

TOLL BROTHERS INC
Form PRE 14A
January 22, 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
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TOLL BROTHERS, INC.

(Name of Registrant as Specified In Its Charter)

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

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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 ___, 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 on the next page.

By Order of the Board of Directors,

MICHAEL I. SNYDER

Secretary

February ___, 2016

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. 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 [28 to 46], the "Compensation Committee Report" is on page [46], and our Summary Compensation Table and the other compensation tables and narrative discussion are on pages [47 to 56].

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.	
Douglas C. Yearley, Jr.	55	2010	Principal, BET Investments Chief Executive Officer, Toll Brothers, Inc. Co-Chairman & Co-CEO, Whitney Communications Company	
Robert S. Blank	75	1986	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 [11].

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 [12] 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 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 [13 to 17].

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 [18] 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, and Four 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 the 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	No effect	No effect
4. Approval of the Director Plan	Majority of votes cast	No	No effect	Against
5. Approval of Charter Amendment	66 2/3% of shares outstanding	No	Against	Against

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 (which includes nominees for director) and NEOs; 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.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Common Stock	
BlackRock, Inc. (2) 40 East 52nd Street New York, New York 10022	18,711,374	10.97	%
The Vanguard Group (3) 100 Vanguard Blvd. Malvern, PA 19355	10,048,290	5.89	%
Goldman Sachs Asset Management (4) 200 West Street, New York, NY 10282	8,958,394	5.25	%
Robert I. Toll (5) 250 Gibraltar Road Horsham, Pennsylvania 19044	12,567,205	7.30	%
Bruce E. Toll (6)	3,391,534	1.99	%
Robert S. Blank	111,217	*	
Edward G. Boehne	153,283	*	
Richard J. Braemer	214,243	*	
Christine N. Garvey	27,155	*	
Carl B. Marbach (7)	219,571	*	
Stephen A. Novick	117,033	*	
Paul E. Shapiro	238,999	*	
Douglas C. Yearley, Jr.	846,808	*	
Richard T. Hartman	248,774	*	
Martin P. Connor	156,714	*	
All directors and executive officers as a group (12 persons) (1)	18,292,536	10.51	%

* Less than 1%

Shares issuable pursuant to restricted stock units (“RSUs”) vesting 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 and options held by the following individuals, and all directors and executive officers as a group: Mr. Robert I. Toll, 1,656,660 shares; Mr. Bruce E. Toll, 98,642 shares; Mr. Blank, 105,658 shares; Mr. Boehne, 112,168 shares; Mr. Braemer, 98,642 shares; Ms. Garvey, 25,150 shares; Mr. Marbach, 112,176 shares; Mr. Novick, 111,668 shares; Mr. Shapiro, 108,418 shares; Mr. Yearley, 707,232 shares; Mr. Hartman, 216,441 shares; Mr. Connor, 139,151 shares; and all directors and executive officers as a group, 3,492,006 shares.

BlackRock, Inc. (“BlackRock”) filed a Schedule 13G/A on January 8, 2016 which states that BlackRock has sole voting power with respect to 17,688,883 shares and sole dispositive power with respect to 18,711,374 shares.

(2) According to the Schedule 13G/A filed by BlackRock, 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 in our common stock was more than 5% of the total outstanding common stock, as of the date the Schedule 13G/A was filed.

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The Vanguard Group ("Vanguard") filed a Schedule 13G on February 10, 2015, which states that Vanguard has sole dispositive power with respect to 9,900,863 shares, sole voting power with respect to 161,784 shares, and shared dispositive power with respect to 147,427 shares. According to the Schedule 13G filed by Vanguard, (3) 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 in our common stock was more than 5% of the total outstanding common stock, as of the date the Schedule 13G was filed.

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(4) Goldman Sachs Asset Management L.P. and GS Investment Strategies, LLC ("GSAM") filed a Schedule 13G on February 13, 2015 which states that GSAM has shared voting power with respect to 8,773,728 shares and shared dispositive power with respect to 8,958,394 shares. According to the Schedule 13G filed by GSAM, 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 in our common stock was more than 5% of the total outstanding common stock, as of the date the Schedule 13G was filed.

