TORO CO
Form DEF 14A
January 31, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

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

THE TORO COMPANY

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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2) Aggregate number of securities to which transaction applies:

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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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SEC 1913 (02-02)

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The Toro Company

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

Kendrick B. Melrose
Chairman and CEO

January 31, 2005

Dear Fellow Stockholders:

I am pleased to invite you to join us for the Toro Annual Meeting of Stockholders to be held on Tuesday, March 15, 2005 at 3:00 p.m. C.S.T. 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.

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 Internet or telephone voting as 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,

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.

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NOTICE OF ANNUAL MEETING

The Toro Company 2005 Annual Meeting of Stockholders will be held on Tuesday, March 15, 2005 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. Approve amendment of Article IV, Section 1 of Toro s Amended and Restated Certificate of Incorporation (a) to increase the total number of shares of Common Stock Toro is authorized to issue from 50,000,000 to 100,000,000 and (b) to increase the capital stock Toro is authorized to issue from 51,850,000 to 101,850,000, to reflect the increase in the authorized Common Stock;

2. Approve amendment of Article VI, Section 1 of Toro s Amended and Restated Certificate of Incorporation to increase the size of the Board from 11 to 12 directors;

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

4. Approve amendment of The Toro Company Annual Management Incentive Plan II to increase the Participation Factor percentages, to increase the maximum award that may be paid and to eliminate authority to grant Stock Retention Awards;

5. Approve amendment of The Toro Company 2000 Stock Option Plan to increase from 3,000,000 to 4,000,000 the number of authorized shares;

6. Ratify the selection of the independent auditor for Toro for Fiscal 2005 (the fiscal year ending October 31, 2005); and

7. 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 18, 2005 (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 March 1, 2005 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 31, 2005

BY ORDER OF THE BOARD OF DIRECTORS

J. LAWRENCE MCINTYRE
Vice President, Secretary and
General Counsel

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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 2005 Annual Meeting of Stockholders for Tuesday March 15, 2005. This Notice, Proxy Statement and enclosed form of proxy is intended to be mailed to stockholders beginning Monday, January 31, 2005.

VOTING

Who Can Vote

Only stockholders of record at the close of business on January 18, 2005 will be entitled to notice of and to vote at the Annual Meeting or any adjournment of the meeting. On that date, Toro had 22,520,531 shares of Common Stock outstanding. 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 plans.

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.

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 Three 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 Proposal One Amendment of the Amended and Restated Certificate of Incorporation to increase the number of shares, FOR Proposal Two Amendment of the Amended and Restated Certificate of Incorporation to increase the size of the Board, FOR the election of all nominees for director as described under Proposal Three, FOR Proposal Four Amendment of The Toro Company Annual Management Incentive Plan II, FOR Proposal Five Amendment of The Toro Company 2000 Stock Option Plan and FOR Proposal Six 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:
  - following the Internet voting instructions, or
  - following the telephone voting instructions or
  - 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 they provide.

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. The affirmative vote of the holders of a majority of all the outstanding shares of Common Stock is required for adoption of Proposal 1. The affirmative vote of

at least 80% of the outstanding shares of Common Stock is required for adoption of Proposal 2. The other matters 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 Proposals 1, 2 and 6. 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.

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.

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STOCK OWNERSHIP

The following table shows the beneficial ownership of Toro Common Stock of 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 18, 2005. The table also shows beneficial ownership by all directors and executive officers as a group, including the named executive officers. Toro is unaware of any beneficial owner of five percent or more of outstanding Toro Common Stock.

Name of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership of Common Stock	Common Stock Beneficially Owned as Percent of Common Stock Outstanding(2)
Ronald O. Baukol	27,705(3)(4)	*
Robert C. Buhrmaster	24,847(3)(4)	*
Winslow H. Buxton	29,636(3)(4)(5)	*
Janet K. Cooper	28,269(3)(4)	*
Timothy A. Ford	69,362(3)	*
Katherine J. Harless	5,900(3)(4)	*
Michael J. Hoffman	168,859(3)(4)	*
Kendrick B. Melrose	1,051,159(3)(4)(5)(6)	4.6%
Karen M. Meyer	198,727(3)(4)	*
Robert H. Nassau	21,459(3)(4)	*
Dale R. Olseth	42,142(3)(4)	*
Gregg W. Steinhafel	24,527(3)(4)	*
Christopher A. Twomey	24,389(3)(4)(5)	*
Edwin H. Wingate	33,169(3)(4)(5)	*
Stephen P. Wolfe	216,464(3)(4)(5)	*
All directors and executive officers as a group (25)	2,419,497(3)(4)(5)(6)	10.2%

* 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.

