

NOTICE OF ANNUAL MEETING

The Toro Company 2004 Annual Meeting of Stockholders will be held on Friday, March 12, 2004 at 3:00 p.m. C.S.T. at Toro s corporate offices at 8111 Lyndale Avenue South, Bloomington, Minnesota, for the following purposes:

1. Elect four directors, each to serve for a term of three years;

2. Ratify the selection of the independent auditor for Toro for Fiscal 2004 (the fiscal year ending October 31, 2004); and

3. Transact any other business properly brought before the Annual Meeting or any adjournment of the meeting.

Stockholders of record at the close of business on January 14, 2004 (the Record Date) will be entitled to vote at the meeting or at any adjournment of the meeting.

A stockholder list will be available at Toro s corporate offices beginning February 27, 2004 during normal business hours, for examination by any stockholder registered on Toro s Stock Ledger as of the Record Date, for any purpose germane to the Annual Meeting.

Since a majority of the outstanding shares of Toro Common Stock must be represented either in person or by proxy to constitute a quorum for the conduct of business, **PLEASE PROMPTLY SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD OR VOTE BY INTERNET OR TELEPHONE.**

January 30, 2004

BY ORDER OF THE BOARD OF DIRECTORS

/s/ J. Lawrence McIntyre

J. LAWRENCE MCINTYRE
Vice President, Secretary and
General Counsel

TABLE OF CONTENTS

Table of Contents

THE TORO COMPANY

8111 Lyndale Avenue South
Bloomington, MN 55420-1196

PROXY STATEMENT

The Toro Company Board of Directors is soliciting your proxy for use at the 2004 Annual Meeting of Stockholders on Friday, March 12, 2004. This Notice, Proxy Statement and enclosed form of proxy will be mailed to stockholders beginning Friday, January 30, 2004.

VOTING

Who Can Vote

Only stockholders of record at the close of business on January 14, 2004 will be entitled to notice of and to vote at the Annual Meeting or any adjournment of the meeting. On that date, Toro had 24,866,109 shares of Common Stock outstanding. The number of shares outstanding reflects a 2 for 1 stock split effective April 14, 2003. Each share of Toro Common Stock you own entitles you to one vote.

Dividend Reinvestment Plan Shares. If you are a participant in Toro s Dividend Reinvestment Plan, the number shown on the enclosed proxy card includes shares held for your account in that plan.

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

How You Can Vote

If you are a stockholder whose shares are registered in your name, you may vote your shares in person at the meeting or by one of the three following methods:

Vote by Internet, by going to the web address http://www.eproxy.com/ttc/ and following the instructions for Internet voting shown on the enclosed proxy card.

Vote by Telephone, by dialing 1-800-560-1965 and following the instructions for telephone voting shown on the enclosed proxy card.

Vote by Proxy Card, by completing, signing, dating and mailing the enclosed proxy card in the envelope provided. If you vote by Internet or telephone, please do not mail your proxy card.

If your shares are held in street name (through a broker, bank or other nominee), you may receive a separate voting instruction form with this Proxy Statement, or you may need to contact your broker, bank or other nominee to determine whether you will be able to vote electronically using the Internet or telephone.

Table of Contents

If you return your signed proxy card or use Internet or telephone voting before the Annual Meeting, the named proxies will vote your shares as you direct. You have three choices on each matter to be voted on. For the election of directors, you may (1) vote **FOR** all of the nominees, (2) **WITHHOLD** your vote from all nominees or (3) **WITHHOLD** your vote from nominees you designate. See Proposal One Election of Directors. For each of the other proposals, you may vote **FOR** , **AGAINST** or **ABSTAIN** from voting.

If you send in your proxy card or use Internet or telephone voting, but do not specify how you want to vote your shares, we will vote them FOR the election of all nominees for director as described under Proposal One Election of Directors and FOR Proposal Two Ratify Selection of Independent Auditor.

How You May Revoke or Change Your Vote

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

Submitting another proper proxy with a more recent date than that of the proxy first given by:

(1) following the telephone voting instructions or

(2) following the Internet voting instructions or

(3) completing, signing, dating and returning a proxy card to Toro.

Sending written notice of revocation to Toro s Corporate Secretary.

Attending the Annual Meeting and voting by ballot.

If you hold your shares through a broker, bank or other nominee, you may revoke your proxy by following instructions provided by your broker, bank or nominee.

Quorum and Vote Requirements

A majority of the outstanding shares of Common Stock must be present in person or by proxy in order to have a quorum to conduct business at the Annual Meeting. Shares represented by proxies marked Abstain or Withheld and broker non-votes are counted in determining whether a quorum is present. A broker non-vote is a proxy submitted by a broker that does not indicate a vote for some or all of the proposals because the broker does not have discretionary voting authority on some types of proposals and has not received instructions from its client as to how to vote on a particular proposal.