(5) Amount includes 145,530 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 4,950,316 shares pledged to financial institutions to secure personal obligations of Mr. Robert I. Toll.

(6) Amount includes 3,092,932 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).

(7) 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.

PROPOSAL ONE—ELECTION OF DIRECTORS

Board Membership Criteria

The Nominating and Corporate Governance Committee of the Board of Directors (the "Governance Committee") identifies individuals qualified to become members of the Board of Directors consistent with criteria approved by the Board of Directors. The Governance Committee, in selecting, or in recommending the selection of, nominees for directors, considers applicable statutory, regulatory, case law, and NYSE requirements, including when appropriate those applicable to membership on the Audit and Risk Committee and the Executive Compensation Committee, as well as other criteria it deems appropriate.

The Governance Committee requires that, at a minimum, candidates possess a background that includes a strong education, extensive business experience, and the requisite reputation, character, integrity, skills, judgment, and temperament, which, in the view of the Governance Committee, have prepared them for dealing with the multi-faceted financial, business, governance, and other issues that confront a Board of Directors of a corporation with the size, complexity, reputation, and success of the Company. Although the Governance Committee does not have a formal policy regarding diversity, it values diversity of viewpoints, background, and experience in considering candidates for Board membership.

Board Composition

The Governance Committee assesses annually the composition of the Board, including a review of Board size, the skills and qualifications represented on the Board, and director tenure. The findings of the Governance Committee's annual review of Board composition are reported to and discussed with the full Board. Based on its evaluation, the Governance Committee may recommend an increase or decrease in the size of the Board or changes in the composition of the Board so as to best reflect the objectives and needs of the Company and the desired skill sets of the directors. Similarly, the Governance Committee may establish processes for developing candidates for Board membership and conducting searches for Board candidates.

In its review of the skills and qualifications of each director, the Governance Committee considers the characteristics that the Committee believes should be represented on the Board as a whole. The Governance Committee also reviews the composition of the Board, as well as the skills and qualifications represented on the boards of the Company's peer group. As part of this annual review of Board composition, the Governance Committee also reviews director tenure, including a comparison of director tenure to the Company's peer group.

Our Lead Independent Director (who also is the Chair of the Governance Committee) leads the annual Board self-evaluation procedure to review the Board's effectiveness and to identify any opportunities for improvement. As part of this process, the Lead Independent Director receives feedback from each director regarding Board and committee composition, Board practices, Board accountability, and director standards of conduct. The Lead Independent Director leads the discussion with the Board to review this information and to identify any areas for improvement.

The Board believes that, through this annual review of Board composition and nomination process, coupled with its annual self-evaluation procedure, the Board will continue to meet the needs of the Company. In fiscal 2015, the Governance Committee addressed director succession and reviewed the qualifications of a number of potential director candidates. At the beginning of fiscal 2016, the Governance Committee recommended that the Board nominate Mr. McLean as a director nominee for election at the Annual Meeting and increase the size of the Board to 11 members.

Our Director Nominees

Upon the recommendation of the Governance Committee, the Board has nominated the ten current directors for re-election and has nominated Mr. McLean, who is not currently a director, for election at the Annual Meeting. Mr. McLean was initially identified to the Governance Committee as a candidate by our Chief Executive Officer ("CEO"). The Governance Committee determined that Mr. McLean was qualified to become a Director based on the Board membership criteria set forth above. The Governance Committee considered Mr. McLean's candidacy and evaluated his skills and qualifications in early fiscal 2016 as part of its annual review of Board composition.

The Governance Committee specifically considered Mr. McLean's expertise in areas that were previously identified as the skills and qualifications that the Board believes should be represented on the Board. Based on its evaluation of the Board's composition and Mr. McLean's qualifications, the Governance Committee recommended that the Board increase the size of the Board to 11 directors and nominate Mr. McLean as a director, which the Board approved.

