



**TOLL BROTHERS, INC.**  
250 Gibraltar Road  
Horsham, Pennsylvania 19044

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
to be held on Wednesday, March 14, 2012**

The 2012 Annual Meeting of Stockholders (the "Meeting") of Toll Brothers, Inc. (the "Company") will be held on Wednesday, March 14, 2012 at 12:00 noon EDT, at the offices of the Company, 250 Gibraltar Road, Horsham, Pennsylvania 19044, for the following purposes:

1. To elect the four directors nominated by the Board of Directors of the Company (the "Board") and named in the proxy statement to hold office until the 2013 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified.
2. To ratify, in a non-binding vote, the re-appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2012 fiscal year.
3. To approve, in an advisory and non-binding vote, the compensation of the Company's named executive officers as disclosed in the proxy statement.
4. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board has fixed the close of business on January 17, 2012 as the record date for the Meeting. Only stockholders of record at that time are entitled to notice of and to vote at the Meeting and any adjournment or postponement thereof.

The enclosed proxy card is solicited by the Board. Reference is made to the attached proxy statement for further information with respect to the business to be transacted at the Meeting. This proxy statement and the enclosed proxy card are first being mailed to stockholders on or about February 3, 2012. The Board urges you to sign, date and return the enclosed proxy card promptly, although you are cordially invited to attend the Meeting in person. The return of the enclosed proxy card will not affect your right to vote in person if you do attend the Meeting.

Please note the admission policy and procedures regarding attendance at the Meeting, which are set forth on the next page.

By Order of the Board of Directors,

MICHAEL I. SNYDER  
Secretary

February 3, 2012

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MARCH 14, 2012**

**The proxy statement and 2011 Annual Report of Toll Brothers, Inc. are available at: <https://materials.proxyvote.com/889478>**

**ATTENDANCE AT ANNUAL MEETING — ADMISSION POLICY AND PROCEDURES**

The Meeting will be held at our offices at 250 Gibraltar Road, Horsham, Pennsylvania 19044 and will begin promptly at 12:00 noon EDT. Directions to the Meeting are available at: [www.tollcareercenter.com/directions](http://www.tollcareercenter.com/directions). All attendees must present a valid photo identification to be admitted to the Meeting. Cameras (including cellular phones or PDAs with photographic capabilities), recording devices and other electronic devices, and the use of cellular phones or PDAs, will not be permitted at the Meeting. Representatives will be at the entrance to the Meeting and these representatives will have the authority, on the Company's behalf, to determine whether the admission policy and procedures have been followed and whether you will be granted admission to the Meeting.

**Admission Policy and Procedures**

Attendance at the Meeting is limited to (A) stockholders who own shares directly in their names ("record holders"); (B) stockholders whose shares are held for them by banks, brokerages or other intermediaries ("beneficial holders"); and (C) authorized representatives of entities who are beneficial holders. Beneficial holders must present evidence of their ownership, such as a letter from the bank, broker or other intermediary confirming ownership, or the relevant portion of a bank or brokerage firm account statement. In addition to any evidence required of beneficial holders, above, authorized representatives must present (1) a letter from the record holder certifying to the beneficial ownership of the entity they represent and (2) a letter from the entity certifying to their status as an authorized representative.

**Record Holders**

If you plan to vote by proxy but attend the Meeting in person, please:

1. Indicate your votes on your proxy card;
2. Mark the box on your proxy card indicating your intention to attend;
3. Return the proxy card to the address indicated therein; and
4. Follow all admissions policies set forth above.

If you plan to attend and vote at the Meeting, please:

1. Bring your proxy card with you to the Meeting;
2. Send written notice\* of your intention to attend the Meeting to the address below\*\* by February 29, 2012; and
3. Follow all admissions policies set forth above.

**Beneficial Holders**

If you plan to vote by proxy but attend the Meeting in person, please:

1. Indicate your votes on the voting instruction card and return the card to the address indicated therein;
2. Send written notice\* of your intention to attend the Meeting to the address below\*\* by February 29, 2012; and
3. Follow all admissions policies set forth above.

If you plan to attend and vote at the Meeting, please:

1. Contact your bank or broker to obtain a written legal proxy form in order to vote your shares at the Meeting; failure to obtain a legal proxy form from your bank or broker will prevent you from voting your shares at the Meeting;
2. Send written notice\* of your intention to attend the Meeting to the address below\*\* by February 29, 2012; and
3. Follow all admissions policies set forth above.

\* Written notice should include: (1) your name, complete mailing address and phone number, (2) if you are a beneficial holder, evidence of your ownership, and (3) if you are a beneficial holder who is not a natural person and will be naming a representative to attend on your behalf, the name, complete mailing address and phone number of that individual. If you do not provide the requested information by February 29, 2012, please be prepared to show it at the entrance to the Meeting in order to gain admission. Failure to provide such information either in advance or at the Meeting may result in non-admission to the Meeting.

\*\* Toll Brothers, Inc., 250 Gibraltar Road, Horsham, PA 19044, Attention: Michael I. Snyder, Secretary

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**TOLL BROTHERS, INC.**  
250 Gibraltar Road  
Horsham, Pennsylvania 19044

**PROXY STATEMENT**  
**For**  
**Annual Meeting of Stockholders**  
**Wednesday, March 14, 2012**

**GENERAL INFORMATION**

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Toll Brothers, Inc., a Delaware corporation, for use at the Toll Brothers, Inc. 2012 Annual Meeting of Stockholders (the "Meeting"), which will be held on the date, at the time and place, and for the purposes set forth in the foregoing notice, and any adjournment or postponement thereof. Any reference to "Toll Brothers" or any use of the terms "Company," "we," "us" or "our" in this proxy statement refers to Toll Brothers, Inc. This proxy statement and the enclosed proxy card are first being sent to our stockholders on or about February 3, 2012.

The Board does not intend to bring any matter before the Meeting except as specifically indicated in the notice and does not know of anyone else who intends to do so; however, if any other matters properly come before the Meeting, Messrs. Robert I. Toll and Douglas C. Yearley, Jr., or either of them, acting as your designated proxies, will vote or otherwise act thereon in accordance with his or their judgment on such matters.

If the enclosed proxy card is properly executed and returned to and received by us prior to voting at the Meeting, the shares represented thereby will be voted in accordance with the instructions marked thereon. If the enclosed proxy card is properly executed, returned and received by us prior to voting at the Meeting without specific instructions, Messrs. Robert I. Toll and Douglas C. Yearley, Jr., or either of them, acting as your proxies, will vote your shares "FOR" all nominees under Proposal One and "FOR" each of the other proposals.

Any proxy card may be revoked at any time before its exercise by notifying the Secretary of the Company in writing, by delivering a duly executed proxy card bearing a later date, or by attending the Meeting and voting in person.

**VOTING SECURITIES AND SECURITY OWNERSHIP**

**Shares Entitled To Vote, Quorum and Required Vote**

The record date fixed by our Board for the determination of stockholders entitled to notice of and to vote at the Meeting is January 17, 2012 (the "Record Date"). At the close of business on the Record Date, there were 166,623,070 shares of our common stock outstanding and eligible to vote at the Meeting. We have no other class of voting securities outstanding. At the Meeting, stockholders will be entitled to one vote for each share of common stock owned at the close of business on the Record Date. The presence at the Meeting, in person or by proxy, of persons entitled to cast the votes of a majority of such outstanding shares of common stock will constitute a quorum for consideration of the matters expected to be voted on at the Meeting. Abstentions and broker non-votes represented by submitted proxies will be included in the calculation of the number of the shares present at the Meeting for the purposes of determining a quorum. "Broker non-votes" means shares held of record by a broker that are not voted on a matter because the broker has not received voting instructions from the beneficial owner of the shares and lacks the authority to vote the shares in its discretion.

*Proposal One:* Directors are elected by a plurality of the votes cast at the Meeting which means that the four nominees who receive the most votes will be elected. Under the New York Stock Exchange ("NYSE") rules, your brokerage firm or other nominee is not permitted to vote your shares with respect to Proposal One without specific instructions from you as to how to vote with respect to the election of each of the four nominees for

director, because the election of directors is not considered a “routine” matter under the NYSE rules. Abstentions and broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of the election of directors.

*Proposal Two:* To be approved, this proposal requires an affirmative vote of a majority of the votes cast. This means that the votes that our stockholders cast “FOR” this proposal must exceed the votes that our stockholders cast “AGAINST” this proposal at the Meeting. Your vote will not be binding on the Board or the Company. Proposal Two is considered a “routine” matter under the NYSE rules and, therefore, brokerage firms and nominees that are members of the NYSE have the authority under those rules to vote their customers’ shares on Proposal Two if the customers have not furnished voting instructions within a specified period of time prior to the Meeting. Abstentions will not be taken into account in determining the outcome of this proposal.

*Proposal Three:* To be approved, this proposal requires an affirmative vote of a majority of the votes cast. This means that the votes that our stockholders cast “FOR” this proposal must exceed the votes that our stockholders cast “AGAINST” this proposal at the Meeting. Because your vote is advisory, it will not be binding on the Board or the Company. Proposal Three is not considered a “routine” matter under the NYSE rules and, therefore, brokerage firms and nominees that are members of the NYSE will not be able to vote the shares of customers from whom they have not received voting instructions with regard to this proposal. Abstentions and broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of this proposal.

## Security Ownership of Principal Stockholders and Management

The following table sets forth beneficial ownership, as of the Record Date, of our common stock by: (1) each person known to us to be the beneficial owner of more than 5% of our common stock; (2) each of our directors, nominees for director and named executive officers; and (3) all of our directors and executive officers as a group. To the best of our knowledge, each of the persons named in the table below as beneficially owning the shares set forth therein has sole voting power and sole investment power with respect to such shares, unless otherwise indicated.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership(1)</u>	<u>Percent of Common Stock</u>
FMR LLC(2) .....	24,928,420	15.0%
BlackRock, Inc.(3) .....	10,415,179	6.26
Robert I. Toll(4) .....	15,919,912	9.39
Bruce E. Toll(5) .....	5,156,727	3.09
Zvi Barzilay .....	1,545,805	*
Robert S. Blank .....	185,792	*
Edward G. Boehne .....	212,900	*
Richard J. Braemer .....	174,700	*
Christine N. Garvey .....	33,100	*
Carl B. Marbach(6) .....	294,277	*
Stephen A. Novick .....	177,900	*
Paul E. Shapiro .....	351,459	*
Douglas C. Yearley, Jr.(7) .....	304,131	*
Martin P. Connor .....	18,000	*
All directors and executive officers as a group (12 persons)(1)(8)(9) .....	23,019,722	13.45

\* Less than 1%

- (1) Shares issuable pursuant to restricted stock units (“RSUs”), restricted stock awards and options exercisable within 60 days after the Record Date are deemed to be beneficially owned. Accordingly, the information presented above includes the following numbers of shares of common stock underlying RSUs, restricted stock awards and options held by the following individuals, and all directors and executive officers as a group: Mr. Robert I. Toll, 2,880,991 shares; Mr. Bruce E. Toll, 142,500 shares; Mr. Barzilay, 1,263,505 shares; Mr. Blank, 184,150 shares; Mr. Boehne, 192,950 shares; Mr. Braemer, 174,500 shares; Ms. Garvey, 33,150 shares; Mr. Marbach, 192,950 shares; Mr. Novick, 176,800 shares; Mr. Shapiro, 188,350 shares; Mr. Yearley, 184,195 shares; Mr. Connor, 18,000 shares; and all directors and executive officers as a group, 4,529,194 shares. Mr. Barzilay retired from the Board of Directors and as an officer and employee of the Company, effective December 31, 2011; his name is included in the above table because he is a named executive officer with respect to fiscal 2011; however, his shares are not included in the totals in the table relating to all directors and executive officers as a group.
- (2) FMR LLC filed a Schedule 13G with the Securities and Exchange Commission (the “SEC”) on February 14, 2011, which states that the address of FMR LLC (“FMR”) is 82 Devonshire Street, Boston, Massachusetts 02109, and that FMR has sole dispositive power with respect to 24,928,420 shares, and has sole power to vote or direct to vote with respect to 119,680 shares. Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the shares. One person, Fidelity Magellan Fund, an investment company registered under the Investment Company Act of 1940, had an interest in 12,853,054 shares, or 7.72%, as of the date the Schedule 13G was filed.

- (3) BlackRock, Inc. (“BlackRock”) filed a Schedule 13G with the SEC on February 9, 2011, which states that the address of BlackRock is 40 East 52nd Street, New York, New York 10022, and that BlackRock has sole dispositive and voting power with respect to 10,415,179 shares. Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the shares, and no one person’s interest is more than 5% of the total outstanding shares.
- (4) The address for Mr. Robert I. Toll is c/o Toll Brothers, Inc., 250 Gibraltar Road, Horsham, Pennsylvania 19044. Amount includes 251,375 shares held by trusts for Mr. Robert I. Toll’s children and grandchildren, of which Mrs. Jane Toll, Mr. Robert I. Toll’s spouse, is a trustee with voting and dispositive power, and as to which he disclaims beneficial ownership. Amount includes 6,820,316 shares pledged to financial institutions to secure personal obligations of Mr. Robert I. Toll.
- (5) Amount includes 4,442,932 shares pledged to financial institutions to secure obligations of The Bruce E. Toll Revocable Trust (of which Mr. Bruce E. Toll is the sole trustee).
- (6) Amount includes an aggregate of 9,400 shares beneficially owned by individual retirement accounts (“IRAs”) for the benefit of Mr. Marbach and his wife. Mr. Marbach disclaims beneficial ownership of the 4,700 shares held by his wife’s IRA.
- (7) Amount includes 24,500 shares pledged to a financial institution to secure personal obligations of Mr. Yearley.
- (8) The Board of Directors, after reviewing the functions of all of our officers, both in terms of designated functions and functions actually performed, has determined that only Messrs. Robert I. Toll, Douglas C. Yearley, Jr., Zvi Barzilay and Martin P. Connor are deemed to be executive officers of the Company for purposes under Item 403 of Regulation S-K of the Securities and Exchange Commission (“SEC”).
- (9) Includes 190,824 shares beneficially owned by Richard T. Hartman, our new Chief Operating Officer effective January 1, 2012.

## **PROPOSAL ONE**

### **ELECTION OF DIRECTORS**

At the 2011 Annual Meeting of Stockholders, the stockholders approved an amendment to the Company’s Second Restated Certificate of Incorporation, as amended, to provide for the annual election of directors beginning with the class of directors up for re-election at the 2012 Annual Meeting of Stockholders, continuing with the class of directors up for re-election at the 2013 Annual Meeting of Stockholders and culminating with the full Board up for re-election, for the first time as a group, at the 2014 Annual Meeting of Stockholders.

The Board currently consists of 10 directors divided into three classes. As previously disclosed, Zvi Barzilay retired from our Company and the Board, effective December 31, 2011. The Board determined to decrease the Board size from 11 members to 10 members following Mr. Barzilay’s retirement. The directors whose terms of office expire at the Meeting are Messrs. Douglas C. Yearley, Jr., Robert S. Blank, Stephen A. Novick and Paul E. Shapiro. Accordingly, the Board, upon the recommendation of the Nominating and Corporate Governance Committee, has nominated Messrs. Douglas C. Yearley, Jr., Robert S. Blank, Stephen A. Novick and Paul E. Shapiro, and our stockholders will be asked to elect these four directors, to hold office until the 2013 Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified. Each nominee has indicated a willingness to continue to serve as a director. Should a nominee become unavailable to accept election as a director, the persons named in the enclosed proxy will vote the shares that such proxy represents for the election of such other person as the Board may nominate on the recommendation of the Nominating and Corporate Governance Committee.

Set forth below is certain information concerning each current director, each nominee for election as a director at the Meeting and each director whose current term of office will continue after the Meeting. Our directors' experience as accomplished business leaders, their qualifications described below and the knowledge and understanding of the Company's operations, financial condition, governance, personnel and business ethic gained by them over a lengthy period of time (ten of our eleven directors have been serving the Company for over eleven years) have led to the conclusion that each provides the Company with unique perspective, insight and skills relative to our business strategy, structure and direction, and, therefore, should serve as a director of the Company.

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Current Term Expires</u>	<u>Position(s) with the Company</u>
Robert I. Toll . . . . .	71	1986	2014	Executive Chairman of the Board
Bruce E. Toll . . . . .	68	1986	2014	Vice Chairman of the Board
Douglas C. Yearley, Jr. . . . .	51	2010	2012	Chief Executive Officer and Director
Robert S. Blank . . . . .	71	1986	2012	Director
Edward G. Boehne . . . . .	71	2000	2013	Director
Richard J. Braemer . . . . .	70	1986	2013	Director
Christine N. Garvey . . . . .	66	2009	2014	Director
Carl B. Marbach . . . . .	70	1991	2013	Director
Stephen A. Novick . . . . .	71	2003	2012	Director
Paul E. Shapiro . . . . .	70	1993	2012	Director

**Robert I. Toll**, with his brother Bruce E. Toll, founded our predecessor's operations in 1967. He has been a member of our Board since our inception in May 1986. He served as our Chief Executive Officer and Chairman of the Board from our inception until June 2010 when he assumed the new position of Executive Chairman of the Board. He brings to the Board his dynamic entrepreneurial and leadership experience as a founder, Chairman of the Board, Chief Executive Officer and, currently, Executive Chairman of the Company, which has given rise to the establishment of the Company as the country's leading luxury homebuilder over the 25 years since its inception.

