

TOLL BROTHERS INC  
Form DEF 14A  
February 02, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

TOLL BROTHERS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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(1 ) Amount Previously Paid:

(2 ) Form, Schedule or Registration Statement No.:

(3 ) Filing Party:

(4 ) Date Filed:

TOLL BROTHERS, INC.

250 Gibraltar Road

Horsham, Pennsylvania 19044

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held on Tuesday, March 8, 2016

The 2016 Annual Meeting of Stockholders (the "Meeting") of Toll Brothers, Inc. (the "Company") will be held on Tuesday, March 8, 2016 at 12:00 noon EST, at the offices of the Company, 250 Gibraltar Road, Horsham, Pennsylvania 19044, for the following purposes:

1. To elect the eleven directors nominated by the Board of Directors of the Company (the "Board" or "Board of Directors") and named in the proxy statement to hold office until the 2017 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 2016 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 approve the Toll Brothers, Inc. Stock Incentive Plan for Non-Executive Directors (2016).
5. To approve an amendment to the Company's Second Restated Certificate of Incorporation, as amended, to provide that the Company's stockholders may remove any director from office, with or without cause.
6. 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 20, 2016 as the record date for the Meeting (the "Record Date"). 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, our annual report, and the enclosed proxy card are first being sent to stockholders on or about February 9, 2016. 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 below.

By Order of the Board of Directors,

MICHAEL I. SNYDER

Secretary

February 2, 2016

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**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MARCH 8, 2016**

The proxy statement and 2015 Annual Report of Toll Brothers, Inc. are available at:

<https://materials.proxyvote.com/889478>

**ANNUAL MEETING INFORMATION**

The Meeting will be held at the Company's offices at 250 Gibraltar Road, Horsham, Pennsylvania 19044 and will begin promptly at 12:00 noon EST. Directions to the Meeting are available under "Directions" at [www.tollcareercenter.com](http://www.tollcareercenter.com). You must present a valid photo identification to be admitted to the Meeting. Cameras (including cellular phones or personal digital assistants, 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.

Attendance at the Meeting is limited to stockholders, who may own shares directly in their names ("record holders"), or in "street name" by banks, brokerages, or other intermediaries ("beneficial holders"). In addition to photo identification, you must present evidence of ownership as of the Record Date, 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. If you are the authorized representative of an entity that is a beneficial holder, you must present a letter from the entity certifying the beneficial ownership of the entity and your status as an authorized representative.

**FOR RECORD HOLDERS:**

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

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:

1. Bring your proxy card with you to the Meeting;
2. Send written notice\* of your intention to attend the Meeting to the Company's headquarters by February 26, 2016 to the attention of Michael I. Snyder, Secretary; and
3. Follow all admissions policies set forth above.

**FOR BENEFICIAL HOLDERS:**

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

1. Indicate your votes on the voting instruction card;
2. Mark the box on the voting instruction card indicating your intention to attend;
3. Return the 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:

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 Company's headquarters by February 26, 2016 to the attention of Michael I. Snyder, Secretary; 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

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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 26, 2016, 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.

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TOLL BROTHERS, INC.

PROXY STATEMENT

Annual Meeting of Stockholders

Tuesday, March 8, 2016

PROXY SUMMARY

Highlights of certain information in this proxy statement are provided below. Please review the complete proxy statement and 2015 annual report for Toll Brothers, Inc. (the "Company," "we," "us" or "our") before you vote.

Fiscal 2015 Performance Highlights

In determining fiscal 2015 compensation for our named executive officers ("NEOs"), the Executive Compensation Committee of our Board of Directors (the "Compensation Committee") considered the contributions of each of our executive officers to the Company's strategy to improve earnings and grow and diversify its businesses, including growth in targeted markets, growth of our apartment business, and geographic broadening of our active-adult product. The Compensation Committee also considered Company performance in fiscal 2015 and paid particular attention to the notable areas of our performance and our management's achievements in fiscal 2015 in the following areas:

**Revenues:** Our revenues in fiscal 2015 of \$4.17 billion and home building deliveries of 5,525 units rose 7% in dollars and 2% in units compared to fiscal 2014 and were the highest for any fiscal year since fiscal 2007.