Director Qualifications

The Governance Committee has reviewed the business experience and qualifications of each director nominee and has concluded that the directors possess business experience in the areas set forth below. The Governance Committee believes that the directors' business experience in these areas brings value to the Board and to the Company in light of our business strategy, structure, and direction.

This business experience, coupled with our directors' knowledge and understanding of the Company's operations, governance, personnel, and business ethic gained by them over time, have led the Governance Committee and the Board of Directors to the conclusion that each director provides the Company with unique perspective, insight, and skills that enable him or her to provide strong guidance and leadership during all phases of the cycle of the real estate market and in times of management transition, and, therefore, that each should serve as a director of the Company.

The table below summarizes certain key qualifications and skills of each director nominee that were relevant to the decision to nominate him or her to serve on the Board. The lack of a mark does not mean the director does not possess that qualification or skill; rather, a mark indicates a specific area of focus or expertise on which the Board relies most heavily. Each director's biography below describes his or her qualifications and relevant experience in more detail.

Skills and Qualifications of our Director Nominees

Name	Leadership	Industry	Operating	Accounting and Financial	Business Development and Marketing	Corporate Governance and Law	Other Board Experience
Robert I. Toll	ü	ü	ü		ü	ü	ü
Bruce E. Toll	ü	ü	ü	ü	ü		ü
Douglas C. Yearley, Jr.	ü	ü	ü		ü	ü	
Robert S. Blank	ü			ü	ü	ü	ü
Edward G. Boehne	ü			ü	ü	ü	ü
Richard J. Braemer	ü	ü		ü	ü	ü	ü
Christine N. Garvey	ü	ü	ü	ü		ü	ü
Carl B. Marbach	ü		ü	ü	ü		
John A. McLean	ü		ü	ü	ü		
Stephen A. Novick	ü				ü	ü	ü
Paul E. Shapiro	ü		ü	ü	ü	ü	ü

In addition to the skills and qualifications referenced above, we include below other information about the backgrounds and experience of our director nominees, including specific qualifications, experience, skills, and expertise considered by the Governance Committee as relevant to each of the nominee's candidacy as a 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 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, and has established the Company as the country's leading luxury home builder.

Bruce E. Toll, with his brother Robert I. Toll, founded our predecessor's operations in 1967. He 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. He is the founder and Principal of BET Investments, a commercial real estate company, and the owner of several automobile dealerships. From June 2006 through August 2009, he 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 24 years he has been with the Company, his managerial and leadership experience, and his legal background.

Robert S. Blank has been a member of our Board since September 1986. He is a member of the Nominating and Corporate Governance and the Public Debt and Equity Securities Committees. Since 2003, Mr. Blank has been Co-Chairman and Co-Chief Executive Officer of Whitney Communication Company ("WCC") and Senior Partner of Whitcom Partners. Whitcom Partners and its two partners individually make investments in public and non-public companies. Mr. Blank 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 our Lead Independent Director since March 2011. He is the Chair of the Nominating and Corporate Governance Committee and a member of the Audit and Risk 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 Bancorp, Inc. and its subsidiary, Beneficial Bank, and Penn Mutual Life Insurance Co. 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 LLP, where he was a partner from 1994 through 2008. Mr. Braemer is a director 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 real estate transactions, he brings to our Board the experience gained both as a former 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.

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Christine N. Garvey has been a member of our Board since September 2009. She is a member of the Audit and Risk 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. Ms. Garvey has been a member of the board of directors of HCP, Inc. since 2007. She also has served as a member of the board of ProLogis since September 2005, when Catellus Development Corporation, of which 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 and Risk Committee and the Public Debt and Equity Securities Committee. Since January 2004, Mr. Marbach has been President of Greater Marbach Airlines, Inc., a company that provides 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.