**Bruce E. Toll**, the brother of Robert I. Toll, has been a member of our Board since our inception in May 1986 and served as our Chief Operating Officer until May 1998 and our President until November 1998. He is a member of the Public Debt and Equity Securities Committee. Mr. Toll is the founder and president of BET Investments, a commercial real estate company, and the owner of several automobile dealerships. From June 2006 through August 2009, Mr. Toll was the Chairman of Philadelphia Media Holdings, L.L.C., the parent company of the Philadelphia Inquirer and the Philadelphia Daily News, and from December 2007 through February 2009, he served on the board of directors of Fifth Street Finance Corp., a company that lends to and invests in small and mid-sized companies. He brings to the Board his knowledge and experience as a co-founder of the Company and his service in various executive, director and advisory positions with the Company since its formation in 1986; his ownership of several significant businesses has provided him with extensive managerial and leadership experience in the real estate industry and other fields, and his service on various public company boards of directors has been of added value to our Board.

**Douglas C. Yearley, Jr.** has been a member of our Board since June 2010. He joined us in 1990 specializing in land acquisitions from financial institutions. He has been an officer since 1994, holding the position of Senior Vice President from January 2002 until November 2005, and the position of Regional President from November 2005 until November 2009, when he was promoted to Executive Vice President. Since June 2010, he has been our Chief Executive Officer. Prior to joining us, Mr. Yearley practiced law in New Jersey as a commercial litigator. He brings to the Board a deep understanding of our industry and our business as a result of the significant operational roles in which he has served over the 21 years he has been with the Company; his managerial and leadership experience and his background as an attorney have been positive contributors to the Company.



**Robert S. Blank** has been a member of our Board since September 1986. He is a member of the Nominating and Corporate Governance Committee and the Public Debt and Equity Securities Committee. For more than the past five years, Mr. Blank has been Co-Chairman and Co-Chief Executive Officer of Whitney Communication Company and Senior Partner of Whitcom Partners. Whitney Communications Company and Whitcom Partners make investments in public and non-public companies. From August 2001 until June 2007, Mr. Blank was a member of the board of directors of Advanta Corp. He brings to the Board the skills and experience gained in his executive leadership roles in a major company in the communications industry, as well as in the investment field.

**Edward G. Boehne** has been a member of our Board since July 2000 and the Company's Lead Independent Director since March 2011. He is the Chair of the Nominating and Corporate Governance Committee and a member of the Audit Committee. From 1981 until his retirement in May 2000, Mr. Boehne was the President of the Federal Reserve Bank of Philadelphia. Mr. Boehne is a member of the board of directors of Beneficial Mutual Bancorp, Inc., Penn Mutual Life Insurance Co. and AAA Mid-Atlantic, Inc. Mr. Boehne is also a member of the board of directors of, and Senior Economic Advisor to, the Haverford Trust Company. He brings to the Board his reputation and accomplishments as a leader and expert in the Federal bank regulatory field, as well as his current service in various board and advisory positions with high profile companies in the banking and insurance industries.

**Richard J. Braemer** has been a member of our Board since September 1986. He is the Chair of the Public Debt and Equity Securities Committee. He is senior counsel at the law firm of Ballard, Spahr, Andrews & Ingersoll, LLP, where he was a partner from 1994 through 2008. Mr. Braemer is a director, Chairman of the Governance Committee and past Chairman of the Board of Directors of the Albert Einstein Healthcare Network, a Philadelphia-based, non-profit healthcare network. In addition to his professional skills as an attorney practicing primarily in the field of mergers and acquisitions, including transactions with a real estate element, he brings to our Board the experience gained both as a board member and audit committee chair of a public company and as an advisor to boards, board committees and independent directors of publicly and privately held corporations.

**Christine N. Garvey** has been a member of our Board since September 2009. She is a member of the Audit Committee. She was the Global Head of Corporate Real Estate Services at Deutsche Bank AG from 2001 to 2004. Prior to that, she served as Vice President of Worldwide Real Estate and Workplace Resources at Cisco Systems, Inc. and as Group Executive Vice President at Bank of America. She is also a member of the board of directors of HCP, Inc. and Maguire Properties, Inc. She has served as a member of the board of ProLogis since September 2005, when Catellus Development Corporation, where she had been a member of the board since 1995, merged into a subsidiary of ProLogis. Ms. Garvey served on the board of directors of Hilton Hotels Corporation through October 2007. She brings to the Board her extensive knowledge of and background in real estate and banking and her experience in executive leadership positions and board memberships with various public entities in the national real estate market.

**Carl B. Marbach** has been a member of our Board since December 1991. He is the Chair of the Executive Compensation Committee and a member of the Audit Committee and the Public Debt and Equity Securities Committee. Since January 2004, Mr. Marbach has been President of Greater Marbach Airlines, Inc. and Florida Professional Aviation, Inc., companies that provide aviation and consulting services. From January 1995 to January 2004, Mr. Marbach was President of Internetwork Publishing Corp., an electronic publisher, which he founded. He brings to the Board his expertise in the field of information technology, as well as his entrepreneurial experiences in building businesses in that and other industries.

**Stephen A. Novick** has been a member of our Board since January 2003. He is a member of the Executive Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Novick serves as Senior Advisor to The Andrea and Charles Bronfman Philanthropies, a private family foundation. Until December 2006, Mr. Novick was a consultant to Grey Global Group, a marketing communications company. From 1990 until his retirement in December 2004, Mr. Novick was Chief Creative Officer-Worldwide, and from April 2000 to December 2004 was Vice Chairman, of Grey Global Group. Mr. Novick is also a member of the board of directors of Ark Restaurant Corp. In addition to the experience gained in his roles in the corporate and non-profit sectors, he brings to our Board his creative skills, leadership and expertise in the field of marketing communications.

**Paul E. Shapiro** has been a member of our Board since December 1993. He is the Chair of the Audit Committee and a member of the Executive Compensation Committee. Since June 30, 2004, Mr. Shapiro has been Chairman of the Board of Q Capital Strategies, LLC, a life settlement company. From January 1, 2004 to June 30, 2004, Mr. Shapiro was Senior Vice President of MacAndrews & Forbes Holdings, Inc., a private holding company of operating businesses. From June 2001 to December 2003, Mr. Shapiro was Executive Vice President and Chief Administrative Officer of Revlon Inc. He brings to the Board his extensive experience in executive positions with various nationally known companies, which he has served in a wide variety of capacities that have drawn upon his legal and entrepreneurial skills, including those in the areas of corporate governance and the regulatory corporate environment.

#### **Required Vote**

Director nominees are elected by a plurality of the votes cast at the Meeting. We have been advised that it is the intention of Messrs. Robert I. Toll and Bruce E. Toll to vote the shares of common stock they each own “FOR” the election of each of the nominees named above. See “Voting Securities and Security Ownership — Security Ownership of Principal Stockholders and Management.”

***THE BOARD RECOMMENDS THAT YOU VOTE “FOR” THE ELECTION OF  
DOUGLAS C. YEARLEY, JR., ROBERT S. BLANK, STEPHEN A. NOVICK AND PAUL E. SHAPIRO.***

**PROPOSAL TWO**  
**RATIFICATION OF THE RE-APPOINTMENT OF**  
**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee re-appointed Ernst & Young LLP to serve as the Company’s independent registered public accounting firm (“independent auditors”) for the fiscal year ending October 31, 2012. Ratification is being sought at the Meeting in a non-binding vote of stockholders.

Ernst & Young LLP has audited our consolidated financial statements since 1984. Representatives of Ernst & Young LLP are expected to be present at the Meeting, will be afforded the opportunity to make a statement if they desire and are expected to be available to respond to appropriate questions.

We have been advised by Ernst & Young LLP that neither the firm, nor any member of the firm, has any financial interest, direct or indirect, in any capacity in us or our subsidiaries.

**Audit and Non-Audit Fees**

The following table sets forth the fees paid to Ernst & Young LLP for professional services for the fiscal years ended October 31, 2011 and 2010:

	<b>2011</b>	<b>2010</b>
Audit Fees(1) . . . . .	\$856,283	\$834,000
Audit-Related Fees(2) . . . . .	30,000	30,000
Tax Fees(3) . . . . .	85,536	69,398
	<b>\$971,819</b>	<b>\$933,398</b>

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- (1) “Audit Fees” include fees billed for (a) the audit of Toll Brothers, Inc. and its consolidated subsidiaries, (b) the audit of the Company’s internal control over financial reporting, (c) the review of quarterly financial information, and (d) the issuance of consents in various filings with the SEC.
  - (2) “Audit-Related Fees” include fees billed for audits of a certain joint venture in which we have an interest.
  - (3) “Tax Fees” include fees billed for consulting on tax planning matters and tax compliance matters.

The Audit Committee meets and agrees upon the annual audit fee directly with our independent auditors. The Audit Committee also establishes pre-approved limits for which our management may engage our independent auditors for specific services. Any work that exceeds these pre-approved limits in a quarter requires the advance approval of the Audit Committee. Each quarter the Audit Committee reviews the matters worked on by the independent auditors during the previous quarter and establishes any pre-approved limits for the current quarter. All fees and services for fiscal 2011 were approved by the Audit Committee. The Audit Committee also reviewed and approved the compatibility of non-audit services, including tax services, with the independent registered public accounting firm’s independence. The Audit Committee reviewed the services provided by Ernst & Young LLP and approved the fees paid to Ernst & Young LLP for all services for fiscal 2011.

***THE BOARD RECOMMENDS THAT YOU VOTE “FOR” PROPOSAL TWO.***

## PROPOSAL THREE

### ADVISORY AND NON-BINDING VOTE ON EXECUTIVE COMPENSATION

Our stockholders voted in 2011, in a non-binding vote, in favor of the submission of the Company's executive compensation annually to our stockholders on a non-binding basis, and our Board has adopted that approach. In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act and the related rules of the SEC), we are including in this proxy statement a separate resolution, subject to a non-binding stockholder vote, to approve the compensation of our named executive officers ("NEOs") as disclosed in this proxy statement. In considering their vote, stockholders may wish to carefully review our compensation policies and decisions regarding our NEOs as presented in "Compensation Discussion and Analysis" on pages 19 to 32.

Our Executive Compensation Committee (the "Compensation Committee") has developed and maintained a compensation program that is intended to reward performance and encourage actions that drive success in our business strategy. Our executive compensation program received the support of 99% of our stockholders who voted at our 2011 Stockholders Meeting in a non-binding vote. In determining fiscal 2011 compensation for our NEOs, and as described in "Compensation Discussion and Analysis — Compensation Decision Making Process," the Compensation Committee took note of the difficult conditions that continued to challenge the economy and the home building industry while also considering the significant transition that we continued to experience at the senior management level. The following significant areas of achievement in fiscal 2011 were among those noted by the Compensation Committee in light of the current economic condition of our industry and the economy as a whole:

- *Sales:* Our net contracts signed in fiscal 2011 increased by approximately 9% in dollars and 7% in units compared to fiscal 2010.
- *Backlog:* Our backlog at fiscal year end 2011 increased 15% in dollars and 12% in units compared to fiscal 2010.
- *Income:* We reported net income of \$39.8 million in fiscal 2011 compared to net losses of \$3.4 million and \$755.8 million in fiscal 2010 and 2009, respectively. Excluding write-downs and debt retirement charges, our pre-tax income improved to \$67.2 million in fiscal 2011 compared to a pre-tax loss of \$0.7 million in fiscal 2010 on similar revenue volume.
- *Gross margin:* Our pre-impairment home building gross margin improved nearly 2.5% in fiscal 2011 compared to fiscal 2010.
- *Community Count:* We increased our community count from 195 to 215 during fiscal 2011.
- *Expansion of our Business:*
  - Shortly after the close of fiscal 2011, we completed the acquisition of substantially all of the assets of CamWest Development LLC, marking our expansion into the Seattle market.
  - The continued expansion of the "Toll Brothers City Living<sup>®</sup>" brand name with the opening for sale of three new buildings in the New York urban market.
  - Gibraltar Capital and Asset Management LLC ("Gibraltar Capital"), our wholly owned subsidiary formed in 2010 to pursue a broad range of distressed real estate opportunities, executed four acquisition transactions during fiscal 2011, representing \$70.1 million in capital invested and generated net income of \$6.9 million.
- *Honors:* During fiscal 2011, Institutional Investor Magazine named our CEO and CFO to the 2012 All America Team for the Homebuilding and Building Products Industry. We were voted the first-place ranking for Best Investor Relations in the Homebuilders & Building Products sector by the buy-side community in Institutional Investor Magazine's 2012 annual survey.
- *Financial Strength:* We continue to have one of the strongest balance sheets in the industry. We maintain significant liquidity and strong land positions and believe we are well positioned for the ultimate recovery in the housing markets.

We believe that our Compensation Committee has developed NEO compensation that is incentivizing outstanding performance and achievements in light of the current economic condition of our industry and the economy as a whole.

Accordingly, we are asking our stockholders to approve, in a non-binding vote, the following resolution in respect of this Proposal Three:

“RESOLVED, that the stockholders approve, in a non-binding vote, the compensation of the Company’s named executive officers as disclosed on pages 19 to 32 in the Proxy Statement relating to the Company’s Annual Meeting of Stockholders to be held on March 14, 2012.”

***THE BOARD RECOMMENDS THAT YOU VOTE “FOR” PROPOSAL THREE.***

**CORPORATE GOVERNANCE AND BOARD MATTERS**

We continue to operate within a comprehensive plan of corporate governance for the purpose of defining independence, assigning Board committee responsibilities, setting high standards of professional and personal conduct and assuring compliance with such responsibilities and standards. We regularly monitor developments in the area of corporate governance.

**Director Independence**

Under the NYSE rules and the standards adopted by the Board, a director is not “independent” unless the Board affirmatively determines that the director has no direct or indirect material relationship with us. In addition, the director must meet the requirements for independence set forth by the NYSE rules.

The Board has established categorical standards of director independence to assist it in making independence determinations. These standards, which are described below, set forth certain relationships between the Company and the directors, and their immediate family members or entities with which they are affiliated, that the Board, in its judgment, has determined to be material or immaterial in assessing a director’s independence. The standards applied by the Board in affirmatively determining whether a director is “independent” generally provide that a director is not independent if:

(1) the director is, or has been within the last three years, our employee or an immediate family member (defined as including a person’s spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone, other than domestic employees, who shares such person’s home) of, or is, or has been within the last three years, one of our executive officers;

(2) the director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than \$120,000 per year in direct compensation from us, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(3) (a) the director is a current partner or employee of a firm that is our internal or external auditor; (b) the director has an immediate family member who is a current partner of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and who works on our audit; or (d) the director or an immediate family member was, within the last three years, a partner or employee of such a firm and personally worked on our audit within that time;

(4) the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of our present executive officers at the same time serves or served on that company’s compensation committee;

(5) the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to or received payments from us for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or two percent of such other company’s consolidated gross revenues; and

(6) the director or an immediate family member is, or within the past three years has been, an affiliate of another company in which, in any of the last three years, any of our present executive officers directly or indirectly either:

- (a) owned more than five percent of the total equity interests of such other company, or
- (b) invested or committed to invest more than \$900,000 in such other company.

The Board annually reviews the independence of all directors. The Board, in applying the above-referenced standards, has affirmatively determined that all of our directors are independent, other than Messrs. Robert I. Toll, Bruce E. Toll and Douglas C. Yearley, Jr. As part of the Board's process in making such determination, each such director provided written assurances that (a) all of the above-cited objective criteria for independence are satisfied, and (b) he or she has no other "material relationship" with us that could interfere with his or her ability to exercise independent judgment.

### **Corporate Governance Guidelines**

The Board has adopted Corporate Governance Guidelines, which describe the Board's views on a number of governance topics. The guidelines can be obtained free of charge from our website at [www.tollbrothers.com](http://www.tollbrothers.com) under "Investor Relations: Corporate Governance."

### **Board Meetings**

- The Board held four meetings during our 2011 fiscal year.
- Each director during our 2011 fiscal year attended at least 75% of the meetings of the Board and of the committees of which he or she was a member.
- Our independent directors hold separate meetings. Edward G. Boehne, the Company's Lead Independent Director, acts as chair at meetings of the independent directors. During our 2011 fiscal year, the independent directors met four times.

### **Committees of the Board and Meetings**

The Board currently has the following standing committees: Audit Committee; Executive Compensation Committee; Nominating and Corporate Governance Committee and Public Debt and Equity Securities Committee.

#### ***Audit Committee***

- The Audit Committee is currently comprised of Paul E. Shapiro (Chair), Edward G. Boehne, Christine N. Garvey and Carl B. Marbach, each of whom was a member of the Audit Committee for our entire 2011 fiscal year.
- Each member of the Audit Committee has been determined by the Board to meet the standards of independence required of audit committee members by the NYSE and applicable SEC rules. For more information on the NYSE standards for independence, see "Director Independence" above.
- The Board has also determined that all members of the Audit Committee are financially literate, and that Edward G. Boehne possesses accounting and related financial management expertise within the meaning of the listing standards of the NYSE and is an "audit committee financial expert" within the meaning of the applicable SEC rules. For a description of Mr. Boehne's relevant experience, see Proposal One.
- The duties and responsibilities of the Audit Committee are set forth in its charter, which may be found at [www.tollbrothers.com](http://www.tollbrothers.com) under "Investor Relations: Corporate Governance," and include, among other things: acting on behalf of our Board to discharge the Board's responsibilities relating to the quality and integrity of our financial statements; our compliance with legal and regulatory requirements; risk oversight and assessment; the appointment, qualifications, performance and independence of the independent

registered public accounting firm; pre-approval of all audit engagement fees and terms, all internal-control related services and all permitted non-audit engagements (including the terms thereof) with the independent auditor; and review of the performance of our internal audit function.

- The Audit Committee also has the responsibility and authority for the appointment, compensation, retention, evaluation, termination and oversight of the independent registered public accounting firm, and pre-approval of audit and permissible non-audit services provided by the independent registered public accounting firm.
- The Audit Committee held four regular meetings during the 2011 fiscal year. All of its meetings were attended by representatives from Ernst & Young LLP, our independent registered public accounting firm, to consider, among other things, the scope of the annual audit and issues of accounting policy and internal control. In addition, the Audit Committee had four meetings with our management and representatives from Ernst & Young LLP during the 2011 fiscal year, prior to each public release of our quarterly and annual financial information.