The affirmative vote of a plurality of shares of Common Stock present in person or represented by proxy at the meeting is required for the election of directors. This means that a director nominee with the most votes for a particular slot is elected for that slot. Only votes For and Withheld affect the outcome. Item 2 will be decided by the affirmative vote of a majority of the shares present in person or represented by proxy. Under New York Stock Exchange (NYSE) rules, if your shares are held in street name , the broker is permitted to vote your shares on the election of directors as well as on Item 2. Broker non-votes are generally not counted, but abstentions and withheld votes are counted, in determining the total number of votes cast on a proposal. An abstention or withheld vote has the effect of a negative vote.

Table of Contents

Procedures at the Annual Meeting

The presiding officer at the meeting will determine how business at the Annual Meeting will be conducted. Only matters brought before the Annual Meeting in accordance with Toro s Bylaws will be considered.

Only a natural person present at the Annual Meeting who either is a Toro stockholder or is acting on behalf of a stockholder may make a motion or second a motion. A person acting on behalf of a stockholder must present a written statement executed by the stockholder or the duly authorized representative of the stockholder on whose behalf the person purports to act.

STOCK OWNERSHIP

The following table shows the amount of Toro Common Stock beneficially owned by each of the directors and nominees, the Chief Executive Officer and the four other most highly compensated executive officers named in the Summary Compensation Table (named executive officers) as of January 14, 2004. The table also shows beneficial ownership by all directors and executive officers as a group, including the named executive officers. Amounts shown for number of shares of Common Stock reflect the 2 for 1 stock split effective April 14, 2003.

	Name of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Percent of Class(2)
Common Stock	Ronald O. Baukol	27,697(3)(4)	*
	Robert C. Buhrmaster	24,839(3)(4)	*
	Winslow H. Buxton	25,481(3)(4)(5)	*
	Janet K. Cooper	28,249(3)(4)(5)	*
	Timothy A. Ford	75,278(3)	*
	Katherine J. Harless	3,893(3)(4)	*
	Michael J. Hoffman	162,911(3)(4)	*
	Kendrick B. Melrose	1,126,283(3)(4)(5)(6)	4.4%
	Karen M. Meyer	194,341(3)(4)	
	Robert H. Nassau	19,429(3)(4)	*
	Dale R. Olseth	42,112(3)(4)	*
	Gregg W. Steinhafel	22,525(3)(4)	*
	Christopher A. Twomey	22,942(3)(4)(5)	*
	Edwin H. Wingate	30,773(3)(4)(5)	*
	Stephen P. Wolfe	221,488(3)(4)(5)	*
Common Stock	All directors and executive officers as a group (22)	2,456,161(3)(4)(5)(6)	9.4%

* Less than 1% of the outstanding shares of Common Stock.

(1) Shares are deemed to be beneficially owned by a person if such person, directly or indirectly, has or shares (i) the power to vote or to direct the voting of such shares or (ii) the power to dispose or direct the disposition of such shares. In addition, beneficial ownership includes shares that such person has the right to acquire within 60 days.

(2) Common Stock units that have not vested are not included for the purpose of calculating Percent of Class amounts.

Table of Contents

(3) Includes shares held of record, shares that may be acquired upon exercise of stock options within 60 days and shares allocated to executive officers under The Toro Company Investment, Savings and Employee Stock Ownership Plan. Stock options exercisable within 60 days for each of the named directors and executive officers are as follows: Mr. Baukol 14,000 shares, Mr. Buhrmaster 14,000 shares, Mr. Buxton 12,000 shares, Ms. Cooper 14,000 shares, Ms. Harless 1,500 shares, Mr. Nassau 10,000 shares, Mr. Olseth 14,000 shares, Mr. Steinhafel 10,000 shares, Mr. Twomey 14,000 shares, Mr. Wingate 14,000 shares, Mr. Melrose 482,000 shares, Mr. Hoffman 101,200 shares, Mr. Wolfe 123,364 shares, Ms. Meyer 105,600 shares, Mr. Ford 62,000 shares and all directors and executive officers as a group 1,227,019 shares.

(4) Includes Common Stock units credited under The Toro Company Deferred Compensation Plan for Non-Employee Directors and vested Common Stock units credited under The Toro Company Deferred Compensation Plan for Officers (Officers Deferred Plan). Units credited for each of the nonemployee directors at January 14, 2004 were as follows: Mr. Baukol 1,909.838 units, Mr. Buhrmaster 1,909.838 units, Mr. Buxton 1,028.364 units, Ms. Cooper 4,554.233 units, Ms. Harless 1,474.438 units, Mr. Nassau 7,051.714 units, Mr. Olseth 7,051.714 units, Mr. Steinhafel 587.643 units, Mr. Twomey 1,028.364 units and Mr. Wingate 7,051.714 units. Units credited for each of the named executive officers at January 14, 2004 were as follows: Mr. Melrose 271,864.464 units, Mr. Hoffman 6,167.995 units, Mr. Wolfe 77,017.987 units and Ms. Meyer 60,969.928 units and all directors and executive officers as a group 558,289 units. See Compensation and Human Resources Committee Report.