John A. McLean is the Chief Executive Officer and Distribution Principal for Hartford Funds Distributors, a subsidiary of Hartford Funds, a position he has held since January 2013. From April 2009 to May 2012, he was the Head of U.S. Retail and Offshore Sales at Eaton Vance Investment Managers. Prior to that time, Mr. McLean held positions of increasing responsibility at MFS Fund Distributors. He serves on the Board of Trustees of Gateway to Leadership. Mr. McLean brings to the Board his expertise in building and leading high performance sales and marketing organizations and his strategic and tactical leadership skills.

Stephen A. Novick has been a member of our Board since January 2003. He is a member of the Executive Compensation and the Nominating and Corporate Governance Committees. 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 April 2015, he was elected to the Board of Trustees of The Julliard School. 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 and Risk Committee and a member of the Executive Compensation Committee. Since June 2004, Mr. Shapiro has been Chairman of the Board of Q Capital Holdings LLC, and he is Chairman of the Board of its two operating companies that are in the life settlement business. From January 2004 to June 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. Prior thereto, Mr. Shapiro practiced corporate and securities law as a managing shareholder of the Palm Beach County office of Greenberg Traurig LLP (which acquired Shapiro and Bregman, a firm he co-founded) and was a partner in Wolf, Block, Schorr and Solis-Cohen. He brings to the Board his extensive business 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.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" ALL NOMINEES.

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

As part of its oversight of the Company's relationship with our independent auditors, the Audit and Risk Committee (the "Audit Committee") reviews annually our independent auditors' qualifications, performance, and independence. Based on the results of this review, the Audit Committee re-appointed Ernst & Young LLP to serve as the Company's independent auditors for the fiscal year ending October 31, 2016. Ratification is being sought at the Meeting in a non-binding vote of stockholders. Although ratification is not required by our bylaws or otherwise, the Board is submitting the selection of Ernst & Young LLP to our stockholders for ratification because we value our stockholders' views on the Company's independent auditors. If our stockholders fail to ratify the selection, it will be considered notice to the Board and Audit Committee to consider the selection of a different firm.

A representative of Ernst & Young LLP is expected to be present at the Meeting, will be afforded the opportunity to make a statement, and is 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 earned for services rendered by Ernst & Young LLP for professional services for the fiscal years ended October 31, 2015 and 2014:

	2015	2014
Audit Fees (1)	\$1,257,500	\$1,313,831
Audit-Related Fees (2)	31,990	40,485
Tax Fees (3)	51,343	40,000
All Other Fees	—	—
	\$1,340,833	\$1,394,316

"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 and comfort letters to underwriters in various filings with the Securities and Exchange Commission ("SEC").

"Audit-Related Fees" include fees billed for audits of a certain joint venture in which we have an interest, workpaper review of an acquired entity, and fees for the use of the independent auditors' technical accounting research tool.

"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 specified services. Any work that exceeds these pre-approved limits for the specified services 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 2015 were approved by the Audit Committee. The Audit Committee also reviewed and approved the compatibility of non-audit services, including tax services, with Ernst & Young LLP's independence. The Audit Committee reviewed and pre-approved the services provided by Ernst & Young LLP and approved the fees paid to Ernst & Young LLP for all services for fiscal 2015.

Required Vote

To be approved, this proposal must receive an affirmative majority of the votes cast on the proposal at the Meeting.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL TWO.

**PROPOSAL THREE—ADVISORY AND NON-BINDING VOTE
ON EXECUTIVE COMPENSATION (SAY ON PAY)**

Our stockholders voted in 2011, in a non-binding vote, in favor of the submission of the Company's compensation of its NEOs annually to our stockholders on a non-binding basis, and our Board has adopted that approach. In accordance with this outcome of that stockholder vote and regulations under Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are including in this proxy statement a separate resolution, subject to a non-binding stockholder vote, to approve the compensation of our NEOs as disclosed in this proxy statement. In considering their vote, we encourage stockholders to carefully review our compensation policies and decisions regarding our NEOs as presented in the "Compensation Discussion and Analysis" and the tabular (and accompanying narrative) disclosure on pages [28 to 56].