(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 14,000 shares, Ms. Cooper 14,000 shares, Ms. Harless 3,500 shares, Mr. Nassau 12,000 shares, Mr. Olseth 14,000 shares, Mr. Steinhafel 12,000 shares, Mr. Twomey 14,000 shares, Mr. Wingate 14,000 shares, Mr. Melrose 477,000 shares, Mr. Hoffman 87,000 shares, Mr. Wolfe 93,818 shares, Ms. Meyer

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84,653 shares, Mr. Ford 49,667 shares and all directors and executive officers as a group 1,091,310 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 18, 2005 were as follows: Mr. Baukol 1,918.058 units, Mr. Buhrmaster 1,918.058 units, Mr. Buxton 1,032.799 units, Ms. Cooper 4,573.832 units, Ms. Harless 1,480,783 units, Mr. Nassau 7,082,063 units, Mr. Olseth 7,082.063 units, Mr. Steinhafel 590.172 units, Mr. Twomey 1,032.799 units and Mr. Wingate 7,082.063 units. Units credited for each of the named executive officers at January 18, 2005 were as follows: Mr. Melrose 348,578.178 units, Mr. Hoffman 22,102.528 Mr. Wolfe 97,494.604 units and Ms. Meyer 80,288.685 units and all directors and executive officers as a group 718,415 units. See Compensation and Human Resources Committee Report.

(5) Includes shares held in trusts for estate planning purposes as follows: 14,603 for Mr. Buxton, 9,506 for Mr. Twomey, 12,087 for Mr. Wingate s Family Trust, 12,043 for Mr. Wolfe and 77,321 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 (SEC) 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 2004, except that Form 4 reports with respect to the November 1 annual grant of a stock option and a stock award to each of Toro s nonemployee directors, a July exercise of a stock option by Winslow Buxton, a nonemployee director, the reporting of a purchase of stock in lieu of compensation reportable on a Form 4 for fiscal 2004 by Ronald Baukol, a nonemployee director and the reporting of a gift reportable on the Form 5 for fiscal 2003 by Kendrick Melrose, all of which were not filed on a timely basis due to administrative oversights. Toro has no owners of more than 10% of its Common Stock.

PROPOSAL ONE AMENDMENT OF AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED SHARES

On December 2, 2004, the Board of Directors adopted a resolution to amend and to recommend that the stockholders approve an amendment to Article IV, Section 1 of Toro s Amended and Restated Certificate of Incorporation (Certificate) (a) to increase the total number of shares of Common Stock Toro is authorized to issue from 50,000,000 to 100,000,000 and (b) to increase the capital stock Toro is authorized to issue from 51,850,000 to 101,850,000, to reflect the increase in the authorized Common Stock.

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Section 1 of Article IV as proposed to be amended would state:

> The corporation shall be authorized to issue three classes of shares of capital stock to be designated, respectively, Common Stock , Voting Preferred Stock and Non-Voting Preferred Stock . The total number of shares of capital stock which the corporation shall have authority to issue is one hundred one million eight hundred fifty thousand (101,850,000); the total number of shares of Common Stock shall be one hundred million (100,000,000) and each such share shall have a par value of $1.00; the total number of shares of Voting Preferred Stock shall be one million (1,000,000), and each such share shall have a par value of $1.00 and 200,000 of such shares are designated as a series to be called the Series B Junior Participating Voting Preferred Stock, such series to have the rights, voting power, preferences and restrictions set forth in Section 2 of this Article IV; and the total number of shares of Non-Voting Preferred Stock shall be eight hundred and fifty thousand (850,000), and each such share shall have a par value of $1.00.

As of January 18, 2005, there were 22,520,531 shares of Common Stock outstanding and 4,495,579 shares in treasury. In addition, approximately 4,578,715 shares have been reserved for future issuance under all Company employee benefit and incentive plans. Approximately 14,330,637 of the shares currently authorized by Toro s Certificate remain available for issuance or reservation for issuance.

In the past, Toro has utilized authorized but unissued shares to acquire the business or assets of other companies, to declare stock dividends and for issuance pursuant to employee and nonemployee director incentive plans. In addition, authorized but unissued shares may be sold to the public as a means of acquiring additional working capital, if required. At the present time there are no specific plans, arrangements or understandings in existence or in process for any stock dividend, public offering or issuance of shares in an acquisition. The Board has discussed the advisability of a stock split and if the increase is adopted, the Board expects to consider a stock split at one of its meetings to be held in the calendar year 2005. It is customary for corporations such as the Company to have authorized shares of more than twice the number of shares outstanding. Toro s current 22,520,531 shares outstanding constitute 45% of its current authorized shares. Therefore, the Board of Directors has determined that it is desirable for Toro to increase the number of shares of authorized Common Stock in order to meet needs that may arise from time to time in the future. The Board believes that the proposed amendment if adopted by stockholders, would provide sufficient shares to permit a stock split and accommodate other corporate transactions, although no transactions are planned at this time.