(5) Includes shares held in trusts for estate planning purposes as follows: 12,453 for Mr. Buxton and his spouse, 7,914 for Mr. Twomey, 9,721 for Mr. Wingate s Family Trust, 8,205 for Mr. Wolfe and 57,470 shares for all directors and executive officers as a group, including spouses. The amount shown for Mr. Melrose includes 916 shares held of record by Mr. Melrose as custodian for minor children under the Minnesota Uniform Transfer to Minors Act.

(6) Includes restricted stock in the amount of 24,454 shares in connection with the Chief Executive Officer Succession Incentive Agreement, which are subject to forfeiture until vested.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The rules of the Securities and Exchange Commission require us to disclose the identity of directors, executive officers and beneficial owners of more than 10% of the Common Stock of Toro who did not file on a timely basis reports required by Section 16 of the Securities Exchange Act of 1934. Based solely on review of copies of those reports received by us, or written representations from reporting persons, Toro believes that all directors and executive officers complied with all filing requirements applicable to them during Fiscal 2003, except that a Form 3 report with respect to William E. Brown, Jr. was not filed on a timely basis. Toro has no owners of more than 10% of its Common Stock.

PROPOSAL ONE ELECTION OF DIRECTORS

Under Toro s Amended and Restated Certificate of Incorporation, the Toro Board of Directors may be comprised of between eight and eleven directors. The Board has fixed the number of directors at eleven. The maximum and minimum number of directors can be changed only by amendment of the Amended and Restated Certificate of Incorporation approved by the affirmative vote of 80% of the outstanding shares of Toro Common Stock. The Board is divided into three classes, with each class elected in a different year for a term of three years. The four nominees for election at the 2004 Annual Meeting Robert C. Buhrmaster, Winslow H. Buxton, Robert H. Nassau and Christopher A. Twomey have consented to serve if elected. If any nominee is unable to stand for election, the Nominating and Governance Committee may recommend a substitute for appointment by the Board.

Director Independence

The Board has reviewed all transactions or relationships between each director, or any member of his or her immediate family and Toro, its senior management and its independent auditor. Based on this review and as required by the independence standards of the NYSE, the Board has affirmatively determined that all nonemployee directors are independent from management and its independent auditor within the meaning of the NYSE listing standards.

The Board held six meetings during Fiscal 2003. Each incumbent director attended at least 75% of the aggregate total number of meetings held by the Board and all committees on which he or she served.

It is Toro s policy that all directors should attend the Annual Meeting of Stockholders and Toro regularly schedules a Board meeting on the same day as the Annual Meeting. Ten members of the Board attended the 2003 Annual Meeting.

The following information with respect to business experience of nominees for election to the Board and the continuing directors has been furnished by the respective directors or nominees or obtained from the records of Toro.

Nominees for Election to Board of Directors (Term ending after Fiscal 2006)

Robert C. Buhrmaster, age 56. Chairman since February 1998 and Chief Executive Officer since May 1994, Jostens, Inc., Minneapolis, Minnesota (consumer manufacturing). From May 1994 to January 2003 he also served as President. First elected to the Toro Board in 1996, he is a member of the Audit Committee, Executive Committee and the Nominating and Governance Committee.

Winslow H. Buxton, age 64. Retired. From January 1993 through April 2002 served as Chairman of the Board of Directors, Pentair, Inc., Saint Paul, Minnesota (diversified manufacturing). In addition, he served as Chief Executive Officer from August 1992 through December 2000, and from August 1992 to December 1999 he served as President. First elected to the Toro Board in 1998, he is Chair of the Nominating and Governance Committee and a member of the Audit Committee and the Executive Committee. Mr. Buxton is a director of Bemis Company, Inc.

Robert H. Nassau, age 62. Director of Corporate Accounts since November 2003, F2 Intelligence Group, Minneapolis, Minnesota (consulting). Owner and Chief Executive Officer since February 2000, Nasly Inc., an inactive corporation since June 2003, Lahaina, Hawaii (food, beverage and entertainment). From January 1997 to August 1999, he served as President and Chief Executive Officer, St. Raymond Wood Products Holding Limited (wood manufacturing). First elected to the Toro Board in 1988, he is a member of the Compensation and Human Resources Committee and the Nominating and Governance Committee.

Christopher A. Twomey, age 55. Chairman of the Board since August 2003 and Chief Executive Officer and President since February 1986, Arctic Cat Inc., Thief River Falls, Minnesota (recreational vehicle manufacturer). First elected to the Toro Board in 1998, he is a member of the Audit Committee and the Nominating and Governance Committee. Mr. Twomey is a director of Arctic Cat Inc.

Members of Board of Directors Continuing in Office (Term ending after Fiscal 2004)

Ronald O. Baukol, age 66. Retired. From May 1995 through February 2002 served as Executive Vice President, International Operations, 3M Company, Saint Paul, Minnesota (manufacturing). First elected to the Toro Board in 1995, he is a member of the Executive Committee, the Compensation and Human Resources Committee and the Nominating and Governance Committee.