Our Compensation Committee has developed and maintained a compensation program that is intended to reward performance and encourage actions that drive success in our short- and long-term business strategy. In December 2015, the Compensation Committee changed several components of our executive compensation program to strengthen the linkage between pay and performance. These changes reflect feedback from stockholders and proxy advisory firms, current market practice, input from the Compensation Committee's independent compensation consultant, and the Compensation Committee's consideration of the results of the Say on Pay advisory vote held in 2015. Our executive compensation program received the support of 87%, 98%, 99%, 98%, and 99% of our stockholders who voted at our Annual Meeting of Stockholders in 2015, 2014, 2013, 2012, and 2011, respectively. In determining fiscal 2015 compensation for our NEOs, as described in the "Compensation Discussion and Analysis" starting on page [28], 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 its apartment business, and expansion of our active-adult product in the West region. 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 set forth under "Compensation Discussion and Analysis—Fiscal 2015 Company Performance" on pages [29 to 30].

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 paid to the Company's named executive officers as disclosed pursuant to Item 402 of Regulation S-K, including the "Compensation Discussion and Analysis" beginning on page [28] of the proxy statement and the related compensation tables and narrative discussion.
Required Vote

To be approved, this proposal must receive an affirmative majority of the votes cast on the proposal at the Meeting.
THE BOARD RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL THREE.

PROPOSAL FOUR—APPROVAL OF THE TOLL BROTHERS, INC.
STOCK INCENTIVE PLAN FOR NON-EXECUTIVE DIRECTORS (2016)

On December 15, 2015, the Board of Directors of the Company adopted, subject to stockholder approval, the Toll Brothers, Inc. Stock Incentive Plan for Non-Executive Directors (2016) (the “Director Plan”), making shares of stock in the Company available for grants to Non-Executive Directors of options (“Options”) and awards of stock (“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 awards, to form a part of the Company’s overall compensation program for Non-Executive Directors, 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.

The Company’s predecessor stock plan covering directors, the Company’s Amended and Restated Stock Incentive Plan for Non-Employee Directors (2007) (the “2007 Director Plan”), is scheduled to expire in accordance with its terms on December 13, 2016. It is intended that the new Director Plan will supersede and replace the Company’s 2007 Director Plan. Accordingly, if the new Director Plan is approved, no further grants will be made under the 2007 Director Plan. If the new Director Plan is not approved by stockholders, the Company will be unable to make new equity grants to directors after December 13, 2016. For a discussion of the equity granted to directors under the Company’s current compensation program, see “Director Compensation” page [25].

The key provisions of the Director Plan are as follows:

Material Provisions of the Director Plan

The material provisions of the Director Plan are as follows:

1. Number of Shares; Maximum Annual Grants. An aggregate maximum of two million shares of the Company’s common stock may be issued under the Director Plan, subject to adjustment in the event there is a reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, or similar transaction with respect to the common stock (in such event, the Nominating and Corporate Governance Committee has the authority to determine what adjustments are appropriate). If the Director Plan is approved by stockholders, we will cancel the remaining shares available for grant under the 2007 Director Plan (approximately 1,241,697 shares as of the Record Date). The maximum number of shares of common stock subject to grants made during a calendar year to any Non-Executive Director for service as a director, taken together with any cash fees paid to such Non-Executive Director for service as a director, during such calendar year, shall not exceed \$1,000,000 in total value, calculating the value of any such grants based on grant date fair value for financial reporting purposes.
2. Administration. The Director Plan will be administered by the Governance Committee, along with the Board.
3. Eligibility. All Non-Executive Directors are eligible under the terms of the Director Plan to receive Stock Awards, non-qualified stock options (“NQSO”), stock appreciation rights (“SARs”), and RSUs. The Governance Committee, in its sole discretion, determines whether an individual qualifies to receive any issuance under the Director Plan. As of December 31, 2015, eight Non-Executive Directors were eligible to participate in the Director Plan.
4. Term of Director Plan. No issuance may be made under the Director Plan after December 15, 2025.
5. Issuances. Each issuance under the Director Plan will be set forth in a document that will specify the number of shares subject to the grant. A Director may receive more than one issuance and may be issued NQSOs, SARs, RSUs, and Stock Awards, or a combination of each.
6. Term of Options and SARs. In general, any Option or SAR issued under the Director Plan will terminate on the first to occur of the following events:
 - (a) The end of the term specified in the Option or SAR document, which may not be more than ten years from the date of issuance.
 - (b) The end of the three-month period (or the end of a shorter period set forth in the Option or SAR document for this purpose by the Governance Committee) from the date the Director’s service on the Board of Directors or its affiliates terminates other than by reason of the Director’s disability or death.