#### ***Executive Compensation Committee***

- The Executive Compensation Committee (the “Compensation Committee”) was, for the entire 2011 fiscal year, comprised of Carl B. Marbach (Chair) and Stephen A. Novick and, since December 15, 2010, Paul E. Shapiro, each of whom has been determined by the Board to meet the NYSE’s standards for independence. In addition, each committee member has been determined by the Board to qualify as a “Non-Employee Director” as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and as an “outside director” as defined for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”).
- The duties and responsibilities of the Compensation Committee are set forth in its charter, which may be found at [www.tollbrothers.com](http://www.tollbrothers.com) under “Investor Relations: Corporate Governance,” and include, among other things: establishing our compensation philosophy and objectives; overseeing the implementation and development of our compensation programs; annually reviewing and approving corporate goals and objectives relevant to the compensation of the Executive Chairman of the Board and Chief Executive Officer; evaluating the performance of the Executive Chairman of the Board and Chief Executive Officer in light of those goals and objectives and determining each of the Executive Chairman of the Board’s and Chief Executive Officer’s compensation level based on these evaluations; annually reviewing and approving all elements and levels of compensation for our executive officers and any other officers recommended by the Board; discussing the results of the shareholder advisory vote on “say-on pay;” making recommendations to the Board with respect to incentive compensation plans and equity-based plans; administering (in some cases, along with the Board) all of our stock-based compensation plans, as well as the Toll Brothers, Inc. Cash Bonus Plan (the “Cash Bonus Plan”), the Toll Brothers, Inc. Senior Officer Bonus Plan (the “Senior Officer Plan”), and the Toll Brothers, Inc. Supplemental Executive Retirement Plan (the “SERP”); reviewing and approving, or making recommendations to the full Board, regarding equity-based awards; and reviewing the Company’s regulatory compliance with respect to compensation matters.
- In fulfilling its responsibilities, the Compensation Committee may delegate any or all of its responsibilities to a subcommittee of the committee. For a discussion concerning the process and procedures for determining executive compensation and the role of executive officers and compensation consultants in determining or recommending the amount or form of compensation, see “Compensation Discussion and Analysis” beginning on page 19.
- The Compensation Committee held three meetings during the 2011 fiscal year, one of which took place over multiple sessions.

### ***Nominating and Corporate Governance Committee***

- The Nominating and Corporate Governance Committee is, and for the entire 2011 fiscal year was, comprised of Edward G. Boehne (Chair), Robert S. Blank and Stephen A. Novick, each of whom has been determined by the Board to meet the NYSE's standards for independence.
- The duties and responsibilities of the Nominating and Corporate Governance Committee are set forth in its charter, which may be found at [www.tollbrothers.com](http://www.tollbrothers.com) under "Investor Relations: Corporate Governance," and include, among other things: identifying individuals qualified to become members of the Board and recommending to the Board the nominees for election to the Board; evaluating from time to time the appropriate size of the Board and recommending any changes in the composition of the Board so as to best reflect the objectives of the Company and the Board; evaluating and making recommendations to the Board with respect to the compensation of the non-employee directors; adopting and reviewing, at least annually, corporate governance guidelines consistent with the requirements of the NYSE; establishing procedures for submission of recommendations or nominations of candidates to the Board by shareholders; reviewing the Board's committee structure; reviewing proposed changes to the Company's governance instruments; reviewing and recommending director orientation and continuing orientation programs; reviewing and approving related party transactions; and acting on behalf of the Board with respect to certain administrative matters.
- The Nominating and Corporate Governance Committee, along with the Board, administers the Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Non-Employee Directors (2007).
- The Nominating and Corporate Governance Committee held four meetings during the 2011 fiscal year.

### ***Public Debt and Equity Securities Committee***

- The Public Debt and Equity Securities Committee is, and for the entire 2011 fiscal year was, comprised of Richard J. Braemer (Chair), Robert S. Blank, Carl B. Marbach and Bruce E. Toll.
- The duties and responsibilities of the Public Debt and Equity Securities Committee are set forth in its charter, which may be found at [www.tollbrothers.com](http://www.tollbrothers.com) under "Investor Relations: Corporate Governance," and include reviewing and approving, pursuant to authority granted by the Board, certain transactions relating to the public debt and equity securities of the Company and its affiliates.
- The Committee did not hold a formal meeting during the 2011 fiscal year.

### **Consideration and Selection of Nominees for the Board**

The Nominating and Corporate Governance Committee is authorized to consider candidates for Board membership suggested by its members and by other Board members, as well as by management and by stockholders. A stockholder who wishes to recommend a prospective nominee for membership on the Board should follow the procedures described in this proxy statement under the caption "Procedures for Nominating Candidates or Recommending Candidates for Nomination to the Board of Directors." Once a prospective nominee has been identified by, or presented to, the Nominating and Corporate Governance Committee, background information is elicited about the candidate and the candidate is investigated and evaluated by the Nominating and Corporate Governance Committee and, if deemed appropriate, interviewed. Following this process, the Nominating and Corporate Governance Committee reports to the Board and makes a recommendation regarding the prospective nominee. No distinctions are to be made as between internally-recommended candidates and those recommended by stockholders. All candidates should, at a minimum, possess a background that includes a strong education, extensive business experience and the requisite reputation, character, integrity, skills, judgment and temperament, which, in the Nominating and Corporate Governance Committee's judgment, have prepared him or her for dealing with the multi-faceted financial, business and other issues that confront a board of directors of a corporation with our size, complexity, reputation and success. The Nominating and Corporate Governance Committee does not have a policy regarding diversity.



## **Risk Oversight**

Our Audit Committee regularly receives reports from a risk management committee comprised of representatives from various Company business functions that are charged with risk assessment and business continuity planning. This committee meets on a regular basis and selects topics related to specific risks and potential vulnerabilities related to particular business functions of the Company, which topics are then presented to the Audit Committee along with a summary of the measures the Company has taken or plans to take in order to define and mitigate such risks and prepare for and address such vulnerabilities. These presentations include reports regarding risks and vulnerabilities relating to, among other things, operations, assets, land investments, competition, personnel, credit and debt covenant compliance, joint venture relationships, litigation and information technology. In addition, our Compensation Committee oversees risks arising from executive officer compensation practices, and our Nominating and Corporate Governance Committee oversees succession risks. Each of the standing committees regularly reports to the full Board, which is ultimately responsible for overseeing risks at the enterprise level. In addition, our full Board oversees strategic risks through its focus on overall corporate strategy and execution.

The Compensation Committee has also reviewed the design and operation of the Company's compensation structures and policies as they pertain to risk and has determined that the Company's compensation programs do not create or encourage the taking of risks that are reasonably likely to have a material adverse effect on the Company.

## **Codes of Business Conduct and Ethics**

Management has adopted a Code of Ethics for Principal Executive Officer and Senior Financial Officers, violations of which may be reported to the Audit Committee. Copies of this code and any waiver or amendment to such code can be obtained free of charge from our website at [www.tollbrothers.com](http://www.tollbrothers.com) under "Investor Relations: Corporate Governance."

We operate under a comprehensive Code of Ethics and Business Conduct that we review annually and which applies to all directors, officers and employees and includes provisions ranging from conflicts of interest and acceptance of gifts to harassment, discrimination and other employment-related matters. Upon employment with us, all employees are required to affirm in writing their receipt and review of the code and their compliance with its provisions. Copies of this code can be obtained free of charge from our website at [www.tollbrothers.com](http://www.tollbrothers.com) under "Investor Relations: Corporate Governance."

## **Leadership Structure**

In connection with the appointments of Douglas C. Yearley, Jr. as Chief Executive Officer and Robert I. Toll as Executive Chairman of the Board, each effective June 16, 2010, the Board separated the roles of chairman and chief executive officer. As our Chief Executive Officer, Mr. Yearley is responsible for our day-to-day operations and for formulating and executing our long-term strategies in collaboration with the Board and Mr. Toll, as Executive Chairman of the Board. As Executive Chairman of the Board, Mr. Toll continues to play a key role and be actively involved in our business. He continues to chair the Board, act as advisor to the executive officers, actively engage in the review of land transactions, and play a major role in the planning of our long-term business strategy. In the Board's view, an appropriate leadership structure depends on the opportunities and challenges facing a company at a given time. The Board believes that the current leadership structure is appropriate for the Company at this time as it enables us and the Board to continue to benefit from Mr. Toll's vast experience, skills, expertise and knowledge of the Company and the industry.

In fiscal 2011, the Board designated Edward G. Boehne as the Lead Independent Director of the Board of Directors until his successor is duly designated and qualified. The Lead Independent Director helps ensure that there is an appropriate balance between management and independent directors and that the independent directors are fully informed and able to discuss and debate the issues that they deem important. The role of the Lead Independent Director includes: (i) presiding over all executive sessions and other meetings of the independent directors; (ii) acting as principal liaison between the Executive Chairman of the Board and the independent directors; (iii) serving as the director whom stockholders may contact; (iv) leading the process for evaluating the

Board of Directors and the committees of the Board of Directors; (v) participating in the communication of sensitive issues to the other directors; and performing such other duties as the Board of Directors may deem necessary and appropriate from time to time.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of the Compensation Committee during the fiscal year ended October 31, 2011 has ever been an officer or employee of the Company or its subsidiaries.

### **Personal Loans to Executive Officers and Directors**

We do not permit personal loans to or for the benefit of our directors or executive officers.

### **Director Attendance at Annual Meetings of Stockholders**

It is the policy of our Board that all directors attend annual meetings of stockholders except where the failure to attend is due to unavoidable circumstances or conflicts discussed in advance by the director with the Executive Chairman of the Board. All members of the Board who were serving or standing for re-election, other than Bruce E. Toll, attended our 2011 Annual Meeting of Stockholders.

### **Communication with the Board**

Any person who wishes to communicate with the Board or specific individual directors, including the chair of the independent directors meetings or the independent directors as a group, may do so by directing a written request addressed to such directors or director in care of the Office of the General Counsel, Toll Brothers, Inc., at the address appearing on the first page of this proxy statement. Communications directed to members of the Board who are management directors will be referred to the intended Board member(s) except to the extent that it is deemed unnecessary or inappropriate to do so pursuant to the procedures established by a majority of the independent directors. Communications directed to independent directors will be referred to the intended Board member(s).

### **Director Compensation**

The Nominating and Corporate Governance Committee is responsible for evaluating and recommending compensation for non-management directors to the Board.

#### ***Elements of Director Compensation During Fiscal Year 2011***

Non-management directors have been compensated in cash, stock options and restricted stock for their services as directors. In fiscal year 2011, their compensation program was as follows:

- *Cash.* Directors received no annual cash retainer for their service on the Board or its committees. Each non-management director, other than Bruce E. Toll, received cash fees for each Board and Board committee meeting he or she attended that was determined to be a “paid” meeting. In general, telephone conferences lasting less than 30 minutes in duration were not considered “paid” meetings. Cash fees paid for meetings held during fiscal 2011 were as follows:

Each full day Board meeting . . . . .	\$5,000
Each telephonic Board meeting . . . . .	\$1,750
Each Board committee meeting . . . . .	\$1,750

- *Equity Compensation.* All non-management directors received annual equity compensation in the form of stock options for service on the Board and on Board committees. Stock options were granted and priced on a date in the last two weeks of December that is determined in advance by the Compensation Committee for service during the immediately preceding fiscal year. Each option grant made to a non-management director has a 10-year term and vests in equal installments over a two-year period, with a provision for automatic vesting upon a change of control of the Company. Some option grants to

non-management directors also provide for continued vesting upon death, disability or retirement of the director. In addition, non-management directors also received restricted stock awards for service on certain Board committees. Restricted stock was also granted on a date in the last two weeks of December that was determined in advance by the Compensation Committee for service during the immediately preceding fiscal year. Restrictions on shares of restricted stock granted as director compensation lapse in equal installments over two years, although all restrictions would immediately lapse upon a change of control of the Company or upon the death or disability of the director. In order to receive equity compensation for Board committee service, the relevant Board committee had to meet at least once during the fiscal year, and such meeting had to be considered a “paid” meeting.

Equity compensation grants under the Director Plan to non-management directors during fiscal 2011 for services rendered during fiscal 2010 were made on December 20, 2010 and were as follows:

Service on the Board . . . . .	Option to acquire 15,000 shares
Chair of the Audit Committee . . . . .	Option to acquire 1,250 shares; 250 shares of restricted stock
Member of the Audit Committee . . . . .	Option to acquire 1,000 shares; 100 shares of restricted stock
Chair of the Nominating and Corporate Governance Committee . . . . .	Option to acquire 1,000 shares; 200 shares of restricted stock
Member of the Nominating and Corporate Governance Committee . . . . .	Option to acquire 1,000 shares; 100 shares of restricted stock
Chair of the Compensation Committee . . . . .	Option to acquire 1,000 shares; 200 shares of restricted stock
Member of the Compensation Committee . . . . .	Option to acquire 1,000 shares; 100 shares of restricted stock

- *Perquisites and Benefits.* Our non-management directors did not receive perquisites or other benefits from the Company during fiscal 2011 except for Mr. Bruce E. Toll, as discussed in the section below entitled “Other Director Compensation Arrangements.”

***Elements of Director Compensation Beginning in Fiscal Year 2012***

Beginning in fiscal year 2012, the compensation program for non-management directors is as follows:

- *Board Retainer.* The principal form of compensation for non-management directors for their service as directors is an annual retainer, consisting of a combination of cash and equity, with an annual aggregate value of \$160,000 as follows:
  - *Cash.* Each non-management director receives \$53,334 as the cash portion of the annual retainer.
  - *Equity.* The equity portion of the annual retainer for a non-management director consists of two components issued pursuant to the Company’s Director Plan: (a) non-qualified stock options having an aggregate grant date fair value of \$53,333 and (b) restricted stock units (“RSUs”) having an aggregate grant date fair value of \$53,333. Stock options are granted and priced on a date in the last two weeks of December that is determined in advance by the Compensation Committee for service during the immediately preceding fiscal year. Each option grant made to a non-management director has a 10-year term and vests in equal installments over a two-year period, with a provision for automatic vesting upon a change of control of the Company. RSUs are also granted on a date in the last two weeks of December that is determined in advance by the Compensation Committee for service during the immediately preceding fiscal year. Restrictions on shares of RSUs granted as director compensation lapse in equal installments over two years, although all restrictions would immediately lapse upon a change of control of the Company or upon the death or disability of the director.

- *Committee Retainer.* Each member of the Audit Committee, the Nominating and Corporate Governance Committee and the Executive Compensation Committee receives annually, for service on each such Committee: (a) \$6,668 in cash; (b) non-qualified stock options having an aggregate grant date fair value of \$6,666, and (c) RSUs having an aggregate grant date fair value of \$6,666, in each case with the same features described above under “*Equity*.” In addition, the Chair of each of the above Committees receives an annual cash retainer of \$10,000. No fees (in cash or equity) are paid on a per meeting basis.

Each member (including the Chair) of the Public Debt and Equity Securities Committee receives annually in any year in which the Committee meets or takes official actions: (a) \$3,334 in cash, (b) non-qualified stock options having an aggregate grant date fair value of \$3,333, and (c) RSUs having an aggregate grant date fair value of \$3,333, in each case with the same features described above under “*Equity*.” In addition, the Chair of that Committee receives a cash retainer of \$5,000 in any year in which the Committee meets or takes official action.

- *Attendance at Board and Committee Meetings.* Directors, Committee Chairs and Committee members do not receive any additional compensation for attendance at Board or Committee meetings.
- *Lead Independent Director.* The Lead Independent Director receives annually \$10,000 in cash for his services in that capacity.

#### ***Other Director Compensation Arrangements***

A new Advisory and Non-Competition Agreement (the “Advisory Agreement”) was entered into as of November 1, 2010 between the Company and Mr. Bruce E. Toll. The Advisory Agreement expires on October 31, 2016. The purpose of the Advisory Agreement is to provide us with the valuable and special knowledge, expertise and services of Mr. Bruce E. Toll, one of our co-founders and a director of the Company since our inception, on a continuing basis, as well as to provide that Mr. Toll does not engage in specified activities. The Advisory Agreement provides, among other things, that (a) we will retain Mr. Bruce E. Toll as Special Advisor to the Executive Chairman of the Board and the Chief Executive Officer until October 31, 2016, at a compensation rate of \$675,000 for the first year of the term of the Advisory Agreement, with such compensation rate to be reduced by \$75,000 in each of the remaining five years of the term of the Advisory Agreement, and (b) during the term of the Advisory Agreement, Mr. Bruce E. Toll will be entitled to receive the health plan benefits provided to our NEOs. Mr. Bruce E. Toll is a participant in the Company’s 401(k) retirement plan. Mr. Bruce E. Toll is also a participant in the SERP, which provides an annual benefit of \$230,000 for 20 years; however, no payments are to be made to him under the SERP until the expiration of the term (or termination) of the Advisory Agreement. See “Executive Compensation Tables — Pension Benefits at October 31, 2011 — Supplemental Executive Retirement Plan” for a more detailed description of the SERP. During fiscal 2011, we provided Mr. Bruce E. Toll with other benefits having an estimated value of \$2,746, which are described in greater detail under “Director Compensation during Fiscal 2011” table, below. These benefits were reviewed by the Compensation Committee as part of its review of benefits and perquisites paid to our NEOs and were found to be reasonable and consistent with past practices.

### Director Compensation Table

The following table sets forth information concerning the fiscal 2011 compensation awarded to or earned by our non-management directors. Management directors are not compensated for their service as directors. The compensation received by our management directors for their services as employees is shown in the Summary Compensation Table on page 32 of this proxy statement.