Katherine J. Harless, age 52. President since June 2000, Verizon Information Services, Inc., Dallas, Texas (publisher). From July 1996 to August 2000, she served as President, GTE Airfone, Inc, Texas and New Mexico (air-to-ground communications). First elected to the Toro Board in 2000, she is a member of the Compensation and Human Resources Committee and the Nominating and Governance Committee.

Dale R. Olseth, age 73. Chairman of the Board and Chief Executive Officer since November 1986, SurModics, Inc., Eden Prairie, Minnesota (surface modification). He also served as President of SurModics, Inc. from November 1996 to July 1998. First elected to the Toro Board in 1980, he is presiding non-management director (see Corporate Governance Complaint Procedure; Communications with Directors below) and a member of the Nominating and Governance Committee. Mr. Olseth is a director of SurModics, Inc.

Members of Board of Directors Continuing in Office (Term ending after Fiscal 2005)

Janet K. Cooper, age 50. Senior Vice President and Treasurer since September 2002 of Qwest Communications International Inc. (Qwest), Denver, Colorado (telecommunications). From January 2001 to June 2002 she served as Chief Financial Officer and Senior Vice President of Finance and Administration of McDATA Corporation, Broomfield, Colorado (enterprise open network storage). From July 2000 to January 2001 she was Senior Vice President, Finance, Qwest. She served in several executive positions with US West, Inc., including from June 1999 to June 2000, Vice President Finance and Controller; from February 1999 to June 1999, Vice President Treasurer and Controller; and from May 1998 to February 1999, Vice President Treasurer. She previously was employed by The Quaker Oats Company and served as Vice President, Treasurer and Tax from July 1997 to May 1998. First elected to the Toro Board in 1994, she is Chair of the Audit Committee and a member of the Compensation and Human Resources Committee. Ms. Cooper is a director of Lennox International Inc.

Kendrick B. Melrose, age 63. Chairman of Toro since December 1987 and Chief Executive Officer of Toro since December 1983. Employed by Toro since 1970. First elected to the Toro Board in 1981. Mr. Melrose is also Chair of the Executive Committee. Mr. Melrose is a director of SurModics, Inc. and Donaldson Company, Inc.

Gregg W. Steinhafel, age 49. President since August 1999, Target Stores, a division of Target Corporation, Minneapolis, Minnesota (retailing). Served as Executive Vice President Merchandising from July 1994 to July 1999. First elected to the Toro Board in 1999, he is a member of the Audit Committee, the Compensation and Human Resources Committee and the Executive Committee.

Edwin H. Wingate, age 71. Retired. Served as Senior Vice President Personnel, Dayton Hudson Corporation, Minneapolis, Minnesota (retailing) from June 1980 through August 1997. First elected to the Toro Board in 1989, he is Chair of the Compensation and Human Resources Committee and a member of the Audit Committee. Mr. Wingate is a director of The Roche Brothers Supermarket Incorporated.

The Board of Directors unanimously recommends a vote FOR the election of all nominees for director.

The Board has four committees with the principal functions described below. The charter of each committee, except the Executive Committee, is posted on our web site at www.thetorocompany.com/. A copy of each charter is available in print to any stockholder upon request to Toro s Assistant Corporate Secretary at 8111 Lyndale Avenue South, Bloomington, Minnesota, by telephone 888-237-3054, or by email at jeanne.ryan@toro.com.

Executive Committee. The Executive Committee may exercise all of the powers and authority of the Board, including the power to declare dividends on Toro Common Stock, during intervals between meetings of the Board. No meetings of the committee were held during Fiscal 2003.

Audit Committee. The Audit Committee is established to oversee the accounting and financial reporting processes and audits of the financial statements of the Company. The committee assists the Board in oversight of the quality and integrity of the Company s financial reports, the Company s compliance with legal and regulatory requirements, the independent auditor s qualifications and independence and the performance of Toro s internal audit function, as well as accounting and reporting processes.

For many years the Company s Audit Committee has been composed entirely of directors who are not employees of the Company and have no relationship to the Company that would interfere with a director s independence from management and the Company, including independence within the meaning of applicable NYSE listing standards. Each member must be financially literate under recently revised NYSE listing standards, or become financially literate within a reasonable period of time after appointment. The Chair of the committee must have such accounting or related financial management expertise as to be considered a financial expert under rules of the Securities and Exchange Commission adopted pursuant to requirements of the Sarbanes-Oxley Act of 2002.

The Board has determined that all members of the committee are financially literate and that Audit Committee Chair Janet K. Cooper meets the definition of financial expert as a result of her experience in senior corporate executive positions with financial oversight responsibilities, including Senior Vice President and Treasurer of Qwest, and Chief Financial Officer and Senior Vice President of Finance and Administration of McDATA Corporation, as well as other finance positions with Qwest, US West, Inc. and The Quaker Oats Company.