**Income:** Our pre-tax income improved to \$535.6 million in fiscal 2015, compared to pre-tax income of \$504.6 million in fiscal 2014. We reported net income of \$363.2 million in fiscal 2015, or \$1.97 per share diluted, compared to net income of \$340.0 million in fiscal 2014, or \$1.84 per share diluted.

**Gross Margin:** Our gross margin for fiscal 2015 was 21.6%, compared to 21.2% for fiscal 2014.

**Contracts:** Our net contracts signed in fiscal 2015 of \$4.96 billion rose 27% in dollars and 12% in units compared to fiscal 2014. The average price of net signed contracts in the fourth quarter of fiscal 2015, at \$872,000, was the highest average price for any quarter in our history.

**Backlog:** Our fiscal year-end 2015 backlog was \$3.50 billion, up 29% compared to fiscal 2014. The \$862,000 average price of homes in backlog at fiscal year-end 2015 was the highest in our history.

**Selling, General and Administrative Expenses ("SG&A"):** Our SG&A as a percentage of revenue improved to 10.9% for fiscal 2015 compared to 11.1% for fiscal 2014.

**Operating Margin:** Our operating margin improved to 10.7% for fiscal 2015 from 10.2% for fiscal 2014.

**Joint Venture and Other Income:** In fiscal 2015, we produced \$88.7 million in pre-tax income from our joint ventures, ancillary operations, and other sources, compared to \$107.3 million in fiscal 2014. The difference was due primarily to the fiscal 2014 benefit from the sale of substantially all of the assets of an unconsolidated entity.

The Compensation Committee recognized management's efforts in achieving the performance outcomes set forth above. Our "Compensation Discussion and Analysis" is on pages 32 to 51, the "Compensation Committee Report" is on page 51, and our Summary Compensation Table and the other compensation tables and narrative discussion are on pages 52 to 61.

## Meeting Agenda Items

Proposal One—Election of Directors. We are asking stockholders to elect eleven director nominees to hold office until the 2017 Annual Meeting of Stockholders and until his or her respective successor has been duly elected and qualified. The Board has nominated the ten current directors and a new director nominee for election at the Annual Meeting. All of our current directors attended over 75% or more of the meetings of the Board and Board Committees on which they served.

Set forth below is summary information concerning our director nominees. For more information regarding the experience and qualifications of our directors, see “Proposal One—Election of Directors” on page 7.

Name	Age	Director Since	Principal Occupation	Independent
Robert I. Toll	75	1986	Executive Chairman of the Board of Directors, Toll Brothers, Inc.	
Bruce E. Toll	72	1986	Vice Chairman of the Board of Directors, Toll Brothers, Inc., Principal, BET Investments	
Douglas C. Yearley, Jr.	55	2010	Chief Executive Officer, Toll Brothers, Inc.	
Robert S. Blank	75	1986	Co-Chairman & Co-CEO, Whitney Communications Company Senior Partner, Whitcom Partners	ü
Edward G. Boehne	75	2000	Retired President, Federal Reserve Bank of Philadelphia	ü
Richard J. Braemer	74	1986	Senior Counsel, Ballard Spahr LLP	ü
Christine N. Garvey	70	2009	Retired Global Head of Corporate Real Estate Services, Deutsche Bank AG	ü
Carl B. Marbach	74	1991	President, Greater Marbach Airlines, Inc.	ü
John A. McLean	46	n/a	Chief Executive Officer and Distribution Principal, Hartford Funds Distributors	ü
Stephen A. Novick	75	2003	Senior Advisor, The Andrea and Charles Bronfman Philanthropies	ü
Paul E. Shapiro	74	1993	Chairman, Q Capital Holdings LLC	ü

The Board of Directors recommends that you vote “FOR” all Nominees

Proposal Two—Ratification of the Re-Appointment of Independent Registered Public Accounting Firm. We are asking stockholders to ratify, in a non-binding vote, the re-appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm (“independent auditors”) for the fiscal year ending October 31, 2016. As part of its oversight of the Company’s relationship with our independent auditors, the Audit and Risk Committee reviews annually our independent auditors’ qualifications, performance, and independence. Based on the results of this review, the Audit and Risk Committee re-appointed Ernst & Young LLP to serve as the Company’s independent auditors for fiscal 2016.