#### Director Compensation during Fiscal 2011

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)(2)(3)	Option Awards \$(4)(5)(6)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Robert S. Blank . . . . .	19,500	1,932	173,760	—	—	195,192
Edward G. Boehne . . . . .	33,500	5,796	184,620	—	—	223,916
Richard J. Braemer . . . . .	12,500	—	162,900	—	—	175,400
Christine N. Garvey . . . . .	24,750	1,932	173,760	—	—	200,442
Carl B. Marbach . . . . .	31,750	5,796	184,620	—	—	222,166
Stephen A. Novick . . . . .	24,750	3,864	184,620	—	—	213,234
Paul E. Shapiro . . . . .	30,000	4,830	176,475	—	—	211,305
Bruce E. Toll . . . . .	—	—	162,900	404,704(7)	677,746(8)	1,245,350

- (1) Annual restricted stock award grants to non-management directors were made during the first quarter of the 2011 fiscal year for service on Board committees during the 2010 fiscal year. The grant date fair values of the awards are based upon the closing price of our common stock on the date of the awards. Each non-management director, other than Mr. Braemer and Mr. Bruce E. Toll, received a grant of restricted stock during fiscal year 2011. The grant date for each restricted stock award was December 20, 2010.
- (2) The amounts reported in this column represent the grant date fair value of the restricted stock awards, in accordance with Financial Accounting Standards Board Accounting Standards Codification (“ASC”) Topic 718 “Compensation-Stock Compensation” (“ASC 718”).
- (3) The non-management directors held the following amounts of unvested restricted stock awards at October 31, 2011: Mr. Blank, 150 shares; Mr. Boehne, 450 shares; Ms. Garvey, 100 shares; Mr. Marbach, 450 shares; Mr. Novick, 300 shares; and Mr. Shapiro, 375 shares. Messrs. Braemer and Bruce E. Toll did not hold any unvested restricted stock awards at October 31, 2011.
- (4) The annual stock option grants to non-management directors are made during the first quarter of each fiscal year for service on the Board and Board Committees during the immediately preceding fiscal year. The amounts reported in this column represent the grant date fair value of stock option awards granted, in accordance with ASC 718. Assumptions used in the calculation of these amounts are included in Note 9 to our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2011.
- (5) Each non-management director received a stock option grant during fiscal year 2011. Each grant was made on December 20, 2010.
- (6) The non-management directors held unexercised stock options to acquire the following amounts of our common stock at October 31, 2011: Mr. Blank, 208,000 shares; Mr. Boehne, 218,000 shares; Mr. Braemer, 197,000 shares; Ms. Garvey, 57,000 shares; Mr. Marbach, 218,000 shares; Mr. Novick, 202,000 shares; Mr. Shapiro, 213,250 shares; and Mr. Bruce E. Toll, 165,000 shares. We provide information on the beneficial ownership of our stock for each of our directors under “Security Ownership of Principal Stockholders and Management” on page 3 of this proxy statement.

- (7) Due to a change in assumptions related to the discount rate from October 31, 2010 to October 31, 2011, the actuarial present value of Mr. Bruce E. Toll’s accumulated plan benefit under the SERP increased by \$404,704.
- (8) “All Other Compensation” consists of the following annual compensation and benefits provided to Mr. Bruce E. Toll pursuant to the Advisory Agreement. See “Other Director Compensation Arrangements” above.

Annual compensation .....	\$675,000
Contribution to 401(k) Plan .....	<u>2,746</u>
Total .....	<u>\$677,746</u>

## COMPENSATION DISCUSSION AND ANALYSIS

### Executive Summary

This compensation discussion and analysis (“CD&A”) describes in detail each element of compensation that we pay or award to, or that is earned by, our named executive officers (“NEOs”). This CD&A includes a description of the principles underlying our executive compensation policies and our most important executive compensation decisions during our 2011 fiscal year and provides our analysis of these policies and decisions. It is also intended to provide a context for the data we present in the compensation tables and related footnotes below, as well as the narratives that accompany the compensation tables.

We are the nation’s leading builder of luxury single-family detached and attached home communities; master planned luxury residential, resort-style golf communities; and urban low-, mid- and high-rise communities, principally on land we develop and approve. We operate our own architectural, engineering, mortgage, title, land development and land sale, golf course development and management, home security, and landscape subsidiaries. We face intense competition from a number of other home builders in each market in which we operate. It is imperative to our success and long-term viability that our business continues to be managed by highly experienced, focused and capable executives who possess the dedication to oversee our organization on a day-to-day basis and have the vision to anticipate and respond to market developments. It is also important that we concentrate on retaining and developing the capabilities of our emerging leaders to ensure that we continue to have an appropriate depth of executive talent.

Our 2011 fiscal year was the first full fiscal year after the occurrence of significant changes in several of our key leadership roles — changes that, in each instance, resulted from succession planning by the Board and our management. Our 2011 fiscal year NEOs were as follows:

*Robert I. Toll, Executive Chairman of the Board (“Executive Chairman”)* Mr. Toll served as our Chairman and Chief Executive Officer since our founding in 1967 until the appointment of Douglas C. Yearley, Jr. as Chief Executive Officer in June 2010, at which time he was appointed Executive Chairman, with the expectation that he will, among other things, maintain an active role in the strategic management of the Company;

*Douglas C. Yearley, Jr., Chief Executive Officer (“CEO”)* Mr. Yearley joined us in 1990, served as a Regional President from November 2005 until November 2009 and served as Executive Vice President from November 2009 until June 2010, at which time he was appointed CEO;

*Zvi Barzilay, President and Chief Operating Officer (“COO”)* Mr. Barzilay joined us in 1980 and served in various senior management positions from 1983 to 1998, at which time he was appointed President and COO. He retired from the Company effective December 31, 2011;

*Martin P. Connor, Senior Vice President, Chief Financial Officer and Treasurer (“CFO”)* Mr. Connor joined us in 2008, was appointed a Senior Vice President in December 2009 and continued in that position from that time until his appointment as CFO and Treasurer in September 2010.

In determining fiscal 2011 compensation for our senior executives, the Executive Compensation Committee of the Board (the “Compensation Committee”) took note of the difficult conditions that continued to challenge the economy and home building industry, while also considering the transition that we continued to experience at

the senior management level. In particular, with respect to our Executive Chairman, the Compensation Committee considered his continuing role in strategic and day-to-day business activities during fiscal 2011. As a result, the Compensation Committee sought to compensate our NEOs in a way that would enable us to retain them as our senior management team, appropriately recognize their individual experience, roles and skill sets and their efforts on behalf of the Company during fiscal 2011 and in a way that would be consistent with our overall business objectives and our stockholders' best interests. The Compensation Committee paid particular attention to the following notable areas of achievement in fiscal 2011 in light of the current economic condition of our industry and the economy as a whole:

- *Sales:* Our net contracts signed in fiscal 2011 increased by approximately 9% in dollars and 7% in units compared to fiscal 2010.
- *Backlog:* Our backlog at fiscal year end 2011 increased 15% in dollars and 12% in units compared to fiscal 2010.
- *Income:* We reported net income of \$39.8 million in fiscal 2011 compared to net losses of \$3.4 million and \$755.8 million in fiscal 2010 and 2009, respectively. Excluding write-downs and debt retirement charges, our pre-tax income improved to \$67.2 million in fiscal 2011 compared to a pre-tax loss of \$0.7 million in fiscal 2010 on similar revenue volume.
- *Gross Margin:* Our pre-impairment home building gross margin improved nearly 2.5% in fiscal 2011 compared to fiscal 2010.
- *Community Count:* We increased our community count from 195 to 215 during fiscal 2011.
- *Expansion of our Business:*
  - Shortly after the close of fiscal 2011, we completed the acquisition of substantially all of the assets of CamWest Development LLC, marking our expansion into the Seattle market.
  - The continued expansion of the "Toll Brothers City Living®" brand name with the opening for sale of three new buildings in the New York urban market.
  - Gibraltar Capital, our wholly owned subsidiary formed in 2010 to pursue a broad range of distressed real estate opportunities, executed four acquisition transactions during fiscal 2011, representing \$70.1 million in capital invested, and generated net income of \$6.9 million.
- *Honors:* During fiscal 2011, Institutional Investor Magazine named our CEO and CFO to the 2012 All America Team for the Homebuilding and Building Products Industry. We were voted the first-place ranking for Best Investor Relations in the Homebuilders & Building Products sector by the buy-side community in Institutional Investor Magazine's 2012 annual survey.
- *Financial Strength:* The Company continues to have one of the strongest balance sheets in the industry. We maintain significant liquidity and strong land positions and believe that we are well positioned for the ultimate recovery in the housing markets.

Consistent with our historical compensation practices, our fiscal 2011 compensation program, which is discussed in detail in this CD&A, featured the following attributes:

- A balanced mix of annual cash and long-term equity incentives that reward our NEOs for current performance and align their compensation with long-term performance and long-term stockholder value creation; and
- A structure for NEO incentive compensation that complies with Internal Revenue Code ("Code") requirements for tax deductibility.
- In addition, our program does not feature any NEO employment agreements or severance plans or agreements; nor do we have any plans or agreements that provide "golden parachute" cash payouts for our NEOs conditioned upon a change of control, except with respect to vesting and potential payment of SERP benefits and vesting of equity compensation awards and grants.

## Consideration of Say-on-Pay Results

The Compensation Committee considered the results of the 2011 advisory, non-binding “say-on-pay” proposal in connection with the discharge of its responsibilities. Because 99% of our shareholders voting on the “say on pay” proposal approved the compensation of our NEOs described in our proxy statement in 2011, the Compensation Committee did not implement significant changes to our executive compensation program as a result of the shareholder advisory vote.

## Overview of Contents

In this CD&A, you will find details on, and discussion of, the following topics:

	<u>Pages</u>
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• Compensation Philosophy and Objectives . . . . .	22-23
• Elements of Compensation . . . . .	23-24
• Compensation Decision-Making process . . . . .	24-25
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## Compensation Governance

### *Role of Executive Officers*

The Compensation Committee worked with management to establish its meeting agendas and determine who should be invited to attend meetings. Throughout the year, the Compensation Committee requested various types of information from management and its independent compensation consultant, including information about other companies in the home building industry. Our CFO was invited by the Compensation Committee to attend relevant portions of the Compensation Committee meetings in order to provide information and answer questions regarding the Company’s strategic objectives and financial performance related to the Compensation Committee’s work. Our Executive Chairman, CEO and COO were also all available to members and meetings of the Compensation Committee. Our CEO submitted recommendations to the Compensation Committee regarding salary, bonus, equity compensation, performance goals and overall compensation levels for the COO and CFO. The Compensation Committee, after consideration of these recommendations, determined the actual awards to the COO and CFO. The Executive Chairman submitted recommendations to the Compensation Committee regarding salary, bonus, equity compensation, performance goals and overall compensation for the CEO; the Compensation Committee considered these recommendations in determining the CEO’s compensation.

### *Use of Compensation Consultants*

During fiscal 2011, the Compensation Committee engaged Compensation Advisory Partners LLC (“CAP”) to serve as its independent compensation consultant. CAP received instructions from, and reported to, the Compensation Committee on an independent basis. The Compensation Committee periodically obtains confirmation from CAP with regard to CAP’s independence. CAP was also authorized by the Compensation Committee to share with and request and receive from management specified information in order to prepare for meetings. The Compensation Committee requested CAP’s advice on a variety of issues, including compensation strategy, market comparisons, pay and performance alignment versus industry peers, executive pay trends, compensation best practices and potential compensation plan designs and modifications. The Compensation Committee met with CAP, both with and without management, on several occasions during fiscal 2011 and thereafter.



## Compensation Philosophy and Objectives

The Board and the Compensation Committee believe that our ability to retain and motivate NEOs who possess the skills, experience and capacity to succeed in our competitive industry has been essential to the long-term success of our Company and a significant factor in creating long-term value for our stockholders. Base salaries, annual incentive bonuses, long-term equity compensation and competitive employee benefits are the primary tools used to retain and motivate our NEOs to deliver superior performance and to enhance long-term value to our stockholders. Our compensation philosophy recognizes the value of rewarding our NEOs for their past performance and motivating them to continue to excel in the future. The Compensation Committee believes it has developed a compensation program that is intended to reward outstanding performance and encourage actions that successfully deliver on our business strategy.

We are in an industry that has suffered a severe downturn during the past several years. The compensation policies for our NEOs during this difficult period are based on the philosophy that compensation should reflect our Company's financial and operational performance and the individual performance of each executive in dealing with a challenging economic and housing environment. The Compensation Committee also believes that long-term incentives should be a significant factor in the determination of compensation, particularly because the business of home building, including evaluating and purchasing land, planning the use of that land, obtaining approvals, completing development, generating revenues and many of the other actions and decisions of our NEOs, requires a long time horizon before we realize a tangible financial benefit.

The Compensation Committee's primary objectives when setting compensation for our NEOs are:

- *Set compensation levels that are sufficiently competitive to retain, motivate and reward the highest quality individuals to contribute to our goals and overall financial success.* By keeping compensation competitive during times of growth as well as contraction, the Compensation Committee attempts to achieve these objectives.
- *Retain executives and encourage continued service.* The Compensation Committee seeks to attract and maintain the continuity of excellent management. The Compensation Committee believes our stockholders have historically benefited from the continued employment of our NEOs over an extended period of time — the Executive Chairman since he co-founded our predecessor operations in 1967 (43 years), the CEO, who joined the Company in 1990 and has served in various senior management positions during the 20 years preceding his appointment as CEO, and the COO who joined the Company in 1980 (30 years) and had served in that role since 1998 until his retirement effective December 31, 2011. Our NEOs are highly talented individuals who have been leaders in contributing to the Company's goals, objectives and overall success. Our Executive Chairman has been consistently recognized as a leader in our industry by various publications and industry groups, and, in 2011, our CEO and CFO were named by a leading institutional investor publication to its 2012 All America team for the homebuilding and building products industry. Richard T. Hartman, our new COO, effective January 1, 2012, has served the Company for over 30 years.
- *Incentivize executives to manage risks appropriately while attempting to improve our financial results, performance and condition over both the short-term and the long-term.* The Compensation Committee attempts to provide both short-term and long-term compensation for current performance, as well as to provide incentives to achieve short- and long-term goals. Short-term compensation is typically in the form of base salary and annual incentive cash bonuses under stockholder-approved plans, and long-term compensation is typically in the form of equity awards. Because of the current condition of the economy, the nature of our business and the way we operate our business and implement our strategies, we may not witness for several years the positive results of many decisions made or actions taken by our NEOs in any current fiscal year, including land purchased and strategies implemented to manage risks and position us for future growth. Accordingly, the Compensation Committee, by seeking a balance of short-term and long-term compensation, seeks to motivate and reward NEOs for decisions made today that may not produce immediate or short-term results, but will likely have a positive long-term effect.
- *Align executive and stockholder interests.* The Compensation Committee believes that the use of equity compensation as a key component of executive compensation is a valuable tool for aligning the interests of our NEOs with those of our stockholders; this would include the use of such compensation to reward

actions that demonstrate long-term vision. When management and stockholder interests are aligned, the Compensation Committee believes management’s focus on creating long-term growth and value is increased.

- *Obtain tax deductibility for incentive compensation.* The Compensation Committee believes that tax deductibility for the Company is a favorable feature for an executive incentive compensation program. Although the Compensation Committee, where it deems appropriate, may award base compensation to NEOs that will not be entirely tax-deductible, it generally attempts to structure compensation for NEOs to comply with the Code requirements for deductibility, including deductibility of compensation awarded under performance-based compensation plans.

## Elements of Compensation

The Compensation Committee seeks to be creative, as well as cognizant of changing economic and industry conditions and changing compensation trends, in its choice of methods to achieve these objectives, using a variety of compensation elements described below.

<u>Element</u>	<u>Purpose</u>	<u>Characteristics</u>
<i>Base Salary</i>	Provide a basic level of compensation to the NEOs for performing their roles and assuming their levels of executive responsibility.	Fixed cash component. Annually reviewed by the Compensation Committee and adjusted upwards or downwards, from time to time.
<i>Annual Incentive Bonuses</i>	Promote improvement of our financial results, performance and condition; intended to be a short-term incentive to drive achievement of performance goals in a particular fiscal year, without incentivizing inappropriate risk-taking or deterring achievement of our long-term goals and initiatives.	Annual incentive bonuses have been primarily paid in cash. Performance-based bonus opportunity based on the achievement of specified goals, which may be Company performance goals, individual performance goals or a combination of the two, pursuant to stockholder-approved plans. Where applicable, goals are typically established annually, and bonus amounts awarded vary based on performance.
<i>Long-Term Incentive Compensation</i>	Promote the achievement of our long-term financial goals and stock price appreciation by aligning NEO and stockholder interests, promoting NEO retention and rewarding NEOs for superior performance over time.	Equity awards granted annually by the Compensation Committee pursuant to stockholder-approved plans. Long-term incentive compensation may be in the form of stock options, stock appreciation rights, and stock awards and units, which may be restricted, unrestricted or performance-based. Benefits ultimately realized by each NEO will vary and will depend on our stock price, achievement of performance targets, and passage of time.

<u>Element</u>	<u>Purpose</u>	<u>Characteristics</u>
<i>Benefits and Perquisites, Including Retirement Benefits</i>	Provide health and welfare benefits during employment and a program for income upon retirement. Designed to retain and reward NEOs by providing an overall benefits package competitive with those provided by comparable companies.	Health and welfare benefits may vary based on employee elections. Perquisites and other benefits may vary from year to year. Retirement benefits also vary based on compensation and years of service.