(c) The end of the one-year period from the date the Director's service on the Board of Directors of the Company terminates by reason of the Director's death or disability.

(d) The occurrence of the date, if any, which is established by the Governance Committee as an accelerated expiration date in the event of a "Change in Control" (as defined below) provided a Director who received an Option or SAR issuance is given written notice at least 30 days before the date so fixed.

(e) A finding by the Governance Committee, after full consideration of the facts presented on behalf of both the Company and the Director, that the Director has breached his or her fiduciary duty to the Company or an affiliate, or has been engaged in any sort of disloyalty to the Company or an affiliate, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his or her service or has disclosed trade secrets of the Company or an affiliate. In such event, the Director will also automatically forfeit all shares subject to Options or SARs previously exercised that have not yet been delivered to the Director and the Director will receive a refund of any amounts paid for such shares.

During the period following a Director termination of service with the Company or its affiliates, the Director may only exercise his or her Option or SAR to acquire the shares which could have been acquired under that Option or SAR as of the date the Director's service with the Company or its affiliates terminated.

Notwithstanding the general termination provisions described above, the Governance Committee has the authority under the Director Plan to permit an Option or SAR to continue to vest following a Director's termination of service, and may extend the period during which an Option or SAR may be exercised to a date no later than the date of the expiration of the term originally specified in the Option or SAR document.

7. Option Exercise Price. The option exercise price for all Options will in all cases be at least equal to the fair market value of the shares subject to the Option determined on the date of issuance. Under the Director Plan, fair market value generally is the closing price on the relevant date on the NYSE or on such other national securities exchange where the Company's common stock is listed. In all events, determinations as to the fair market value of the Company's stock will be made by the Governance Committee.

8. Payment of Exercise Price. A Director may pay for shares in cash, certified or cashier's check, or by such mode of payment as the Governance Committee may approve, including payment through a broker. The Governance Committee also has the authority to provide in an Option document that the Director may make payment for his or her shares in whole or in part using shares of the Company's held by the Director for more than one year, subject to the Governance Committee's right to refuse to accept such shares as payment, at its sole discretion. In addition, the Director Plan, as amended, permits the payment for shares to be made in whole or in part by relinquishing a portion of the shares that would otherwise be issued on exercise of the grant, and further permits the withholding of shares sufficient to pay amounts required to be made available to satisfy federal, state and local tax withholding requirements.

9. Documents Governing Issuance; Restriction on Transferability; Other Provisions. All issuances will be evidenced by a document containing provisions consistent with the Director Plan and such other provisions as the Governance Committee deems appropriate. No Option or SAR issued under the Director Plan may be transferred, except by will, the laws of descent and distribution. In addition, the Governance Committee may permit a NQSO to be transferred by the Director to a "family member," as such term is defined in the Instructions to Form S-8 as published by the SEC. The Governance Committee also has the authority under the Director Plan to include other terms and conditions in the issuing document to the extent such terms and conditions are not inconsistent with applicable provisions of the Director Plan.