Potential Anti-Takeover Effects. Shares of authorized and unissued Common Stock could be issued in one or more transactions that could make more difficult, and therefore less likely, any takeover of the Company. Issuance of additional Common Stock could have the effect of diluting the stock ownership of persons seeking control of the Company, and the possibility of such dilution could have a deterrent effect on persons seeking to acquire control. The Board of Directors also could, although it has no present intention of so doing, authorize the issuance of shares of Common Stock to a holder who might thereby obtain sufficient voting power to assure that any proposal to effect certain business combinations or amend the Company s Certificate or Bylaws would not receive the required stockholder approval. Accordingly, the power to issue additional shares of Common Stock could enable the Board of Directors to make it more difficult to replace incumbent directors and to accomplish business combinations opposed by the incumbent Board of Directors.

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Other provisions of the Company s Certificate may have the effect of preventing, discouraging or delaying any change in the control of the Company. The following provisions may have anti-takeover effects: (a) the Board of Directors is classified into three classes, each of which serves for three years, with one class being elected each year; (b) directors may be removed only for cause and only with the approval of holders of at least 80% of the voting power of the capital stock of the Company; (c) any vacancy on the Board must be filled only by the remaining directors then in office; (d) stockholder action must be taken at a meeting of stockholders and stockholders may not act by written consent; (e) special meetings of stockholders of the Company may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the entire Board; (f) a fair price provision requires the approval by the holders of 80% of the then outstanding Common Stock as a condition for mergers and certain other business combinations of the Company with any holder of more than 10% of such voting power (an Interested Stockholder) unless either (i) the transaction is approved by a majority of the members of the Board of Directors who are unaffiliated with the Interested Stockholder and were members of the Board prior to the time that the Interested Stockholder became an Interested Stockholder, or (ii) certain minimum price and procedural requirements are met; and (g) the stockholder vote required to alter, amend or repeal the foregoing provisions is 80% of the outstanding voting power of the Company. In addition, in 1998 the Company s Board of Directors declared a dividend of Preferred Share Purchase Rights which entitle the Company s stockholders to buy a special kind of preferred stock at a price designated in The Toro Company and Wells Fargo Bank, National Association (formerly Norwest Bank of Minnesota, National Association) Rights Agreement. Unless redeemed by prior action of the Board, the rights are exercisable if an investor gains a 15% or more interest in the Common Stock or announces a tender offer for at least 15% of the Common Stock. If that happens, the special preferred stock could double in value, thus discouraging, or perhaps foreclosing, any change in control which has not been negotiated with the Board.

If stockholders do not approve amendment of Article IV, Section 1 of the Certificate, then this Article and Section as previously approved by stockholders will continue in effect.

The Board of Directors unanimously recommends a vote FOR the approval of amendment of the Amended and Restated Certificate of Incorporation to increase the authorized shares.

PROPOSAL TWO AMENDMENT OF AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE SIZE OF BOARD

On December 2, 2004, the Board of Directors adopted a resolution to amend and to recommend that the stockholders approve an amendment to Article VI, Section 1 of Toro s Certificate to increase the size of the Board from a maximum of 11 directors to 12 directors to give the Board more flexibility to add selected talents/skills from time to time and permit greater continuity during periods of change such as the anticipated retirement of the CEO. See Proposal Three Election of Directors for information regarding the election of Messrs. Hoffman and Olseth.

Section 1 of Article VI as proposed to be amended would state:

> Number, Election and Terms. The business and affairs of the corporation shall be managed under the direction of a Board of Directors which, subject to any right of the holders of any series of Preferred Stock then outstanding to elect additional directors under specified

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circumstances, shall consist of not less than eight nor more than twelve persons. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by the Board pursuant to a resolution adopted by a majority of the entire Board. The directors shall be divided into three classes, designated Classes A, B and C, as nearly equal in number as possible, with the term of office of each class to expire at the third succeeding Annual Meeting of Stockholders after its election at an Annual Meeting of Stockholders.

If stockholders do not approve amendment of Article VI, Section 1 of the Certificate, then this Article and Section as previously approved by stockholders will continue in effect, and the number of directors will be fixed at eleven, and Mr. Olseth will withdraw as a nominee for election to the Board of Directors.