### **Compensation Decision-Making Process**

The Compensation Committee reviews and determines base salary, incentive bonuses and long-term incentive compensation, as well as benefits and perquisites, on an annual basis. For compensation relating to fiscal 2011, the significant steps taken by the Compensation Committee to establish and award compensation to our NEOs were as follows:

- |                                 |  |
|---------------------------------|--|
| <b>October — December 2010</b>  | <ul style="list-style-type: none"> <li>• Set fiscal 2011 base salaries and performance goals under each of our bonus plans for fiscal 2011 bonuses</li> <li>• Determined and granted equity compensation awards for fiscal 2010 service</li> </ul>   |
| <b>June 2011</b>                | <ul style="list-style-type: none"> <li>• Reviewed executive compensation at peer companies for the preceding year</li> <li>• Monitored Company performance and individual performance of NEOs</li> </ul>   |
| <b>September 2011</b>           | <ul style="list-style-type: none"> <li>• Reviewed executive compensation benchmarking analysis for the preceding year prepared by the independent compensation consultant</li> </ul>   |
| <b>November — December 2011</b> | <ul style="list-style-type: none"> <li>• Reviewed fiscal 2011 performance goals and certified that performance goal was attained under each of our bonus plans</li> <li>• Reviewed overall Company performance relative to industry peers</li> <li>• Reviewed each NEO's individual performance during fiscal 2011</li> <li>• Determined fiscal 2011 NEO bonuses</li> <li>• Determined and granted equity awards for fiscal 2011 service</li> <li>• Consulted with independent compensation consultant regarding industry trends in executive compensation</li> <li>• Further revised RSU program in response to emerging practices</li> </ul> |

Portions of the compensation decision-making process are more fully described below.

#### ***Establish Performance Goals***

The Compensation Committee, when setting performance goals, reviews the Company's financial condition, current industry and national economic factors, compensation practices and trends at other companies within our industry, and our market capitalization, and attempts to set goals that will effectively motivate the NEOs to achieve the Company's most important business objectives, while limiting risk. The achievement of performance goals does not automatically entitle any NEO to a bonus. Rather, the establishment of performance goals permits the Compensation Committee, in its discretion, to determine and award bonuses to our NEOs that will be tax-deductible by the Company if the performance goals are met. The Compensation Committee has historically awarded bonuses that were well below the maximum range of amounts payable under the related plans. The Compensation Committee reserves the authority to reduce the minimum and maximum range of amounts payable and any resulting amounts payable to any participant based upon such facts and circumstances that the Compensation Committee deems relevant and appropriate.

At the beginning of fiscal 2011, the Compensation Committee, in the context of the severe downturn of the housing industry, believed that the achievement of revenues was once again an important goal that each of our NEOs should focus on during fiscal 2011. The Compensation Committee, which had determined, in fiscal 2010, that Messrs. Yearley, Barzilay and Connor would be participants in the Senior Officer Plan approved by our stockholders that year, decided that potential bonuses for fiscal 2011 under the Senior Officer Plan would be conditioned upon our achievement of a specified level of net revenues in fiscal 2011. The Committee established that eligibility for the bonus available under the Senior Officer Plan and under the Plan Year Performance Bonus component of the Cash Bonus Plan would be conditioned upon our achievement of at least \$1.1 billion in consolidated revenues in fiscal 2011, and eligibility for 80% of the full bonus available under the Senior Officer Plan and under the Plan Year Performance Bonus component of the Cash Bonus Plan would be conditioned upon our achievement of at least \$880 million in consolidated revenues in fiscal 2011. The Compensation Committee established the \$1.1 billion goal after reviewing, among other things, market conditions, our backlog at the end of fiscal 2010, the revenue associated with the homes in backlog which were projected to be delivered during fiscal 2011, other projected results, and cancellation rates and delivery delays that we were experiencing at that time and in the recent past.

***Review Market Comparisons***

Although the Compensation Committee does not believe that it is appropriate to establish compensation levels based solely on market comparisons or industry practices, it believes that information regarding pay practices at other companies is useful in three respects. First, marketplace information is one of the many factors that the Compensation Committee considers in assessing the reasonableness of compensation. Second, it recognizes that our compensation practices must be generally competitive for executive talent in the home building industry and the market overall. Third, it recognizes that marketplace information reflects emerging and changing components and forms of compensation. While the Compensation Committee considers peer compensation levels and practices when making its compensation decisions, it does not target compensation at any particular point within a range established by a comparison of the financial performance or compensation levels of our peer companies.

When setting fiscal 2011 salaries, performance goals and ultimate bonus amounts, and equity compensation awards, the Compensation Committee, with guidance from our independent compensation consultant, compared our NEOs’ total compensation in 2010 against a peer group of publicly-traded home building companies. Based on these comparisons, the Compensation Committee noted that, for the fiscal year 2010, except for our executive chairman position (there being only one comparable position in the peer group), our compensation for each of our chief executive officer and chief financial officer positions was significantly below the median for the home-building peer group (“Peer Group”), reflecting each one’s partial year in such position, and our compensation for our chief operating officer position was slightly below the median for the Peer Group. The Peer Group consisted of the following companies with whom the Compensation Committee believes we primarily compete for talent and market share.

Beazer Homes USA, Inc.	Lennar Corporation	NVR, Inc.
D. R. Horton, Inc.	M. D. C. Holdings, Inc.	Pulte Homes, Inc.
Hovnanian Enterprises, Inc.	M/I Homes, Inc.	The Ryland Group, Inc.
KB Home	Meritage Homes Corporation	Standard Pacific Corp.

Our independent compensation consultant also provided the Compensation Committee with compensation data for companies of similar size outside of the home building sector for the Compensation Committee’s consideration.

***Review Company Performance***

Throughout the fiscal year, the full Board monitored our financial performance in relation to our recent historical performance and, to the extent reliable data was available, in relation to our Peer Group. The Compensation Committee reviewed our performance data during the fiscal year, which it considered when making final fiscal 2011 compensation decisions.

## Fiscal 2011 Compensation Elements

### *Total Cash Compensation*

Total cash compensation (base salary and annual incentive bonus) paid to or earned by each of our NEOs for fiscal 2011 is set forth below. Details on total compensation, presented in the format required by the SEC, can be found in the Summary Compensation Table on page 32 of this proxy statement.

	<u>Base Salary</u>	<u>Annual Incentive Bonus</u>	<u>Total Fiscal 2011 Cash Compensation</u>
Robert I. Toll . . . . .	\$1,300,000	\$1,250,000	\$2,550,000
Douglas C. Yearley, Jr. . . . .	\$1,000,000	\$1,250,000	\$2,250,000
Zvi Barzilay . . . . .	\$1,000,000	\$1,250,000	\$2,250,000
Martin P. Connor . . . . .	\$ 650,000	\$ 225,000	\$ 875,000

### *Base Salary*

Generally, when establishing annual base salaries, the Compensation Committee takes into account each NEO's performance of his role and responsibilities and the compensation of comparable executives within our Peer Group. The Compensation Committee believes that its compensation objectives are more effectively met when the majority of an executive's compensation package is comprised of performance-based bonuses and long-term incentive compensation, rather than fixed compensation such as base salaries. In October 2010, the Compensation Committee determined that our named executive officers would not receive base salary increases for fiscal 2011. Accordingly, our NEOs received the same base salaries in fiscal 2011 as they had received in fiscal 2010, except for Mr. Connor, whose base salary of \$650,000 for fiscal 2011 was the same annualized base salary approved by the Compensation Committee upon his appointment to the CFO position in September 2010.

### *Annual Incentive Bonus — Robert I. Toll*

An annual incentive bonus is payable to Mr. Toll if and when earned under the terms of the stockholder-approved Cash Bonus Plan. Amounts payable under the Cash Bonus Plan are designed to be "performance-based" compensation and, therefore, exempt from the limitations on tax deductibility under Section 162(m) of the Code, as discussed below under "Tax and Accounting Implications."

*Description of the Cash Bonus Plan.* The Cash Bonus Plan was approved by our stockholders at the 2008 annual meeting. The purpose of the Cash Bonus Plan is to provide a tax-deductible, performance-based bonus for Mr. Toll, paid partly in accordance with a formula that is based on our financial success and partly on the basis of one or more performance goals, all as part of an integrated compensation program which is intended to assist us in motivating and retaining the leadership of our co-founder, Robert I. Toll.

The Cash Bonus Plan has two components — a Company performance component ("Company Performance Bonus") and an individual performance component (referred to in the Cash Bonus Plan and this CD&A as the "Plan Year Performance Bonus"). The formula for determining the Company Performance Bonus is set forth in the Cash Bonus Plan and is equal to 2.0% of our pre-tax income before bonus for the applicable fiscal year.

The Plan Year Performance Bonus under the Cash Bonus Plan is determined annually by the Compensation Committee, based on the achievement of one or more performance goals established by the Compensation Committee at the beginning of each fiscal year using various business criteria as set forth in the Cash Bonus Plan. In no event can the total amount of the Plan Year Performance Bonus exceed the greater of \$5.2 million or 1/10 of 1% of our gross revenues for the applicable fiscal year. The Compensation Committee, in its sole discretion, has the power to reduce or completely eliminate, but not increase, the Plan Year Performance Bonus.

Bonuses under the Cash Bonus Plan may be paid in cash, in shares of our common stock or both; the method of payment is determined by the Compensation Committee. In addition, in no event may the sum of the

Company Performance Bonus and the Plan Year Performance Bonus (cash and fair market value of stock) exceed \$8.5 million in any fiscal year.

*Fiscal 2011 Company Performance Bonus Determination.* In fiscal 2011, we did not have pre-tax income; therefore, Mr. Toll was not entitled to a Company Performance Bonus under the terms of the Cash Bonus Plan.

*Fiscal 2011 Plan Year Performance Bonus Determination.* At the beginning of fiscal 2011, the Compensation Committee established that eligibility for the full amount available to Mr. Toll under the Plan Year Performance Bonus was conditioned upon our achievement of more than \$1.1 billion in consolidated revenues in fiscal 2011, and eligibility for 80% of the amount available to Mr. Toll under the Plan Year Performance Bonus was conditioned upon our achievement of at least \$880 million in consolidated revenues in fiscal 2011. The Compensation Committee met in October 2011 and determined that we had achieved more than \$1.1 billion in consolidated revenues (our actual fiscal 2011 consolidated revenues were \$1.48 billion) during fiscal 2011 and, therefore, the maximum amount (\$5.2 million) was available for the Plan Year Performance Bonus. The Compensation Committee then made a subjective evaluation of Mr. Toll's performance during fiscal 2011, considering his overall leadership, and concluded that he had made remarkable contributions to the outstanding management and performance of the Company, both with respect to the Company's strategic planning and its day-to-day issues, during the continued downturn in the economy and the homebuilding industry. The Compensation Committee also determined that Mr. Toll's performance in fiscal 2011 merited long-term incentive compensation awards, which were granted in December 2011 and are further described below under "Looking Ahead — Fiscal 2012 Compensation."

#### ***Annual Incentive Bonus — Messrs. Yearley, Barzilay and Connor***

*Description of Senior Officer Plan.* At the beginning of our 2010 fiscal year, the Board and the Compensation Committee developed the Senior Officer Plan as a replacement for the Executive Officer Bonus Plan. In doing so, they determined that the Senior Officer Plan should be sufficiently flexible to allow the Compensation Committee to make awards in appropriate amounts and with appropriate performance periods and performance goals to whichever officers the Compensation Committee designates as plan participants. The Senior Officer Plan, subsequently approved by our stockholders at the 2010 annual meeting, was in effect during fiscal 2011. The awards paid under the Senior Officer Plan are designed to be "qualified performance-based compensation" under Section 162(m) of the Code for participants.

The Senior Officer Plan is designed to permit us to pay participants incentive compensation based upon the achievement of one or more pre-established performance goals. The Compensation Committee has designated the CEO, COO and CFO as participants in the Senior Officer Plan and has concluded that it will not designate Robert I. Toll as a participant in that plan as long as he participates in the Cash Bonus Plan. At or after the end of each performance period, the Compensation Committee determines whether and to what extent the performance goals have been achieved and calculates the amount of the award that could be paid to each participant, if any, based upon the levels of achievement of the relevant performance goals and the objective formula or method established with respect to such performance period. In order to ensure tax deductibility of all awards under the Senior Officer Plan, the Compensation Committee has established that no award payable under the Senior Officer Plan can exceed \$8.5 million (the "Award Cap"). Additionally, in no event will the maximum aggregate amount payable to any participant with respect to awards that have performance periods that end in the same fiscal year exceed two times the Award Cap, regardless of the number of awards that would otherwise be payable in that fiscal year (the "Annual Payment Cap"). Awards that are limited under the Annual Payment Cap may not be carried over and paid during a subsequent fiscal year. The Compensation Committee has no discretion to increase the amount of any awards beyond the Award Cap or the Annual Payment Cap, as applicable, but may, in its sole discretion, reduce or completely eliminate an award based on such facts and circumstances as it deems relevant. Awards under the Senior Officer Plan may be paid in cash, equity or a combination of the two. The equity portion of any award under the Senior Officer Plan may be paid in shares of restricted stock, shares of unrestricted stock or restricted or unrestricted stock units, all of which will be issued from the Employee Plan or a successor plan. To the extent an award is settled with equity, the equity is valued as of the end of the performance period for the award.

*Fiscal 2011 Performance Goal.* For fiscal 2011, the Compensation Committee established that eligibility for the full amount available to each of Messrs. Yearley, Barzilay, and Connor under the Senior Officer Plan was conditioned upon our achievement of at least \$1.1 billion in consolidated revenues in fiscal 2011 and eligibility for 80% of the amount available to each of Messrs. Yearley and Barzilay under the Senior Officer Plan was conditioned upon our achievement of at least \$880 million in consolidated revenues in fiscal 2011. The Compensation Committee met in December 2011 and determined that we had exceeded the requisite consolidated revenues during fiscal 2011 and, therefore, the maximum amount was potentially available to each of Messrs. Yearley, Barzilay and Connor. In determining the actual bonus amounts to be paid, the Compensation Committee then made a subjective evaluation regarding the overall individual performance of each of Messrs. Yearley, Barzilay and Connor during fiscal 2011, in light of the current difficult industry conditions. The Compensation Committee particularly noted the contributions of Messrs. Yearley, Barzilay and Connor to the Company's achievements described under the "— Executive Summary" section.

The Compensation Committee believed that, by surpassing the established minimum financial performance goal and by performing in an outstanding manner in fiscal 2011, Messrs. Yearley, Barzilay and Connor merited bonuses for fiscal 2011 performance of \$1,250,000, \$1,250,000, and \$225,000, respectively. The Committee also determined that such amounts were reasonable in light of current economic conditions and comparisons within our industry and in establishing improved parity among the bonuses of the Executive Chairman, CEO and COO. The Compensation Committee particularly noted, with respect to Mr. Yearley, his leadership in his first full year as the CEO and his ranking as the second-best chief executive officer in the Homebuilders & Building Products sector by the buy-side community in Institutional Investor magazine's 2012 annual survey and, with respect to Mr. Connor, his leadership in the first full year as the CFO and his ranking as the best chief financial officer in the Homebuilders & Building Products sector by the buy-side community in Institutional Investor magazine's 2012 annual survey. In addition, the Compensation Committee believed the individual performances of Messrs. Yearley, and Connor in fiscal 2011 merited long-term incentive compensation awards, which were granted in December 2011 and are further described below under "Looking Ahead — Fiscal 2012 Compensation."

#### ***Long-Term Incentive Compensation***

The Compensation Committee does not use constant criteria from year to year in the granting of equity compensation. The Compensation Committee takes into consideration the Company's performance and makes subjective determinations of the effectiveness of each NEO and the extent of his contributions to our success and, based on that determination, awards equity compensation.

Equity compensation to any of our employees, including our NEOs, may be either in the form of stock options, stock appreciation rights, stock awards or stock units (which may be restricted, unrestricted or performance-based), in accordance with the terms of our stockholder-approved Employee Plan. Stock options for all employees, including NEOs, are granted and priced on a date in the last two weeks of December that is determined in advance by the Compensation Committee.

The Compensation Committee's primary purposes and objectives when granting equity compensation to our NEOs under the Employee Plan are to:

- serve as a particular incentive for NEOs to devote themselves to our future success by providing NEOs with an opportunity to increase their proprietary interest in the Company;
- motivate NEOs to achieve long-term financial results, such as improved financial or other performance, that may ultimately cause an increase in the market price of our stock.
- give overall NEO compensation an appropriate balance between long-term and short-term compensation;
- retain NEOs in our employ; and
- protect us by providing for forfeiture of unexercised stock options in the event that the NEO retires, or otherwise leaves our employ, and competes with us.

*Stock Options.* During fiscal 2011, the Compensation Committee granted stock options to each of the NEOs, as set forth in the “Grants of Plan-Based Awards during Fiscal 2011” table on page 34 in this proxy statement. These grants were awarded at the beginning of fiscal 2011 in recognition of the respective NEO’s service during fiscal 2010. The Compensation Committee chose to grant these options to each of the NEOs in order to further the Compensation Committee’s objectives, as set forth above. Because the options were granted with exercise prices equal to the fair market value of the underlying common stock on the date of the grant, any value that ultimately accrues to the grantee is based entirely upon our future performance, as perceived by investors who establish the market price of our common stock.

The term of these options is 10 years from the date of the grant and the options vest in equal amounts over a four year period, beginning on the first anniversary of the date of the grant. Options would continue to vest and be exercisable for the remainder of the 10-year term upon death, disability or, in most cases, retirement, and would fully vest upon a change of control of the Company. In addition, all unexercised stock options, vested and unvested, granted to NEOs are subject to forfeiture in the event that, after the NEO retires or otherwise leaves our employ, the NEO competes with us.