For more information regarding our engagement of Ernst & Young LLP including the fees earned for services rendered by Ernst & Young LLP in fiscal 2015, see “Proposal Two—Ratification of the Re-Appointment of Independent Registered Public Accounting Firm” on page 12.

The Board of Directors recommends that you vote “FOR” Proposal Two

Proposal Three—Advisory and Non-Binding Vote on Executive Compensation (Say on Pay). As described on page 13 under “Proposal Three—Advisory and Non-Binding Vote on Executive Compensation (Say on Pay),” we are asking stockholders to approve, on an advisory basis, the compensation of our NEOs. We hold this advisory vote on an annual basis.

The Board of Directors recommends that you vote “FOR” Proposal Three

Proposal Four—Approval of the Toll Brothers, Inc. Stock Incentive Plan for Non-Executive Directors (2016). We are asking stockholders to approve the Toll Brothers, Inc. Stock Incentive Plan for Non-Executive Directors (2016) (the "Director Plan") to make shares of stock in the Company available for grants to non-executive members of our Board of Directors, consisting of the independent directors and Mr. Bruce E. Toll ("Non-Executive Directors"), of options and incentive stock awards, subject to the terms and conditions set forth in the Director Plan. The Director Plan is intended, by means of grants of options and incentive stock awards, to form a part of the Company’s overall compensation program for Non-Executive Directors of the Company, and it is intended to align their interests with those of our stockholders and to incentivize the Non-Executive Directors to devote themselves to the future success of the Company.

For more information regarding the Director Plan, see “Proposal Four—Approval of the Toll Brothers, Inc. Stock Incentive Plan for Non-Executive Directors (2016)” on pages 14 to 18.

The Board of Directors recommends that you vote “FOR” Proposal Four

Proposal Five—Approval of Amendment to the Toll Brothers, Inc. Second Restated Certificate of Incorporation, as Amended. As described on page 20 under “Proposal Five—Approval of Amendment to the Toll Brothers, Inc. Second Restated Certificate of Incorporation, as Amended,” we are asking stockholders to approve an amendment to our Second Restated Certificate of Incorporation, as amended, to provide that the Company’s stockholders may remove any director from office, with or without cause.

The Board of Directors recommends that you vote “FOR” Proposal Five

#### GENERAL INFORMATION

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Toll Brothers, Inc., a Delaware corporation, for use at 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. 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, Mr. Robert I. Toll and Mr. Douglas C. Yearley, Jr., or either of them, will vote or otherwise act thereon in accordance with his or their judgment on such matters, acting as proxies for stockholders who have returned an executed proxy to us.

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, Mr. Robert I. Toll and Mr. 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 BENEFICIAL OWNERSHIP

The Record Date fixed by our Board for the determination of stockholders entitled to notice of and to vote at the Meeting is January 20, 2016. At the close of business on the Record Date, there were 170,523,454 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 the proposals 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” are 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.

Under the New York Stock Exchange (“NYSE”) rules, your brokerage firm or other nominee may not vote your shares with respect to Proposals One, Three, Four, and Five without specific instructions from you as to how to vote, because each of these proposals is not considered a “routine” matter under the NYSE rules. Proposal Two is considered a “routine” matter and therefore brokerage firms and nominees that are members of the NYSE are permitted to vote their customers’ shares if the customers have not furnished voting instructions prior to the Meeting. To elect directors and adopt the other proposals, the following votes are required under our governing documents and Delaware law:

Proposal	Vote Required	Broker Discretionary Voting Allowed	Effect of Broker Non-Votes and Abstentions/Withhold Votes	
			Broker Non-Votes	Abstentions/Withhold Votes
1. Election of Directors	Plurality of votes cast	No	No effect	No effect
2. Ratification of Independent Auditors	Majority of votes cast	Yes	Not applicable	No effect
3. Advisory Say on Pay Vote	Majority of votes cast	No		