The Board of Directors unanimously recommends a vote FOR the approval of amendment of the Amended and Restated Certificate of Incorporation to increase the size of the Board.

PROPOSAL THREE ELECTION OF DIRECTORS

Under Article VI, Section 1 of Toro s Certificate, the Toro Board of Directors may be comprised of between eight and eleven directors. The maximum and minimum number of directors can be changed only by amendment of the Certificate approved by the affirmative vote of 80% of the outstanding shares of Toro Common Stock.

At its meeting on December 2, 2004, the Board of Directors adopted a resolution to submit to a vote of the stockholders a proposal to amend the Certificate to increase the maximum number of directors from eleven to twelve as described in Proposal Two. Based on the proposed amendment, the Board of Directors has fixed the number of directors at twelve. The increase is intended to permit the election of Mr. Hoffman, Toro s new President and Chief Operating Officer, to the Board, subject to stockholder approval, and will also allow the Board to retain the talents of Mr. Olseth, Toro s lead director, during the transition period prior to and immediately following Mr. Melrose s anticipated retirement as Chief Executive Officer of Toro. Mr. Olseth has served on the Toro Board for twenty-five years, and is the only member who has served during Mr. Melrose s entire tenure as Chairman of Toro s Board. the Board believes Mr. Olseth will provide valuable continuity during the transition. If stockholders do not approve amendment of Article VI, Section 1 of the Certificate then Article VI, Section 1 as previously approved by stockholders will continue in effect, the number of directors will remain at eleven, as previously fixed by the Board, and Mr. Olseth will withdraw as a director nominee.

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 2005 Annual Meeting Ronald O. Baukol, Katherine J. Harless, Michael J. Hoffman and Dale R. Olseth consented to serve if elected. Mr. Olseth, the Board s lead director, has advised the Company that, if elected, he expects to remain in office only through the first year of his term, in order to be available during the period Mr. Melrose approaches his anticipated retirement as Chief Executive Officer, pursuant to the Chief Executive Officer Succession Incentive Award Agreement, and that he expects to resign after that time and not complete a three year term. If the number of directors is increased to 12 and Mr. Olseth is elected but resigns after the first year of his term, the Board of Directors has not yet determined whether it will retain a 12 person Board. 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, any member of his or her immediate family and any affiliate of such director, 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, as named below, are independent from management and its independent auditor within the meaning of the NYSE listing standards.

The Board held six meetings in person and three conference call meetings during Fiscal 2004. 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 2004 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 2008)

Ronald O. Baukol, age 67. Retired. From May 1995 through February 2002 served as Executive Vice President, International Operations, 3M Company, Saint Paul, Minnesota (diversified technology). 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 53. 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.

Michael J. Hoffman, age 49. President and Chief Operating Officer of Toro since October 2004. From November 2002 to October 2004, he served as Group Vice President, Consumer, Exmark, Landscape Contractor and International Businesses. From May 2001 to October 2002, he served as Group Vice President, Consumer and Landscape Contractor Businesses. From May 2000 to May 2001, he served as Vice President and General Manager, Consumer Business. From November 1997 to April 2000, he served as Vice President and General Manager, Commercial Business. Mr. Hoffman is standing for election for the first time at this Annual Meeting.

Dale R. Olseth, age 74. 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;

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Communications with Directors below) and a member of the Nominating and Governance Committee and Executive 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 51. 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 U S 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. 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 64. 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.

Gregg W. Steinhafel, age 50. President since August 1999, Target Stores, a division of Target Corporation, Minneapolis, Minnesota (retailing). 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.

Members of Board of Directors Continuing in Office (Term ending after Fiscal 2006)

Robert C. Buhrmaster, age 57. Retired. From February 1998 Chairman and from May 1994 Chief Executive Officer, 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, Nominating and Governance Committee and the Executive Committee. Mr. Buhrmaster is a director of Innovex, Inc.

Winslow H. Buxton, age 65. 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 63. 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 56. 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.

Edwin H. Wingate, age 72. 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/corporategovernance. 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 2004.

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.

Toro has long required that its Audit Committee be composed entirely of directors who are not employees of the Company and have no relationship that would interfere with their independence from management and the Company, including independence within the meaning of applicable NYSE listing standards. Each member must also be financially literate under 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 independent and 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. Stockholders should understand that this designation is an SEC disclosure requirement related to Ms. Cooper s experience and understanding with respect to certain accounting and auditing matters. The designation does not impose on her any duties, obligations or liability that are greater than are generally imposed on her as a member of the Audit Committee and the Board, and her designation as a financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board.