*Performance-Based Restricted Stock Unit.* During early fiscal 2011, the Compensation Committee, in recognition of emerging practices in the area of equity compensation, awarded Messrs. Toll, Yearley and Connor performance-based Restricted Stock Units (“RSUs”) relating to 200,000, 100,000 and 6,000 shares, respectively, of our common stock in addition to granting stock options. The awards were valued based on the closing price of our common stock on the NYSE on December 20, 2010. The RSUs are performance-based and will only vest if (1) the average closing price of our common stock on the NYSE, measured over any 20 consecutive trading days ending on or prior to December 20, 2015, increases 30% or more over the closing price of our common stock on the NYSE on December 20, 2010 and (2) the executive continues to be employed by us or serve as a member of our Board until December 20, 2013. The performance-based RSUs will also vest if the executive dies or becomes disabled, or we experience a change of control prior to satisfaction of the aforementioned performance criteria. The Compensation Committee chose to award these performance-based RSUs and selected the increase in stock price and continued service as its vesting criteria in an effort to retain the executives and motivate them to continue to lead us in such a manner that will cause a sustained increase in our stock price and to further align their financial interests with those of our stockholders. As of the date of this proxy statement, none of the vesting criteria has been satisfied.

### ***Benefits and Perquisites***

We provide all of our employees (after 60 days of service with us), including our NEOs, with specified employee benefits programs. These include the opportunity to save for retirement through the Toll Brothers 401(k) Savings Plan (the “401(k) Plan”), which is more fully described below, and various health and welfare benefit programs, including medical, dental, life and long-term disability insurance. We share the cost of the above programs with our employees. Our NEOs participate in these programs on the same terms as our other employees. These programs are intended to promote the health and financial security of our employees and are provided at competitive market levels to attract, retain and reward employees.

*401(k) Savings Plan.* All employees, including our NEOs, after 60 days of service with us, are eligible to participate in the 401(k) Plan. The 401(k) Plan is a qualified retirement savings plan under Section 401(k) of the Code. Participants in the 401(k) Plan may contribute a portion of their compensation, subject to Internal Revenue Service (“IRS”) regulations and specified limitations applicable to “highly compensated employees,” as such term is defined in the Code. After a year of service, we may match a portion of each participant’s contribution and also may make an annual discretionary contribution to each active participant’s account. All of the NEOs were participants in the 401(k) Plan during fiscal 2011.

*Supplemental Executive Retirement Plan (“SERP”).* We also maintain a SERP, which provides retirement benefits to our NEOs. The Board’s intention when adopting the SERP was to provide competitive retirement benefits, to protect against reductions in retirement benefits due to tax law limitations on qualified plans and to



encourage continued employment or service with us. For a discussion of the material terms of the SERP, please see “Executive Compensation Tables — Pension Benefits at October 31, 2011 — Supplemental Executive Retirement Plan.”

*Perquisites.* Perquisites did not constitute a material portion of the compensation paid to our NEOs for fiscal 2011. We provide our NEOs with limited perquisites and personal benefits that we and the Compensation Committee believe are consistent with our executive compensation philosophy and objectives. Each fiscal year, the Compensation Committee reviews and approves those perquisites which are to be provided to our NEOs. The Compensation Committee believes the perquisites for fiscal 2011, which included auto and gas allowances, insurance, and tax and financial statement preparation as more fully described in the Summary Compensation Table in this proxy statement, are reasonable and consistent with our past practices and consistent with general practices in our industry.

*Deferred Compensation Plan.* Our NEOs may elect to defer receipt of all or part of their cash compensation pursuant to the Toll Bros., Inc. Nonqualified Deferred Compensation Plan (the “Deferred Compensation Plan”). The Deferred Compensation Plan is open to certain management and highly compensated employees; all NEOs are eligible to participate in the Deferred Compensation Plan. Under the Deferred Compensation Plan, NEOs may elect, prior to the beginning of the year, to defer a portion of their cash compensation during any calendar year. They may select a fixed payment date or dates for payment of the deferred amounts, or elect to have such amounts paid upon termination of employment. We have the right under the Deferred Compensation Plan to make discretionary contributions for the benefit of any participant in the plan. We did not make any discretionary contributions under the Deferred Compensation Plan for any NEO in fiscal 2011. No new contributions to the Plan by employees are allowed for compensation earned after December 31, 2011.

Interest earned during fiscal 2011 on any NEO deferred compensation is included under “Change in Pension Value and Nonqualified Deferred Compensation Earnings” in the Summary Compensation Table in this proxy statement, and further information about NEO deferred compensation is contained in the Nonqualified Deferred Compensation at October 31, 2011 table in this proxy statement.

### **Employment Agreements, Change of Control Provisions and Severance Payments**

None of our NEOs has an employment agreement with us. We do not have a severance plan for our NEOs.

#### *Change of Control Provisions*

We have no change of control agreements relating to employment benefits or discrete benefits that arise simply from the change of control or severance related thereto; however, under our equity compensation plans and our SERP, awards and benefits are generally subject to special provisions upon a defined “change of control” transaction. Upon a change of control, any outstanding options, restricted stock, deferred cash or other plan awards will generally immediately vest and any restrictions will immediately lapse. Under the SERP, if there is a change of control of the Company, all participants in the SERP shall be fully vested in their SERP benefits and potentially eligible for a lump sum payout.

### **Tax and Accounting Implications**

*Tax Regulations.* Section 162(m) of the Code generally disallows a tax deduction to a public company for compensation over \$1 million paid to specified “covered employees” (its chief executive officer and to any of its three other most highly-compensated executive officers other than its chief financial officer). Performance-based compensation will not be subject to the deduction limitation if certain requirements set forth in the Code and applicable Treasury Regulations are met. We generally structure our compensation plans for our NEOs to comply with the performance-based compensation exemption requirements of Section 162(m) of the Code; however, since corporate objectives may not always be consistent with the requirements for full deductibility, the Board and the Compensation Committee may award non-deductible compensation to our NEOs as they deem appropriate.

*Accounting Considerations.* When making decisions about executive compensation, the Compensation Committee also considers how elements of compensation will impact our financial results. We accrue our NEOs' salaries and estimated cash bonus awards as an expense during the performance year. For equity compensation grants, the Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 718 "Compensation-Stock Compensation" ("ASC 718") requires us to recognize compensation expense for all share-based payment arrangements based upon the grant date fair value of those awards and period of vesting. In the Summary Compensation Table contained in this proxy statement, we are required to show the grant date fair value of the equity awards made to our NEOs in each fiscal year and to include this amount as part of the NEOs' total compensation. This number, while required by the SEC rules and important for understanding the impact of granting equity on our financial statements, may not accurately represent the value received by the NEO. For example, stock options have a compensation expense for accounting purposes, but do not have any value to an NEO unless the market value of our stock increases above the grant price of the stock option. In fact, options granted over the past six years to our NEOs were "under water" as of October 31, 2011 (that is, the exercise price of these options was higher than the closing price of our common stock on the NYSE on October 31, 2011). Similarly, stock awards and units fluctuate in value based on the market price of our common stock and may be worth more or less than the associated exercise date fair value. Performance-based stock awards and units, which do have grant date fair value, may never have any value to the recipient because the performance criteria may never be met.

### **Looking Ahead — Fiscal 2012 Compensation**

*Base Salaries.* In December 2011, the Compensation Committee determined that, for fiscal 2012, the base salary of Mr. Toll would be reduced to \$1 million, the base salary for Mr. Yearley would remain at \$1 million, and the base salary for Mr. Connor would be increased to \$700,000.

*Annual Incentive Bonuses.* Pursuant to the terms of the Cash Bonus Plan, Mr. Toll will be entitled to a Company Performance Bonus under the Cash Bonus Plan for fiscal 2012 equal to 2.0% of our fiscal 2012 income before taxes and will be eligible to receive a Plan Year Performance Bonus, which will be determined by evaluating Mr. Toll's performance in light of one or more performance goals established by the Compensation Committee in a manner consistent with prior periods. Similarly, pursuant to the terms of the Senior Officer Plan, Messrs. Yearley and Connor will be eligible to receive annual incentive bonuses for fiscal 2012 based upon our achievement of one or more performance goals established by the Compensation Committee in a manner consistent with prior periods.

*Long-Term Incentive Compensation.* The Compensation Committee met in December 2011 and decided to grant options to acquire 100,000 shares of common stock to Mr. Toll, options to acquire 120,000 shares of common stock to Mr. Yearley, and options to acquire 20,000 shares of common stock to Mr. Connor. Such grants were made as of December 20, 2011, have an exercise price of \$20.50 and will vest in equal installments over four years. The Compensation Committee also determined to award performance-based RSUs to some of our NEOs relating to 200,000 shares to Mr. Toll, 110,000 shares to Mr. Yearley, 22,000 shares to Mr. Connor, respectively. The RSUs were valued based on the closing price of our common stock on the NYSE on December 20, 2011. The RSUs granted to each NEO are divided equally into three performance metrics, such that one-third of the shares relating to the RSUs granted to the NEO are allocated to each performance metric, which has various levels of achievement in the fiscal 2012 performance period. In the event the threshold level of achievement is not achieved for a performance metric, none of the RSUs would be earned for that metric. Satisfaction of the various levels of achievement would earn between 90% and 110% of the RSUs allocated to that metric. In addition, each such RSU is subject to service vesting in equal amounts over four years from the date of grant and the RSUs will not be delivered until the end of the four year service vesting period, except as otherwise provided in the event of death, disability and change of control.

## EXECUTIVE COMPENSATION COMMITTEE REPORT

The Executive Compensation Committee has reviewed and discussed with our management the Compensation Discussion and Analysis section of this proxy statement. Based on such review and discussion, the Executive Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2011.

Respectfully submitted by the members of the Executive Compensation Committee of the Board of Directors.

Carl B. Marbach (Chair)  
Stephen A. Novick  
Paul E. Shapiro

### EXECUTIVE COMPENSATION TABLES

#### Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
Robert I. Toll, Executive Chairman of the Board	2011	1,300,000	3,264,000	805,000	1,250,000	656,435	92,913	7,368,348
	2010	1,300,000	3,160,000	—	1,000,000	825,670	90,668	6,376,338
	2009	1,170,000	3,772,000	—	—	1,545,585	95,910	6,583,495
Douglas C. Yearley, Jr. Chief Executive Officer	2011	1,000,000	1,632,000	1,279,200	1,250,000	267,355	26,437	5,455,492
	2010	1,000,000	—	413,500	1,000,000	115,588	19,083	2,548,171
Zvi Barzilay(5), Former Chief Operating Officer and President	2011	1,000,000	—	944,400	1,250,000	410,588	47,117	3,652,105
	2010	1,000,000	—	1,052,760	1,500,000	483,692	36,874	4,073,326
	2009	1,000,000	152,000	1,173,600	1,520,000	845,088	49,308	4,739,996
Martin P. Connor Chief Financial Officer and Treasurer	2011	650,000	97,920	206,400	225,000	257,985	14,209	1,451,014
	2010	509,808	—	90,970	200,000	102,764	7,971	911,513

- (1) These columns present the aggregate grant date fair value of RSUs and stock options, respectively, granted in the indicated fiscal year, calculated in accordance with ASC 718 utilizing the assumptions discussed in Note 9 in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended October 31, 2011. The calculation of these amounts disregards the estimate of forfeitures related to time-based vesting conditions. The amounts shown in these columns do not reflect compensation actually received by the NEOs. The actual value, if any, that a NEO may realize from an award is contingent upon the satisfaction of the conditions to vesting in that award and, for stock options, upon the excess of the share price over the exercise price, if any, on the date the options are exercised. Thus, there is no assurance that the value, if any, eventually realized by the NEOs will correspond to the amount shown in the table.
- (2) The award to Mr. Toll for fiscal 2011 and 2010 represents a Plan Year Performance Bonus determined by the Compensation Committee under the terms of the Cash Bonus Plan, as described on pages 26 and 27 of this proxy statement. Mr. Toll did not earn an award for fiscal 2009 under the terms of the Cash Bonus Plan. The awards for Messrs. Yearley, Barzilay and Connor for fiscal 2011, 2010 and 2009, as applicable, were earned based upon the terms of the Senior Officer Plan, as described on page 27 of this proxy statement, and the predecessor to that plan, the Executive Officer Bonus Plan. Mr. Barzilay elected to defer 20% of the 2009 award into his account in the Deferred Compensation Plan (see "Nonqualified Deferred Compensation During Fiscal 2011" in this proxy statement).

(3) The amounts in this column represent the increase in the actuarial present value of accumulated benefits under the SERP for each NEO and the amount of above-market interest earned on their respective balances, if applicable, in the Deferred Compensation Plan. Messrs. Toll, Yearley and Connor did not participate in the Deferred Compensation Plan during the fiscal years indicated in the table above. The exact amounts attributed to the increase in actuarial present value of SERP benefits and above-market interest on deferred compensation are as follows (see also the Pension Benefits at October 31, 2011 table on page 37 of this proxy statement):

<u>Name</u>	<u>Fiscal Year</u>	<u>Increase in Actuarial Present Value of Accumulated SERP Benefits) (\$)</u>	<u>Above-Market Interest Earned on Deferred Compensation</u>	<u>Total) (\$)</u>
Robert I. Toll . . . . .	2011	656,435	N/A	656,435
	2010	825,670	N/A	825,670
	2009	1,545,585	N/A	1,545,585
Douglas C. Yearley, Jr. . . . .	2011	267,355	N/A	267,355
	2010	115,588	N/A	115,588
Zvi Barzilay . . . . .	2011	341,346	69,242	410,588
	2010	429,349	54,343	483,692
	2009	803,704	41,384	845,088
Martin P. Connor . . . . .	2011	257,985	N/A	257,985
	2010	102,764	N/A	102,764

(4) Fiscal 2011 “All Other Compensation” consists of:

	<u>Fiscal 2011</u>			
	<u>Robert I. Toll</u>	<u>Douglas C. Yearley, Jr.</u>	<u>Zvi Barzilay</u>	<u>Martin P. Connor</u>
Payments for tax and financial statement preparation assistance . . . . .	\$45,876	\$ 3,970	\$11,433	\$ 0
Contribution to 401(k) Plan . . . . .	2,450	2,450	2,450	2,888
Life and disability premiums . . . . .	22,174	3,567	17,152	3,621
Auto and gas expense . . . . .	22,413	16,450	16,082	7,200
Cellular telephone allowance . . . . .				500
<b>TOTAL: . . . . .</b>	<u>\$92,913</u>	<u>\$26,437</u>	<u>\$47,117</u>	<u>\$14,209</u>

(5) Mr. Barzilay retired from our company, effective December 31, 2011.

### Grants of Plan-Based Awards During Fiscal 2011

Name	Grant Date	Action Date(1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards Target (#)(4)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(5)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(5)
			Threshold (\$)	Target (\$)	Maximum (\$)					
Robert I. Toll	12/20/2010	12/15/2010	(2)	(3)	8,500,000	200,000		100,000	19.32	4,069,000
Douglas C. Yearley, Jr.	12/20/2010	12/15/2010	(6)	(7)	8,500,000	100,000		120,000	19.32	2,911,200
Zvi Barzilay	12/20/2010	12/15/2010	(6)	(7)	8,500,000			120,000	19.32	944,400
Martin P. Connor	12/20/2010	12/15/2010	(6)	(7)	8,500,000	6,000		20,000	19.32	304,320

- (1) The Executive Compensation Committee met on December 12, 2010 and made determinations regarding bonuses and equity compensation grants for fiscal 2010 performance and service. All grants of equity compensation were made on December 20, 2010, which is consistent with our practice of awarding equity compensation described under “Compensation Discussion and Analysis — Fiscal 2011 Compensation Elements — Long-Term Incentive Compensation.”
- (2) Awards to Mr. Toll are made pursuant to the terms of the Cash Bonus Plan. The Cash Bonus Plan does not include a threshold amount; awards in any fiscal year, whether pursuant to the formula contained in the Cash Bonus Plan or pursuant to the Plan Year Performance Bonus (as described in the Cash Bonus Plan) could be as low as \$0.
- (3) The Cash Bonus Plan does not include a target amount. When the Executive Compensation Committee met on December 12, 2010 to establish performance criteria for fiscal 2011 under the Plan Year Performance Bonus contained in the Cash Bonus Plan, it did not establish a target amount for the fiscal 2011 award. See “Compensation Discussion and Analysis — Fiscal 2011 Compensation Elements — Annual Incentive Bonus — Robert I. Toll” for further information.
- (4) On December 20, 2010, the Executive Compensation Committee awarded an RSU under the Employee Plan relating to 200,000 shares of our common stock to Mr. Toll, 100,000 shares of our common stock to Mr. Yearley and 6,000 shares of our common stock to Mr. Connor. See “Compensation Discussion and Analysis — Fiscal 2011 Compensation Elements — Long-Term Incentive Compensation” for further information.
- (5) See “Compensation Discussion and Analysis — Fiscal 2011 Compensation Elements — Long-Term Incentive Compensation” for a discussion of these option grants. The exercise price of the options granted in fiscal 2011 is the closing price of our common stock on December 20, 2010.
- (6) Awards to Messrs. Yearley, Barzilay and Connor were made pursuant to the terms of the Senior Officer Plan. The plan does not include a threshold amount; awards in any fiscal year could be as low as \$0.
- (7) The Senior Officer Plan does not include a target amount and, when the Executive Compensation Committee met on December 12, 2010 to establish performance goals for fiscal 2011 for each of Messrs. Yearley, Barzilay and Connor, it did not establish a target amount for fiscal 2011 awards. For a detailed discussion of the formula and criteria applied for such performance-based awards, please see “Compensation Discussion and Analysis — Fiscal 2011 Compensation Elements — Annual Incentive Bonus — Messrs. Yearley, Barzilay and Connor” in this proxy statement.

#### Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table

Please see the “Compensation Discussion and Analysis” section of this proxy statement for a detailed description of the fiscal 2011 equity and bonus awards and the amounts of salary and bonus in proportion to total compensation with respect to each NEO.

### Outstanding Equity Awards at October 31, 2011

Name	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Robert I. Toll . . . . .	12/20/2002	500,000		10.5250	12/20/2012				
	12/20/2003	500,000		20.1350	12/20/2013				
	12/20/2004	500,000		32.5500	12/20/2014				
	12/20/2005	250,000		35.9700	12/20/2015				
	12/20/2006	550,000		31.8200	12/20/2016				
	12/20/2007	412,500	137,500(1)	20.7600	12/20/2017				
	12/19/2008							200,000(5)	3,488,000(8)
	12/21/2009							200,000(6)	3,488,000(8)
Douglas C. Yearley, Jr. . . . .	12/20/2010		100,000(4)	19.3200	12/20/2020			200,000(7)	3,488,000(8)
	12/20/2001	31,297		10.8800	12/20/2011				
	12/20/2002	29,250		10.5250	12/20/2012				
	12/20/2003	31,306		20.1350	12/20/2013				
	12/20/2007	11,250	5,000(1)	20.7600	12/20/2017				
	07/18/2008	18,692		18.9200	12/20/2014				
	07/18/2008	9,007		18.9200	12/20/2015				
	07/18/2008	2,376	1,057(1)	18.9200	12/20/2016				
	07/18/2008	10,729		18.9200	12/20/2016				
	12/20/2008	7,500	10,000(2)	21.7000	12/20/2018				
12/20/2009	9,375	37,500(3)	18.3800	12/20/2019					
12/20/2010		120,000(4)	19.3200	12/20/2020			100,000(7)	1,744,000(8)	
Zvi Barzilay . . . . .	12/20/2001	9,190		10.8800	12/20/2011				
	12/20/2002	250,000		10.5250	12/20/2012				
	12/20/2003	254,000		20.1350	12/20/2013				
	12/20/2004	240,000		32.5500	12/20/2014				
	12/20/2005	120,000		35.9700	12/20/2015				
	12/20/2006	120,000		31.8200	12/20/2016				
	12/20/2006	22,500	7,500(1)	31.8200	12/20/2016				
	12/20/2007	90,000	30,000(1)	20.7600	12/20/2017				
	12/20/2008	60,000	60,000(2)	21.7000	12/20/2018				
	12/20/2009	31,000	93,000(3)	18.3800	12/20/2009				
12/20/2010		120,000(4)							
Martin P. Connor . . . . .	01/05/2009	5,000	5,000(9)	22.1800	01/05/2019				
	12/20/2009	2,750	8,250(3)	18.3800	12/20/2019				
	12/20/2010		20,000(4)	19.3200	12/20/2020			6,000(7)	104,640(8)

The options that are reflected in the above table as “exercisable” vested in equal installments on the first four anniversaries of the original grant date.

- (1) 100% of the options vest on December 20, 2011.
- (2) 50% of the options vest on each of December 20, 2011 and 2012.
- (3) 33.33% of the options vest on each of December 20, 2011, 2012 and 2013.
- (4) 25% of the options vest on each of December 20, 2011, 2012, 2013 and 2014.

- (5) 200,000 performance-based RSUs were awarded to Mr. Toll on December 18, 2008. These RSUs will only vest if the average closing price of our common stock on the NYSE, measured over any 20 consecutive trading days ending on or prior to December 19, 2013, increases 30% or more over \$21.70, the closing price of our common stock on the NYSE on December 19, 2008. These RSUs will also vest if Mr. Toll dies or becomes disabled, or if we experience a change of control prior to satisfaction of the aforementioned performance criteria.
- (6) 200,000 performance-based RSUs were awarded to Mr. Toll on December 21, 2009. These RSUs will only vest if the average closing price of our common stock on the NYSE, measured over any 20 consecutive trading days ending on or prior to December 21, 2014, increases 30% or more over \$18.38, the closing price of our common stock on the NYSE on December 21, 2009, and provided Mr. Toll continues to be employed by us or serve as a member of our Board until December 21, 2012. These RSUs will also vest if Mr. Toll dies or becomes disabled, or if we experience a change of control prior to satisfaction of the aforementioned performance criteria.
- (7) On December 20, 2010, 200,000 performance-based RSUs were awarded to Mr. Toll, 100,000 performance-based RSUs were awarded to Mr. Yearley and 6,000 performance-based RSUs were awarded to Mr. Connor. These RSUs will only vest if the average closing price of our common stock on the NYSE, measured over any 20 consecutive trading days ending on or prior to December 20, 2015, increases 30% or more over \$19.32, the closing price of our common stock on the NYSE on December 20, 2010, and provided the executive continues to be employed by us or serve as a member of our Board until December 20, 2013. These RSUs will also vest if the executive dies or becomes disabled, or if we experience a change of control prior to satisfaction of the aforementioned performance criteria.
- (8) The value of performance-based RSUs was calculated based on the closing price of the NYSE on October 31, 2011 of \$17.44 per share.
- (9) 50% of the options vest on each of January 5, 2012 and 2013.

**Option Exercises and Stock Vested During Fiscal 2011**

<u>Name</u>	<u>Option Awards</u>	
	<u>Number of Shares Acquired on Exercise (#)(1)</u>	<u>Value Realized on Exercise \$(2)</u>
Robert I. Toll . . . . .	1,000,000	10,563,563
Douglas C. Yearley, Jr . . . . .	25,000	171,775
Zvi Barzilay . . . . .	500,876	5,354,615
Martin P. Connor . . . . .	—	—

- (1) Messrs. Toll, Yearley and Barzilay held each of these options for virtually their entire 10-year term prior to exercise.
- (2) “Value Realized on Exercise” equals the difference between the closing price of our common stock on the NYSE on the various dates of exercise and the exercise price, multiplied by the number of shares of our common stock acquired upon exercise of the stock options.

### Pension Benefits at October 31, 2011

The following table provides information regarding the pension benefits for our NEOs under the SERP.

<u>Name</u>	<u>Plan Name(1)</u>	<u>Number of Years of Credited Service (#)(1)</u>	<u>Present Value of Accumulated Benefit \$(2)</u>	<u>Payments During Last Fiscal Year (\$)</u>
Robert I. Toll .....	SERP	20.0	8,963,565	—
Douglas C. Yearley, Jr .....	SERP	20.0	1,389,378	—
Zvi Barzilay .....	SERP	20.0	4,661,054	—
Martin P. Connor .....	SERP	2.8	789,940	—

- (1) In order to be vested in benefits under the SERP, participants must have 20 years of service with us. The SERP does not provide for partial benefits for less than 20 years of service or increased benefits based solely upon the completion of more than 20 years of service. In the case of Martin Connor, who joined the Company at age 45, his benefits under the SERP will vest after 17 years of service.
- (2) For a description of the SERP and the assumptions used in the calculation of the present value of plan benefits, see Note 12, “Employee Retirement and Deferred Compensation Plans” in the notes to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended October 31, 2011. The increase in the actuarial present value of accumulated benefits under the SERP is due to the 10% annual increase in some NEO’s annuity amounts described herein, a change in the discount rate used for actuarial purposes and the passage of time. Since the inception of the SERP, we have used the 15-20 year Moody’s AA Bond rate as our discount rate for actuarial purposes. This rate, which was used for calculating the actuarial present value of accumulated SERP benefits, was 5.30% for fiscal 2009 calculations, 4.99% for fiscal 2010 and 4.06% for fiscal 2011. When the discount rate decreases, as it did in fiscal 2009 and subsequently in fiscal 2010 and fiscal 2011, the actuarial present value of accumulated SERP benefits increases.

#### ***Supplemental Executive Retirement Plan***

The SERP, which is an unfunded plan, generally provides for an annual benefit, payable for 20 years following retirement, once a participant has completed 20 years of service with us and has reached “normal retirement age,” which is age 62 under the SERP. Beginning in fiscal 2008 and continuing through fiscal 2010, the SERP also provided for increases in annual retirement benefits to the NEOs for each year of service to the Company after age 62. Accordingly, for each NEO who has already reached retirement age under the SERP, on his birthday during fiscal 2010, annual retirement benefits under the SERP increased by 10% of the applicable original annual benefit amount (set forth below). In order to be eligible for the annual increase in any given year, the NEO must be employed by us on his birthday during such year, have completed 20 years of service with us on or prior to his birthday during such year, and have reached normal retirement age on or prior to his birthday during such year. During fiscal 2010, the Company discontinued any 10% increases beyond fiscal 2010; except that Mr. Yearley’s annual benefit amount will be subject to such increase for the first three years of service to the Company after he reaches age 62. Accordingly, there were no annual increases during fiscal 2011. The original annual benefit amounts and the annual benefits to our NEOs under the SERP as of the end of fiscal 2011 are set forth in the table below.

<u>Participant</u>	<u>Original Annual Benefit Amount</u>	<u>Fiscal 2011 Increase</u>	<u>Annual Benefit Amount at October 31, 2011</u>
Robert I. Toll .....	\$500,000	—	\$650,000
Douglas C. Yearley, Jr .....	\$150,000	—	\$150,000
Zvi Barzilay .....	\$260,000	—	\$338,000
Martin P. Connor .....	\$100,000	—	\$100,000

Mr. Toll has completed the requisite 20 years of service with us and has reached normal retirement age and is, therefore, fully vested in his SERP benefits. Mr. Yearley has completed the requisite 20 years of service with



us, but has not reached normal retirement age and is not fully vested in his SERP benefits. Mr. Connor has not completed the requisite 17 years of service with us, nor has he reached normal retirement age and is, therefore, not fully vested in his SERP benefits. Mr. Barzilay had completed the requisite 20 years of service with us and had reached normal retirement age and, was therefore, fully vested in his SERP benefits at the time of his retirement on December 31, 2011. Benefits under the SERP will cease if any participant competes with us following retirement.

### **Nonqualified Deferred Compensation at October 31, 2011**

Under the Deferred Compensation Plan, NEOs may elect, six months prior to the end of the calendar year for which any bonus may be earned, to defer a portion of their cash compensation. Compensation that is deferred under the Deferred Compensation Plan earns various rates of return, depending on the length of time of the deferral. Interest rates are established by a majority of the board of directors of a wholly owned subsidiary that administers the Deferred Compensation Plan, and are reviewed and adjusted annually for new deferrals. When establishing interest rates, the directors of the subsidiary review the rates charged to us for borrowings, as well as interest rates generally available in the market. During fiscal 2011, interest rates for amounts deferred under the Deferred Compensation Plan ranged from 4% to 8%, based upon when the compensation was deferred and the length of time it had been or was to be deferred. For more information on the Deferred Compensation Plan, see “Compensation Discussion and Analysis — Benefits and Perquisites — Deferred Compensation Plan” in this proxy statement. No new contributions to the Plan by employees are allowed for compensation earned after December 31, 2011.

The table below provides information regarding contributions, earnings, and balances for Mr. Barzilay, who is the only NEO who participated in the Deferred Compensation Plan, as described below.

<u>Name</u>	<u>Executive Contributions in Last FY (\$)</u>	<u>Registrant Contributions in Last FY (\$)</u>	<u>Aggregate Earnings in Last FY (\$)(1)</u>	<u>Aggregate Withdrawals/ Distributions (\$)</u>	<u>Aggregate Balance at Last FYE (\$)(2)</u>
Zvi Barzilay . . . . .	—	198,019	198,019	—	2,739,102

- (1) “Aggregate Earnings in Last FY” column represents the unrealized earnings on the NEO’s account balance in the Deferred Compensation Plan as described below. \$69,242 of the amount shown under this column represents above-market earnings and were accordingly reported as compensation in 2011 in the “Change in Pension Value and Nonqualified Deferred Compensation Earnings” column of the Summary Compensation Table on page 32.
- (2) “Aggregate Balance at Last FYE” column represents the net balance of compensation that was earned and deferred in prior years and the interest accrued on such deferred amounts. Of the amount shown, \$69,242, \$54,343 and \$41,384 of above-market interest was included in Mr. Barzilay’s fiscal 2011, 2010 and 2009 compensation, respectively, in the Summary Compensation Table.

#### ***Certain Restricted Stock Awards***

On December 19, 2008, each of the NEOs employed at the time was granted RSUs corresponding to a reduction in base salary or incentive bonus of the NEO, as applicable, as follows: Mr. Toll (5,991 RSUs; \$130,000 grant date value); Mr. Yearley (1,153 RSUs; \$25,000 grant date value); and Mr. Barzilay (7,005 RSUs; \$152,000 grant date value). These RSUs were considered to have vested upon grant but the underlying shares of common stock had not been delivered at October 31, 2011. Accordingly, the deferred receipt of the underlying shares is considered deferred compensation. The RSUs will be delivered at the four-year anniversary of the grant date, or earlier in the event of death, disability, retirement or change of control of the Company. At October 31, 2011, the values of the RSUs for Messrs. Toll, Yearley and Barzilay were \$104,483, \$20,108 and \$122,167, respectively. As a result of Mr. Barzilay’s retirement on December 31, 2011, he will receive all of the shares underlying his RSUs.

## Potential Payments upon Termination or Change of Control

None of our NEOs has an employment agreement with us, nor are any of them entitled to any sort of cash severance payment upon termination or separation from us. We do maintain equity compensation plans and retirement plans that provide for the continuation or acceleration of benefits in the event of specified separations from employment with us or a change of control of the Company.

The dollar amounts or dollar values of the potential payments or benefits to the NEOs in the event of a termination of employment or change of control of the Company are disclosed in the tables below. The amounts and values shown assume that such termination of employment or change of control occurred on October 31, 2011, the last business day of our 2011 fiscal year, and are based, as applicable, on a share price of \$17.44, the closing price of our common stock on the NYSE on October 31, 2011. These amounts and values do not necessarily reflect the actual amounts and values that would be paid to the NEOs upon an actual termination of employment or a change of control in the future. The actual amounts and values can only be determined at the time of such NEO's separation or a change of control.

Below is a description of the assumptions that were used in creating the tables that follow. Unless otherwise noted, the descriptions of the payments below are applicable to all of the tables. In accordance with SEC regulations, we do not report in the tables below any amount to be provided to an NEO under any arrangement which does not discriminate in scope, terms or operation in favor of our NEOs and which is available generally to all salaried employees. We also do not report in the tables below any distributions of plan balances under our 401(k) plan and the Deferred Compensation Plan, including the value of shares underlying RSUs that had been considered vested in a prior fiscal year. See the "Compensation Discussion and Analysis" for information about the Company's 401(k) plan and the "Executive Compensation Tables — Nonqualified Deferred Compensation Plan at October 31, 2011."

### Termination of Employment

*Vesting of Equity Compensation Plan Awards.* Generally, unvested equity awards held by any of our employees, including the NEOs, are cancelled upon termination of employment with the Company, and the right to exercise vested stock options terminates within a specified period of time (depending on the terms of the applicable grant documents and the manner of termination) after termination of employment; however, under specified circumstances, such as retirement, death, disability or a change of control, special vesting rules apply, as described below. All equity awards, whether vested or unvested, held by an NEO terminate immediately upon a termination of employment for cause.

*Special Vesting upon Retirement.* With respect to stock options granted on or after December 20, 2000, if Messrs. Toll, Yearley or Barzilay retire from service with us after reaching age 62, he is entitled to continued vesting and exercisability of any unvested and/or unexercised options (stock options granted to Mr. Yearley to date will expire prior to his attainment of the retirement age of 62). Options do not automatically vest upon retirement, but will continue to vest on their normal vesting schedule as if the NEO were still employed by us. In addition, the NEO will have the remainder of the option term to exercise the option, rather than being forced to exercise within a specified period of time following retirement. This continued vesting and exercisability is conditioned upon the NEO refraining from competing with us at any time. The tables below do not reflect an amount for unvested options with respect to retirement because vesting is not accelerated at retirement.

*Special Vesting Upon Death or Disability.* If an NEO's employment with us terminates due to death or disability, he (or his estate) is entitled to continued vesting and exercisability of any unvested and/or unexercised options. Options do not immediately vest upon death or disability, but will continue to vest on their normal vesting schedule as if the NEO were still employed by us. In addition, the NEO (and his estate) will have the remainder of the option term to exercise the option, rather than being forced to exercise within a specified period of time following termination of employment. This continued vesting and exercisability are conditioned upon, in the event of the NEO's disability, the NEO refraining from competing with us at any time. The tables below do not reflect an amount for unvested options with respect to termination due to death or disability because vesting is not accelerated upon these events.

Shares subject to performance-based RSUs held by an NEO fully vest and all restrictions immediately lapse upon the NEO's termination of his employment with us due to death or disability. The amounts in the tables below are the amounts that would have been recognized by the applicable NEO if his employment with us had terminated due to death or disability and all of his previously unvested shares subject to performance-based RSUs were vested and delivered to him and sold on October 31, 2011.

*Vesting of SERP Benefits.* Under the SERP, participants become 100% vested in their retirement benefits once they complete 20 years of service with us and reach age 62 (except for Mr. Connor as previously discussed herein). As of October 31, 2011, Messrs. Robert I. Toll and Zvi Barzilay had reached age 62 and had completed 20 years of service with us; as a result, they were all fully vested in their SERP benefits. The tables below do not include benefits payable to Messrs. Toll and Barzilay under the SERP. See "Supplemental Executive Retirement Plan" and "Pension Benefits at October 31, 2011." If a SERP participant is terminated for cause, all SERP benefits are subject to forfeiture, regardless of whether the participant is fully vested.