10. Stock Appreciation Rights. The Director Plan provides that any Non-Executive Directors to whom a NQSO may be issued may also be issued an SAR. Each SAR issued under the Plan shall convey to the recipient rights that are in all respects the economic equivalent of an NQSO and shall include in the SAR document all of the material terms and conditions that would be included in a corresponding Option document, including the number of shares of Common Stock deemed to be subject to the SAR, the exercise price (which cannot be less than the fair market value per share of the underlying shares of Common Stock determined as of the date the SAR is issued), the time or times at which the SAR may be exercised, and an expiration date. The economic benefit to the recipient of an SAR shall be equal to the value of the shares of Common Stock underlying the SAR as of the date the SAR is exercised, reduced by the deemed

exercise price of the SAR applicable to the portion of the SAR being exercised. On exercise, the holder of the SAR shall be entitled to receive either cash or shares of

Common Stock, having a value equal to the value of the SAR (or portion being exercised). Whether the recipient of an SAR is entitled to cash or shares of Common Stock upon exercise may be specified in the SAR document.

11. Stock Awards. The terms of the Director Plan provides that the Governance Committee has the authority to make Stock Awards, in which case the terms are set forth in a written "Award Agreement." These Stock Awards will be consistent with the terms of the Director Plan and may have such other terms or conditions including conditions which may result in a forfeiture) which the Governance Committee deems appropriate, which may be established on a case by case basis. The restrictions, if any, on an Award may lapse (i.e., the Award may become vested) at specific times or on the occurrence of events. This vesting may occur as to all of the shares subject to an Award or may occur in installments. The Governance Committee also has the authority under the Director Plan to shorten or waive any condition or restriction with respect to all or any portion of an Award. Any shares issued under an Award will become fully vested and transferable if they have not been forfeited as of the date the recipient becomes disabled or dies. The Award Agreement will specify the following information: (a) the number of shares issued, (b) the purchase price, if any, to be paid by the recipient, (c) the date on which shares issued are to be transferred, (d) the terms and conditions under which the shares may be forfeited, and (e) the manner in which the restrictions, if any, will lapse (i.e., become vested).

Once the shares of common stock issued under an Award become fully vested, a stock certificate for those shares will be delivered free of all restrictions other than those that may be imposed by law or under the terms of any shareholders agreement in effect at the time. If an Award includes any fractional shares, the Company may, at its option, pay the fair market value of the fractional share rather than deliver a certificate for the fractional share.

If the shares of common stock issued under an Award are subject to restrictions and the recipient of such an Award files an election with the Internal Revenue Service to include the fair market value of any shares of common stock issued pursuant to an Award in gross income without regard to such restrictions, the recipient must promptly provide a copy of that election to the Company, along with the amount of any federal, state, local or other taxes required to be withheld in order to enable the Company to claim an income tax deduction with respect to such election.

If the Governance Committee determines that the recipient of an Award has breached his or her fiduciary duty to the Company or an affiliate, or has been engaged in disloyalty to the Company or an affiliate, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his or her service on the Board of Directors, or has disclosed trade secrets or confidential information of the Company or any of its affiliates, the shares subject to the Award that have not previously become fully vested or for which certificates have not yet been delivered will be forfeited. The Company has the right to withhold delivering any certificates for any shares pending the resolution of an inquiry that could lead to a finding resulting in a forfeiture.

The Governance Committee generally has the right to amend the terms of outstanding Stock Awards, subject to the consent of the recipient of the Award if the proposed amendment is not favorable to him or her. This requirement for the recipient's consent does not apply if the amendment to the Award is made in connection with a Change of Control of the Company.