The committee s duties are set forth in its charter which is included as Exhibit A to this Proxy Statement and can also be found on the Toro web site at www.thetorocompany.com/. Among its duties are reviewing and evaluating at least annually the qualifications, independence and performance of the Company s independent public accountants and selecting, engaging, retaining and compensating them; reviewing and approving in advance the scope, magnitude and budgets of all examinations of the Company s financial statements by the auditors; reviewing general policies and procedures with respect to accounting and financial matters and internal controls; reviewing and approving in advance the retention of the independent auditor for all types of audit and nonaudit services to be performed by independent public accountants and approving the fees for such services; meeting with independent public accountants not less than once a year without Company representatives to discuss internal controls and accuracy and completeness of the financial statements; reviewing the Company s Code of Conduct and its Code of Ethics for CEO and Senior Financial Officers, as well as policies and procedures for the receipt, retention and treatment of complaints from employees on accounting, internal accounting controls or auditing matters; receiving analyses and comments regarding accounting pronouncements; reviewing results of audits with the independent public accountants and management with a focus on difficulties encountered, material errors or irregularities, weaknesses in internal accounting controls and similar issues; and notifying the Board of major problems or deficiencies discovered with respect to the committee s duties.

Additional information regarding the Audit Committee and the Company s independent auditor is disclosed under the Audit Committee Report and Proposal Two. The Audit Committee held three full meetings and eight interim conference call meetings during Fiscal 2003. At each of the full meetings the committee met in private session with the Company s independent auditor, at one of these meetings the committee met in private session with management and at one of the full meetings and during one of the interim conference calls, met in private session with the Company s internal auditor.

Compensation and Human Resources Committee. All members of the Compensation and Human Resources Committee must be independent within the meaning of applicable NYSE listing standards. This committee s functions include making recommendations to the Board relating to compensation of Toro s Chairman of the Board and Chief Executive Officer and its elected executive officers. The committee has sole authority to retain and terminate any external compensation consultant used in the evaluation of Chief Executive Officer or elected officer compensation, including approval of fees. The committee is responsible for reviewing and monitoring human resource and organizational matters and has overall responsibility for approving and evaluating all compensation plans, policies and programs of Toro as they affect the Chairman and Chief Executive Officer, elected officers, other executive officers and management. The committee approves incentive compensation awards and overall compensation levels, including annual base salaries and annual incentive opportunities for officers referred to in Section 162(m) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). The committee annually reviews and approves overall employee salary policies, as well as equity based programs for all categories of employees. The committee monitors Toro s compliance with requirements under the Sarbanes-Oxley Act of 2002 relating to 401(k) plans and loans to directors and officers, and with all other applicable laws affecting employee compensation and benefits. The committee reviews and determines the form and amount of compensation for independent directors and

Table of Contents

annually reviews its own performance. Two meetings of the committee were held during Fiscal 2003.

Nominating and Governance Committee. Toro has had a Nominating Committee of the Board of Directors for many years. In Fiscal 2003, the name of the committee was changed to the Nominating and Governance Committee. All members of this committee meet the independence requirements of the NYSE listing standards. This committee s functions are set forth in its charter, and include assisting the Board by identifying individuals qualified to become Board members and recommending director nominees for the annual meeting of stockholders; recommending to the Board the Corporate Governance Guidelines applicable to Toro; leading the Board in its annual review of the Board s performance and recommending the Board director nominees for each committee. The committee has sole authority to retain and to 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. The committee actively seeks individuals qualified to become Board members and makes recommendations based on experience, expertise and geographical representation. The committee, with the participation of the Chairman of the Board, annually polls the Board about directors whose terms are expiring and recommends that any director who does not continue to have the affirmative support of a majority of the members of the Board not stand for election. The committee must annually review the adequacy of its charter and its own performance. A current copy of the charter is available to stockholders on Toro s web site at www.thetorocompany.com/. The committee does not have an express policy with regard to consideration of director candidates recommended by stockholders because Toro s bylaws permit a stockholder to nominate a candidate. The Nominating and Governance Committee will consider director candidates proposed by stockholders. Those candidates must be highly qualified, exhibiting the experience and expertise required of the Board s own pool of candidates and interest in Toro s businesses, and also the ability to attend and prepare for Board, committee and stockholder 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 stockholders and not those of a special interest group. A stockholder wishing to nominate a candidate should do so in accordance with the guidelines set forth on page 26. See Other Information Stockholder Proposals for 2005 Annual Meeting below. Two meetings of the committee were held during Fiscal 2003.

The Audit Committee Report that follows, the Audit Committee Charter which is Exhibit A to this Proxy Statement, the Compensation and Human Resources Committee Report on page 19 and the Performance Graph on page 18 shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934, or to the liabilities of Section 18 of that act. Notwithstanding anything to the contrary set forth in any of Toro s previous filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate future filings, including this Proxy Statement, in whole or in part, neither of the reports nor the Performance Graph shall be incorporated by reference into any such filings.

Audit Committee Report

This report is furnished by the Audit Committee of the Toro Board of Directors with respect to Toro s financial statements for Fiscal 2003. The Board of Directors has determined that all members of the committee are independent as defined in applicable NYSE listing standards.

Table of Contents

The committee operates pursuant to a written charter first adopted by the Board on October 11, 1988 and amended four times, most recently on September 23, 2003. A copy of the charter as amended is Exhibit A to this Proxy Statement.