### Change of Control

Upon a change of control of the Company, all unvested outstanding stock options will fully vest and become exercisable. In addition, all shares subject to performance-based RSUs fully vest and all restrictions lapse. Under the SERP, if there is a change of control of the Company, all participants in the SERP would become fully vested in their SERP benefits (if not already fully vested) and be potentially eligible for a lump sum payout. The tables below reflect the amounts of previously unvested performance-based RSUs that would have vested if a change of control had occurred on October 31, 2011. In addition, with respect to Messrs. Yearley and Connor, the tables below also reflect the benefits payable in a lump sum under the SERP as if a change of control had occurred on October 31, 2011.

### Tables

#### *Robert I. Toll*

The following table describes the potential payments and benefits to Robert I. Toll upon termination of his employment or a change of control of the Company had such termination or change of control occurred on October 31, 2011.

Payments and Benefits	Termination of Employment (\$)						Change in Control (\$)
	Voluntary(1)	Normal Retirement	Involuntary Not for Cause	Involuntary For Cause	Death	Disability	
Accelerated vesting of unvested equity awards:							
Stock option(2) . . . . .	—	—	—	—	—	—	—
RSU shares(3) . . . . .	—	—	—	—	10,464,000	10,464,000	10,464,000
Payment of SERP Benefits(4) . . . . .	—	—	—	—	—	—	—
Total: . . . . .	—	—	—	—	10,464,000	10,464,000	10,464,000

(1) For purposes of this table, "Voluntary" means a termination of employment that is not in accordance with our normal retirement policy, which includes an agreement not to compete with the Company.

(2) Mr. Toll did not have any in-the-money options that were unvested at October 31, 2011.

(3) See footnotes 5, 6 and 7 to the Outstanding Equity Awards at October 31, 2011 table in this proxy statement. Had Mr. Toll terminated his employment at October 31, 2011, the value of his shares subject to performance-based RSUs, based upon the closing price of our common stock on the NYSE on October 31, 2011, would have been \$10,464,000.

- (4) The amount of Mr. Toll’s SERP benefits, in which he has already fully vested as described above, would be paid in bi-weekly installments over a 20-year period, except in the event of a change in control. Upon a change in control, the amount of the benefit shown would be paid in a single lump sum, equal to the actuarial equivalent present value of Mr. Toll’s SERP benefits as of the date of payment, unless prohibited by applicable tax regulations (see “Pension Benefits at October 31, 2011”).

***Douglas C. Yearley, Jr.***

The following table describes the potential payments and benefits to Douglas C. Yearley upon termination of his employment or a change of control of the Company had such termination or change of control occurred on October 31, 2011.

<b>Payments and Benefits</b>	<b>Termination of Employment (\$)</b>						<b>Change in Control (\$)</b>
	<b>Voluntary(1)</b>	<b>Normal Retirement</b>	<b>Involuntary Not for Cause</b>	<b>Involuntary For Cause</b>	<b>Death</b>	<b>Disability</b>	
Accelerated vesting of unvested equity awards							
Stock option(2) . . . . .	—	—	—	—	—	—	—
RSU shares(3) . . . . .	—	—	—	—	1,744,000	1,744,000	1,744,000
Payment of SERP Benefits(4) . . . .	—	—	—	—	3,000,000	3,000,000	3,000,000
<b>Total: . . . . .</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,744,000</u>	<u>4,744,000</u>	<u>4,744,000</u>

- (1) For purposes of this table, “Voluntary” means a termination of employment that is not in accordance with our normal retirement policy, which includes an agreement not to compete with the Company.
- (2) Mr. Yearley did not have any in-the-money options that were unvested at October 31, 2011.
- (3) See footnote 7 to the Outstanding Equity Awards at October 31, 2011 table in this proxy statement. Had Mr. Yearley terminated his employment at October 31, 2011, the value of his shares subject to performance-based RSUs, based upon the closing price of our common stock on the NYSE on October 31, 2011, would have been \$1,744,000.
- (4) The amount of the benefit shown would be paid in bi-weekly installments over a 20-year period, except in the event of a change in control. Upon a change in control, the amount of the benefit shown would be paid in a single lump sum, equal to the actuarial equivalent present value of Mr. Yearley’s benefits as of the date of payment, unless prohibited by applicable tax regulations (see “Pension Benefits at October 31, 2011”).

**Martin P. Connor**

The following table describes the potential payments and benefits to Martin P. Connor upon termination of his employment or a change of control of the Company had such termination or change of control occurred on October 31, 2011.

<u>Payments and Benefits</u>	<u>Termination of Employment (\$)</u>						<u>Change in Control (\$)</u>
	<u>Voluntary(1)</u>	<u>Normal Retirement</u>	<u>Involuntary Not for Cause</u>	<u>Involuntary For Cause</u>	<u>Death</u>	<u>Disability</u>	
Accelerated vesting of unvested equity awards							
Stock option(2) . . . . .	—	—	—	—	—	—	—
RSU shares(3) . . . . .	—	—	—	—	104,640	104,640	104,640
Payment of SERP Benefits(4) . . . . .	—	—	—	—	—	—	2,000,000
Total: . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>104,640</u>	<u>104,640</u>	<u>2,104,640</u>

- (1) For purposes of this table, “Voluntary” means a termination of employment that is not in accordance with our normal retirement policy, which includes an agreement not to compete with the Company.
- (2) Mr. Connor did not have any in-the-money options that were unvested at October 31, 2011.
- (3) See footnotes 7 to the Outstanding Equity Awards at October 31, 2011 table in this proxy statement. Had Mr. Connor terminated his employment at October 31, 2011, the value of his shares subject to performance-based RSUs, based upon the closing price of our common stock on the NYSE on October 31, 2011, would have been \$104,640.
- (4) Upon a change in control, the amount of the benefit shown would be paid in a single lump sum, equal to the actuarial equivalent present value of Mr. Connor’s benefits as of the date of payment, unless prohibited by applicable tax regulations (see “Pension Benefits at October 31, 2011”).

**Zvi Barzilay**

Upon termination of Zvi Barzilay’s employment or a change of control of the Company, had such termination or change of control occurred on October 31, 2011, Mr. Barzilay would have been entitled to the payment of benefits under the SERP, in which, as described above, he was already fully vested and which would be paid in bi-weekly installments over a 20-year period, except in the event of a change of control. In the event of a change of control, the amount of SERP benefit would be paid in a single lump sum, equal to the actuarial equivalent present value of Mr. Barzilay’s SERP benefits as of the date of payment, unless prohibited by applicable tax regulations (see “Pension Benefits at October 31, 2011”). Mr. Barzilay did not have any in-the-money options that were unvested at October 31, 2011. In connection with his retirement effective December 31, 2011, Mr. Barzilay was entitled to the payment of benefits under the SERP and other customary retirement benefits. In addition, we agreed to provide him with COBRA benefits for his spouse for a period of 28 months following his retirement, which benefits are estimated to be approximately \$15,000 in aggregate.

## REPORT OF THE AUDIT COMMITTEE

As described under “Corporate Governance and Board Matters — Committees of the Board and Meetings — Audit Committee,” the Audit Committee of the Board oversees the Company’s financial reporting process on behalf of, and reports to, the Board. Company management has primary responsibility for preparation of the financial statements and the overall reporting process, including the Company’s system of internal control.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the Company’s audited financial statements for the year ended October 31, 2011 with management, including a discussion of the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The Audit Committee also discussed with Ernst & Young LLP, the Company’s independent registered public accounting firm, the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol.1. AU section 380), as adopted by the Public Company Accounting Oversight Board.

In addition, the Audit Committee received the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm’s communications with the Audit Committee concerning independence and discussed with Ernst & Young LLP its independence from the Company and the Company’s management.

Based on the reviews and discussions described in the preceding paragraphs, the Audit Committee recommended to the Board that the audited financial statements of the Company be included in the Annual Report on Form 10-K for the fiscal year ended October 31, 2011 for filing with the SEC.

Respectfully submitted by the members of the Audit Committee of the Board of Directors.

Paul E. Shapiro (Chair)  
Edward G. Boehne  
Christine N. Garvey  
Carl B. Marbach

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act and the regulations thereunder require certain of our officers, as well as our directors and persons who own more than 10% of a registered class of our equity securities (collectively, the “reporting persons”) to file reports of ownership and changes in ownership with the SEC and to furnish us with copies of these reports. Based solely on our review of the copies of these reports within a prescribed period of time and written representations we received from the reporting persons, we believe that all filings required to be made by the reporting persons during or with respect to the period November 1, 2010 through October 31, 2011 (“Reporting Period”) were made on a timely basis except that one Form 5 filing to report a single transaction that occurred during the Reporting Period and which related solely to a charitable gift of shares from Mr. Robert I. Toll to an educational institution was not filed on a timely basis.

## CERTAIN TRANSACTIONS

We have a written Related Party Transaction Policy (“Policy”), which provides guidelines applicable to any transaction, arrangement or relationship between us and a related party that is or may be required to be disclosed pursuant to Item 404 of the SEC’s Regulation S-K (each, a “related party transaction”). Under the Policy, the Nominating and Corporate Governance Committee (the “Governance Committee”) of the Board is responsible for reviewing and determining whether to approve or ratify any related party transaction. In making its determination to approve or ratify a related party transaction, the Governance Committee considers such factors as (1) the extent of the related party’s interest in the transaction, (2) if applicable, the availability of other sources of comparable products or services, (3) whether the terms of the related party transaction are no less favorable than

terms generally available in unaffiliated transactions under like circumstances, (4) the benefit to us and whether there are business reasons for us to enter into the transaction, (5) the aggregate value of the transaction and (6) any other factors the Governance Committee deems relevant. The Policy requires that all proposed or potential related party transactions be reported to our legal department prior to consummation. The legal department is required to evaluate each transaction to determine if it is, in fact, a related party transaction and, if so, to report the transaction to the Governance Committee, or its designee (the Chairperson or another member of the Governance Committee, or another committee of the Board), for review. The legal department maintains a list of all related parties and periodically distributes that list to our officers and employees to help facilitate compliance with the Policy and the proper reporting of proposed related party transactions. Under the Policy, all related party transactions that continue for more than one fiscal year are required to be reviewed and approved annually by the Governance Committee.

All transactions disclosed below were approved or ratified in accordance with the terms of the Policy.

During fiscal 2011, Robert I. Toll, Executive Chairman of the Board, paid approximately \$288,427 to us for personal services, including investment and legal services, car service, office space for personal use and home improvement services. These services were provided by our employees, and such amounts were billed at competitive rates or rates based on the relevant employee's compensation or the cost to the Company, as applicable, and were paid throughout the year with monies deposited with us in advance by Mr. Toll.

Toll Brothers Realty LP ("Toll Realty LP") is a partnership which effectively owns or controls the commercial real estate that comprises the assets of Toll Brothers Realty Trust (the "Trust"). We formed the Trust in 1998 to take advantage of commercial real estate opportunities. Toll Realty LP is effectively owned one-third by the Company, one-third by Robert I. Toll, Executive Chairman of the Board, Bruce E. Toll, Vice Chairman of the Board (and trusts established for the benefit of members of his family), Zvi Barzilay, our recently retired President and Chief Operating Officer (and trusts established for the benefit of members of his family), the Estate of Joel H. Rassman, our former Chief Financial Officer, Douglas C. Yearley, Jr., our Chief Executive Officer, and other current and former members of our senior management, and one-third by the Pennsylvania State Employees Retirement System. At October 31, 2011, our investment in Toll Realty LP and the Trust was \$382,021. We earned fees from Toll Realty LP and the Trust of \$3,197,389 in fiscal 2011 under the terms of various development, finance and management services agreements. We believe that these transactions were on terms no less favorable than we would have agreed to with unrelated parties. Under such agreements, we also incur certain costs on behalf of Toll Realty LP and the Trust for which we are reimbursed by Toll Realty LP and the Trust. These fees and reimbursements were paid to us throughout the year.

Adam Barzilay, the son of Zvi Barzilay, is employed on a full-time basis by the Company as a Land Acquisition Manager in California. During fiscal 2011, he received \$237,530 in total compensation (salary, benefits, bonus and options to acquire shares of the Company's common stock), which the Company believes was consistent with the compensation it would have paid to an unrelated individual in a similar position with the Company.

In addition, in fiscal 2011, BET Investments, a company owned and operated by Bruce E. Toll, retained our engineering department to provide services in connection with the construction of various commercial real estate properties. The total amount paid by Bruce E. Toll and BET Investments for these services provided during fiscal 2011 was \$168,495. The rates charged are comparable to what we would have charged to an unrelated third party.

We are also party to an advisory and non-competition agreement with Bruce E. Toll. For information regarding this agreement, see "Corporate Governance and Board Matters — Director Compensation."

## **STOCKHOLDER PROPOSALS FOR THE 2013 ANNUAL MEETING OF STOCKHOLDERS**

Stockholders interested in submitting a proposal to be considered for inclusion in our proxy statement and form of proxy for the 2013 Annual Meeting of Stockholders may do so by following the procedures prescribed by Rule 14a-8 under the Exchange Act. To be eligible for inclusion, proposals must be submitted in writing and received by us at the address appearing on the first page of this proxy statement on or before October 6, 2012.

A stockholder may wish to have a proposal presented at the 2013 Annual Meeting of Stockholders, but not to have the proposal included in our proxy statement and form of proxy relating to that meeting. Under our bylaws, except as otherwise prescribed by the presiding officer, no business may be brought before the annual meeting unless it is specified in the notice of meeting or is otherwise brought before the meeting at the direction of the Board, by the presiding officer, or by a stockholder entitled to vote who has delivered written notice to us (containing certain information specified in the bylaws about the stockholder and the proposed action) not less than 45 or more than 75 days prior to the first anniversary of the date on which the Company first mailed its proxy materials for the preceding year's annual meeting — that is, with respect to the 2013 Annual Meeting of Stockholders, between November 20, 2012, and December 20, 2012.

A stockholder who wishes to submit a nomination for director to the Board (other than a nomination brought pursuant to and in accordance with any proxy access rules adopted by the SEC subsequent to the date of this proxy statement and effective for the 2013 Annual Meeting of Stockholders) must deliver written notice of the nomination within the time period set forth in the previous sentence and comply with the information requirements in the bylaws relating to stockholder nominations. These requirements are separate from and in addition to (a) the SEC requirements referenced above for inclusion of a stockholder proposal in our proxy statement, (b) any requirements adopted by the SEC subsequent to the date of this proxy statement and effective for the 2012 Annual Meeting of Stockholders relating to the inclusion of a stockholder nominee for director in our proxy statement and (c) the requirements set forth below for having our Nominating and Corporate Governance Committee consider a person, who has been recommended by certain stockholders, for nomination as a director. If notice of any such proposal is not submitted in writing and received by us at the address appearing on the first page of this proxy statement by December 20, 2012, then such proposal shall be deemed “untimely” for purposes of Rule 14a-4 promulgated under the Exchange Act and, therefore, the persons appointed by our Board as its proxies will have the right to exercise discretionary voting authority with respect to such proposal.

## **PROCEDURES FOR NOMINATING CANDIDATES OR RECOMMENDING CANDIDATES FOR NOMINATION TO THE BOARD OF DIRECTORS**

Any stockholder may submit a nomination for director by following the procedures outlined in Section 2-8 of our bylaws. In addition, the Nominating and Corporate Governance Committee has adopted a policy permitting stockholders to recommend candidates for director under certain circumstances. The Nominating and Corporate Governance Committee will only consider nominating a candidate for director who is recommended by a stockholder who has been a continuous record owner of at least 1% of our common stock for at least one year prior to submission of the candidate's name and who provides a written statement that the holder intends to continue ownership of the shares through the annual meeting of stockholders. Notice must be given to the Nominating and Corporate Governance Committee with respect to a stockholder nominee no more than 150 days and no less than 120 days prior to the anniversary date of this proxy statement.

## **HOUSEHOLDING INFORMATION**

The SEC permits companies and intermediaries (such as brokers and banks) to satisfy delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement and annual report to those stockholders. This process, which is commonly referred to as “householding,” is intended to reduce the volume of duplicate information stockholders receive and also reduce expenses for companies. While we do not utilize householding, some intermediaries may be householding our proxy materials and annual report. Once you have received notice from your broker or another



intermediary that it will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If you hold your shares through an intermediary that sent a single proxy statement and annual report to multiple stockholders in your household, we will promptly deliver a separate copy of each of these documents to you if you send a written request to the Director of Investor Relations at our address appearing on the cover page of this proxy statement or call the Director of Investor Relations at (215) 938-8000. If you hold your shares through an intermediary that is utilizing householding and you want to receive separate copies of our annual report and proxy statement in the future, or if you are receiving multiple copies of our proxy materials and annual report and wish to receive only one, you should contact your bank, broker or other nominee record holder.

### **SOLICITATION OF PROXIES**

The enclosed form of proxy is being solicited by our Board. We will bear the cost of the solicitation of proxies for the Meeting, including the cost of preparing, assembling and mailing proxy materials, the handling and tabulation of proxies received, and charges of brokerage houses and other institutions, nominees and fiduciaries in forwarding such materials to beneficial owners. In addition to the mailing of the proxy materials, proxy solicitation may be made in person or by telephone, facsimile, e-mail, telegraph or teletype by our directors, officers or employees, or by a professional proxy solicitation firm that we engage.

### **ANNUAL REPORT ON FORM 10-K**

We make available free of charge on our website, [www.tollbrothers.com](http://www.tollbrothers.com), our Annual Report on Form 10-K as filed with the SEC. We will provide without charge to each person whose proxy is being solicited by this proxy statement, upon written request, a copy of our Annual Report on Form 10-K as filed with the SEC for our most recent fiscal year. Such written requests should be directed to the Director of Investor Relations at our address appearing on the cover page of this proxy statement.

### **OTHER BUSINESS**

The Board does not know of any other matters to be brought before the Meeting. If other matters are presented, the proxy holders have discretionary authority to vote all proxies in accordance with their best judgement.

By Order of the Board of Directors

Michael I. Snyder  
Secretary

Horsham, Pennsylvania  
February 3, 2012