The committee s duties are set forth in its charter which can be found on the Toro web site at www.thetorocompany.com/corporategovernance. 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 committee s duties. The committee must annually review the adequacy of its charter and its own performance.

The Audit Committee held three meetings in person and conducted eight interim telephone conference calls during Fiscal 2004. At each of the meetings in person the committee met in private session with the Company s independent auditor, at two of these meetings the committee met in private session with management and at one of these meetings met in private session with the Company s internal auditor. Additional information regarding the Audit Committee and the Company s independent auditor is disclosed under the Audit Committee Report and Proposal Six.

Compensation and Human Resources Committee. The Compensation and Human Resources Committee is responsible for reviewing and monitoring human resource and organizational matters and has overall responsibility for approving, evaluating and making recommendations regarding all compensation plans, policies and programs of Toro as they affect the Chairman and Chief Executive Officer, elected officers, other executive officers and management. All members of the committee meet the independence requirements of applicable NYSE listing standards. 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 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 must annually review the adequacy of its charter and its own performance. Two meetings of the committee were held during Fiscal 2004.

Nominating and Governance Committee. The Nominating and Governance Committee, which operates pursuant to a charter, assists the Board by identifying individuals qualified to become Board members and recommending director nominees for the annual meeting of stockholders; recommends to the Board the Corporate Governance Guidelines applicable to Toro; leads the Board in its annual review of the Board s performance, and recommends Board director nominees for each committee. All members of this committee meet the independence requirements of applicable NYSE listing standards. 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/corporategovernance.

Stockholder Nominees. 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 36. See Other Information Stockholder Proposals for 2006 Annual Meeting below. Three meetings of the committee were held during Fiscal 2004.

The Audit Committee Report that follows, the Compensation and Human Resources Committee Report on page 23 and the Performance Graph on page 22 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 2004. 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.

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The ultimate responsibility for good corporate governance rests with the Board, whose primary roles are oversight, counseling and providing direction to Toro s management in the best long-term interests of Toro and its stockholders. The Audit Committee s purpose is to oversee the accounting and financial reporting processes of the company and audits of Toro s annual financial statements.

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 2004. 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 2004, 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 2004. 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 2004. 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 2004 be included in Toro s Annual Report on Form 10-K for the fiscal year ended October 31, 2004, 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 2004 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 in which she participates and the Chairs of each of the other board committees receive $2,000 for each meeting they attend.

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Nonemployee 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 vesting in approximately equal installments on each of the first, second and third anniversaries after the date of grant (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% to 4.41% in Fiscal 2004). 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 6.026 Common Stock units for regular dividends paid during Fiscal 2004.

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.

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, 2004.

					Long Term Compensation			
		Annual Compensation			Awards		Payouts	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)(1)**	**Other Annual Compensation ($)(2)**	**Restricted Stock ($)**	**Options (#)(3)**	**LTIP Payouts ($)(4)**	**All Other Compensation ($)(5)**
Kendrick B. Melrose	2004	$740,632	$940,971	$1,345,139	(6)	57,000	$4,688,957	$429,055
Chairman of the Board &	2003	711,625	613,207	52,162	0	94,000	2,100,342	327,589
Chief Executive Officer	2002	683,589	553,194	360,979	0	93,000	1,384,662	309,391
Michael J. Hoffman*	2004	323,700	293,758	851,869	0	13,500	1,172,239	62,489
President & Chief	2003	310,000	193,905	0	0	21,000	296,419	82,199
Operating Officer	2002	286,506	151,974	87,090	0	24,000	359,962(7)	79,877
Stephen P. Wolfe	2004	310,758	282,013	1,736,446	0	14.500	1,214,896	131,023
Vice President Finance &	2003	298,790	183,905	603,520	0	23,000	567,431	111,924
Chief Financial Officer	2002	282,828	176,060	89,123	0	24,600	439,069	96,784
Karen M. Meyer	2004	292,738	265,660	1,257,857	0	14,000	1,150,911	123,170
Vice President,	2003	280,967	172,935	591,469	0	22,000	533,555	99,286
Administration	2002	267,710	166,649	0	0	23,000	363,029	92,514
Timothy A. Ford	2004	291,200	264,264	771,781	0	11,000	825,538	80,901
Group Vice President	2003	280,000	172,340	0	0	16,000	359,456(8)	0
	2002	261,249	181,155	0	0	16,000	190,390(8)	0

* Mr. Hoffman was a Group Vice President for most of fiscal 2004 and did not hold the position of President and Chief Operating Officer until October 18, 2004.