Toro management is responsible for the preparation and presentation of complete and accurate financial statements. The independent auditor, KPMG LLP, is responsible for performing an independent audit of Toro s financial statements in accordance with generally accepted auditing standards and for issuing a report on their audit.

In performing its oversight role, the Audit Committee has reviewed and discussed with management Toro s audited financial statements for Fiscal 2003. Management represented to the Audit Committee that Toro s consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee has also discussed with KPMG LLP, Toro s independent auditor for Fiscal 2003, the matters required to be discussed by Statement on Auditing Standards 61, Communication with Audit Committees (Codification of Statements on Auditing Standards, AU 380), as in effect for Toro s Fiscal 2003. The Audit Committee has received the written disclosures and the letter from KPMG LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) as in effect for Toro s Fiscal 2003. The committee has discussed with KPMG LLP the auditors independence and concluded that the independent auditor is independent from Toro and its management.

Based on the review and discussions referred to in the foregoing paragraph, and subject to the limitations on the role and responsibilities of the committee in its charter, the Audit Committee recommended to the Board of Directors that Toro s audited financial statements for Fiscal 2003 be included in Toro s Annual Report on Form 10-K for the fiscal year ended October 31, 2003, for filing with the Securities and Exchange Commission.

Audit Committee

Janet K. Cooper, Chair
Robert C. Buhrmaster
Winslow H. Buxton
Gregg W. Steinhafel
Christopher A. Twomey
Edwin H. Wingate

Board Compensation

Fees and Stock Awards. Compensation for Toro directors who are not employees of Toro is designed to link a director s compensation with stockholder interests. The compensation therefore includes stock components as well as cash. Cash compensation for Fiscal 2003 included an annual retainer and meeting fees ($20,000 plus a fee of $1,000 for each meeting of the Board or a committee attended, except that no more than one committee meeting fee is paid for committee meetings held in a single day). The Chair of the Audit Committee receives $3,000 for each meeting attended and $500 for each interim conference call meeting in which the Chair participates and the Chairs of each of the other board committees receive $2,000 for each meeting they attend.

Table of Contents

Non-employee directors also receive an annual grant of Common Stock having a $10,000 market value (valued at the average of the closing prices of Common Stock during the three months prior to the award) and a 2,000 share stock option award (with an exercise price per share equal to 100% of the fair market value of one share of Common Stock on the date of grant which is the first business day of the fiscal year) pursuant to The Toro Company Directors Stock Plan and The Toro Company 2000 Directors Stock Plan (Directors Plans). A director may elect to receive the annual retainer fee and meeting fees in cash or shares of Common Stock, or a combination of both. Toro also supplies directors with Toro products for their personal use.

Other Arrangements. An outside director may elect to defer receipt of Board compensation under the Deferred Compensation Plan for Non-Employee Directors. Interest is accrued quarterly on deferred cash amounts at the average prime rate charged by U. S. Bank National Association, Minneapolis, Minnesota (ranging from 4.0% to 4.5% in Fiscal 2003). Ms. Cooper deferred all or a portion of her cash compensation and her account was credited with interest at the rates described. Deferred stock compensation is credited as Common Stock units, which are credited with dividends that are reinvested as additional units. Ms. Harless has in past years deferred her Common Stock awards and her account was credited with 6.471 Common Stock units for regular dividends paid during Fiscal 2003.

Each director is a party to an indemnification agreement that assures the director of indemnification and advancement of expenses to the fullest extent permitted by Delaware law and Toro s Amended and Restated Certificate of Incorporation, and of continued coverage under Toro s directors and officers liability insurance, to the extent it is maintained.

Table of Contents

EXECUTIVE COMPENSATION

Summary Compensation Table

The table below shows compensation of Toro s Chief Executive Officer and the named executive officers for the last three fiscal years. The named executive officers include the four most highly compensated executive officers other than the CEO, who were serving as executive officers on October 31, 2003. All share amounts in the tables and notes are adjusted to reflect the 2 for 1 split of Toro Common Stock effective April 14, 2003.

					Long Term Compensation			
		Annual Compensation			Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)(1)	Restricted Stock ($)	Options (#)(2)	LTIP Payouts ($)(3)	All Other Compensation ($)(4)
Kendrick B. Melrose	2003	$711,625	$613,207(5)	$ 52,162	$ 0(8)	94,000	$2,100,342	$327,589
Chairman of the Board &	2002	683,589	553,194(5)	360,979	0	93,000	1,384,662	309,391
Chief Executive Officer	2001	656,663	400,302(5)	9,411,136(7)	0	102,000	1,421,894	268,917
Michael J. Hoffman	2003	310,000	193,905(5)	0	0	21,000	296,419	82,199
Group Vice President	2002	286,506	151,974(5)	87,090	0	24,000	359,962(10)	79,877
	2001	255,000	162,262(5)	20,136	0	27,600	209,884	58,559
Stephen P. Wolfe	2003	298,790	183,905(5)	603,520	0	23,000	567,431	111,924
Vice President Finance &	2002	282,828	176,060(5)	89,123	0	24,600	439,069	96,784
Chief Financial Officer	2001	270,842	123,829(5)	37,238	0	27,600	385,938	80,572
Karen M. Meyer	2003	280,967	172,935(5)	591,469	0	22,000	533,555	99,286
Vice President,	2002	267,710	166,649(5)	0	0	23,000	363,029	92,514
Administration	2001	256,740	117,382(5)	51,831	0	25,800	372,425	84,696
Timothy A. Ford	2003	280,000	172,340(5)	0	0	16,000	359,456	0
Group Vice President	2002	261,249	181,155(5)	0	0	16,000	190,390(11)	0
	2001	31,250	80,000(6)	0	171,000(9)	30,000	0	0

(1) Includes the dollar value of the difference between the fair market value and the option exercise price (before payment of applicable income taxes) on stock options exercised. Fair market value is the closing price of the Common Stock on NYSE on the date of exercise or actual sale price. All of these options have an exercise price equal to fair market value on the date of grant and were exercisable immediately upon grant. Also includes the dollar value of executive perquisites for Mr. Melrose ($19,825 of his perquisites were for car lease and expenses).

(2) Options granted pursuant to The Toro Company 1993 Stock Option Plan and The Toro Company 2000 Stock Option Plan. For information on Toro s stock option plans, see Stock Options on page 15 under this *Executive Compensation* section.

(3) Amounts shown for Fiscal 2003 reflect the value of Performance Shares that vested for the three year Award Term of Fiscal 2001 through 2003 under The Toro Company Performance Share Plan (the Performance Share Plan), a long term incentive plan described in greater detail under Long Term Incentive Compensation and the Compensation and Human Resources Committee Report. Performance Shares that vested with respect to Fiscal 2001 to 2003 are valued as of December 4, 2003, the date the Compensation and Human Resources Committee certified performance goal achievement. Award payouts were based on cumulative net income plus after tax

interest expense and cumulative average net asset turns performance goals with respect to the Fiscal 2001 to 2003 performance period. Shares issued or credited to each officer with respect to Fiscal 2003 are as follows: Mr. Melrose 43,648, Mr. Hoffman

6,160, Mr. Wolfe 11,292 and Ms. Meyer 11,088. Mr. Ford was credited with 7,470 shares for a two year transitional performance period of Fiscal 2002 to 2003. Amounts shown for Fiscal 2002 reflect the value of Performance Shares vested for a three year performance period of Fiscal 2000 to 2002 for Messrs. Melrose, Hoffman and Wolfe and Ms. Meyer and a one year transitional performance period for Mr. Ford who first became a participant in this plan for Fiscal 2002. Those shares were valued as of December 4, 2002. Amounts shown for Fiscal 2001 reflect the value of Performance Shares vested for a three year performance period of Fiscal 1999 to 2001 for Messrs. Melrose, Hoffman and Wolfe, and Ms. Meyer. Those shares were valued as of December 4, 2001.

(4) Amounts include Company contributions and allocations to The Toro Company Investment, Savings and Employee Stock Ownership Plan (a defined contribution retirement plan) for calendar years 2003, 2002 and 2001 (an aggregate of $24,300 each for Messrs. Melrose, Hoffman and Wolfe, and Ms. Meyer for calendar year 2003). Mr. Ford was not yet eligible to receive benefits under this plan. Also includes amounts accrued pursuant to Toro s Supplemental Management Retirement Plan for executive officers who receive annual compensation of $200,000 or more ($303,259 for Mr. Melrose, $57,869 for Mr. Hoffman, $87,594 for Mr. Wolfe and $74,956 for Ms. Meyer for calendar year 2003). Participants accounts are credited with an amount equal to the difference between the aggregate amount that would have been allocated to tax-qualified profit-sharing and other defined contribution plans, without regard to limitations imposed by the Internal Revenue Code, and the aggregate amount of contributions actually allocated (excess benefit accounts). Although amounts credited to such accounts remain a part of Toro s general assets until distributed to participants, if there is a change of control of Toro (as defined in the plans), or if we accept a participant s request to direct investment of an account, we will transfer to a trust an amount in cash equal to the total amount of accrued benefits for all participants or for the electing participant, as the case may be. Because these plans operate on a calendar year basis, a small portion of the amounts shown for each fiscal year may have been accrued with respect to a different fiscal year.

(5) Amounts reflect payments made, or deferred at the election of the officer, pursuant to the Annual Incentive Plan as in effect for the fiscal year indicated. For more information on this plan, see the Compensation and Human Resources Committee Report.

(6) Mr. Ford was paid $80,000 in connection with commencement of his employment in Fiscal 2001.

(7) Amount includes $8,403,590 attributable to exercise of options on 600,000 shares of Common Stock granted to Mr. Melrose in 1991 in lieu of $100,000 of base salary each year for five years from 1991 to 1995. The exercise price for these salary reduction options based on Toro s stock price in 1991 was $7.475 per share. Toro s stock price at the time of Mr. Melrose s exercises in 2001 ranged from $21.75 to $23.25. Share and dollar amounts are adjusted to reflect the 2 for 1 split in Toro Common Stock effective April 14, 2003.

(8) Mr. Melrose holds 24,454 shares of unvested restricted stock under the Chief Executive Officer Succession Incentive Agreement. The value of these shares based on the closing price of the Common Stock on NYSE on October 31, 2003 was $1,215,364.

(9) Amount reflects the value of 8,000 shares of restricted stock awarded to Mr. Ford on July 19, 2001 in connection with commencement of his employment, with vesting based on continued

employment. 4,400 shares vested on November 30, 2003 and 3,600 shares vested on November 30, 2002. Dividends were paid on the restricted stock.

(10) Amount reflects the value of 4,400 shares of restricted stock, which vested with respect to achievement of a division controllable profit contribution performance goal for the Consumer Business, established May 18, 2000. The value is based on the closing price of Toro Common Stock on October 31, 2002, the vesting date. Dividends were paid on the restricted stock.

(11) The amount shown for Mr. Ford was for payment under a one year transition award for Fiscal 2002 to bring him into the Performance Share Plan.

Employment Agreements

Change in Control Agreements. Each of the executive officers, including those named in the Summary Compensation Table, is a party to a change of control employment agreement adopted in Fiscal 1995 and amended in Fiscal 1998. The agreements are operative only upon the occurrence of a change in control , which includes substantially those events described below. Absent a change in control, the agreements do not require Toro to retain the executives or to pay them any specified level of compensation or benefits.

Each agreement provides that for three years after a change in control, there will be no adverse change in the executive s salary, bonus opportunity, benefits or location of employment. If during this three year period the executive s employment is terminated by Toro other than for cause, or if the executive terminates employment for good reason (as defined in the agreements, and including compensation reductions, demotions, relocation and excess travel), or voluntarily during the 30 day period following the first anniversary of the change in control, the executive is entitled to receive all accrued salary and annual incentive payments through the date of termination and, except in the event of death or disability, a lump sum severance payment (Lump Sum Payment) equal to three times the sum of base salary and annual bonus (and certain insurance and other welfare plan benefits). Further, in the event an excise tax is imposed on payments under the agreement, an additional payment (gross-up) is required in an amount such that after the payment of all taxes, both income and excise, the executive will be in the same after-tax position as if no excise tax under the Internal Revenue Code had been imposed.

Generally, and subject to certain exceptions, a change in control is deemed to have occurred if: (1) a majority of Toro s Board of Directors becomes comprised of persons other than persons for whose election proxies have been solicited by the Board, or who are then serving as directors appointed by the Board to fill vacancies caused by death or resignation (but not removal) of a director or to fill newly created directorships; (2) another party becomes the beneficial owner of at least 15% of Toro s outstanding voting stock; or (3) Toro s stockholders approve a definitive agreement or plan to merge or consolidate Toro with another party (other than certain limited types of mergers), to exchange shares of voting stock of Toro for shares of another corporation pursuant to a statutory exchange, to sell or otherwise dispose of all or substantially all of Toro s assets, or to liquidate or dissolve Toro.

If a change in control of Toro had occurred on January 1, 2004 and had resulted in the involuntary termination of the Chief Executive Officer and the named executive officers at that time or the termination by such executives for good reason, the Lump Sum Payment to be made to the Chief Executive Officer and the named executive officers in the aggregate would have been

Table of Contents

approximately $9,878,409 (before excise tax). Toro has also established a trust for the benefit of these officers which, in the event of a change of control, must be funded in an amount equal to Toro s accrued liability related to the agreements.

Stock Options

Toro has outstanding options under two stock option plans, The Toro Company 1993 Stock Option Plan and The Toro Company 2000 Stock Option Plan. The 1993 Plan terminated August 17, 2003 and no further options may be granted under that plan. The plans are administered by the Compensation and Human Resources Committee which selects employees to whom options are granted.

As of January 2004, 601,311 shares remained available for new grants under the 2000 Plan. The exercise price of an option must be not less than 100% of the fair market value of the Common Stock on the date of grant and an option may not be repriced, once granted. Options are not transferable except by will or the laws of descent and distribution. Options may have a term of up to ten years. The committee may permit options to be exercised immediately after grant or may impose vesting requirements. Options may be exercised using cash, stock or a cashless method through a broker.

Option Grants in Last Fiscal Year

The following table shows options granted under the 1993 Plan and the 2000 Plan during Fiscal 2003 to the Chief Executive Officer and the named executive officers, after adjustment for the 2 for 1 stock split effective April 14, 2003.

	Individual Grants				Grant Date Value
Name	Number of Shares Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($ Per Share)	Expiration Date	Grant Date Present Value($)(1)
Kendrick B. Melrose	94,000	17.00%	$32.275	12/4/12	$1,290,620
Michael J. Hoffman	21,000	3.80	$32.275	12/4/12	288,330
Stephen P. Wolfe	23,000	4.16	$32.275	12/4/12	315,790
Karen M. Meyer	22,000	3.98	$32.275		