12. Restricted Stock Units. The Director Plan provides that the Governance Committee is authorized to issue RSUs to any person eligible to receive an Award. An RSU constitutes the economic equivalent of a share of restricted stock that may be issued as an Award and represents the right in the recipient to receive, at the time the RSU vests (or at such later date as may be specified under the terms of the relevant RSU document), a cash payment equal to the value of a number of shares of the Company's common stock, or to receive delivery of that number of shares in kind. To the extent an RSU provides for payment of cash or delivery of shares of the Company's common stock at a time later than the date the recipient vests in his or her RSUs, the arrangement will constitute a form of nonqualified deferred compensation that is subject to certain requirements under Code Section 409A. Under the terms of the Director Plan, RSUs that represent a form of nonqualified deferred compensation are intended to have provision for payment of cash or delivery of shares of the Company's common stock that are compliant with the distribution requirements of Code Section 409A. This may require, therefore, that delivery of payment be made on a specified date, or by reference to the occurrence of an event that is a permitted distribution event (e.g., separation from service) under Code Section 409A.

13. Provisions Relating to a “Change of Control” of the Company. In the event of a Change of Control (as defined below), the Governance Committee may take whatever action with respect to outstanding Options, SARs,

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Stock Awards or RSUs that it deems necessary or desirable, including, without limitation, accelerating the expiration or termination date of any Options or SARs to a date no earlier than 30 days after notice of the acceleration is given to the Directors. In addition to the foregoing and to the extent applicable, issuances pursuant to the Director Plan will become immediately fully vested, will become exercisable in full, and all restrictions, if any, as may be applicable to shares issued pursuant to the Director Plan, will lapse, immediately prior to a Change of Control.

A “Change of Control” occurs under the Director Plan on the date any of the following events occurs:

- (a) The consummation of a sale or other disposition of all or substantially all of the assets of the Company.
- (b) The consummation of a merger or consolidation of the Company with or into another corporation, other than, in either case, a merger or consolidation of the Company in which holders of shares of the common stock immediately prior to the merger or consolidation will hold at least a majority of the ownership of common stock of the surviving corporation (and, if one class of common stock is not the only class of common stock entitled to vote on the election of directors of the surviving corporation, a majority of the voting power of the surviving corporation’s voting securities) immediately after the merger or consolidation, which common stock (and, if applicable, voting securities) is to be held in the same proportion as such holders’ ownership of common stock immediately before the merger or consolidation.
- (c) Any entity, person or group, within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended, (other than (A) the Company or any of its subsidiaries or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (B) any person who, on the date the Director Plan is effective, shall have been the beneficial owner of at least fifteen percent of the outstanding common stock), shall have become the beneficial owner of, or shall have obtained voting control over, more than fifty percent of the outstanding shares of the common stock.
- (d) Directors are elected such that a majority of the Board of Directors shall have been members of the Board of Directors for less than twenty-four months (unless the nomination for election of each new director who was not a director at the beginning of such twenty-four month period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period).

14. Amendments to Documents and the Director Plan. Subject to the provisions of the Director Plan, the Governance Committee may amend any document issued under the Director Plan, subject to the consent of the Director if the amendment is not favorable to the Director and is not being made pursuant to provisions of the Director Plan relating to a “Change of Control” of the Company. The Board of Directors may amend the Director Plan from time to time in such manner as it may deem advisable. Nevertheless, the Board of Directors may not, without obtaining approval by vote of a majority of the outstanding voting stock of the Company, within twelve months before or after such action, extend the expiration date of the Director Plan, or increase the maximum number of shares as to which Options, Stock Awards, SARs or RSUs may be issued.

15. Tax Aspects of the Director Plan. The following discussion is intended to summarize briefly the general principles of federal income tax law applicable to Options granted under the Director Plan as of the date hereof. **Taxation of Non-Qualified Stock Options.** A recipient of a NQSO will not recognize taxable income at the time of issuance, and the Company will not be allowed a deduction by reason of the issuance. Such a Director will generally recognize ordinary income in the taxable year in which the Director exercises the NQSO in an amount equal to the excess of the fair market value of the shares received upon exercise at the time of exercise of such Options over the option exercise price of the Option. The Company will, subject to various limitations, be allowed a deduction in the same amount. Upon disposition of the shares subject to the Option, a Director will recognize capital gain or loss equal to the difference between the amount realized on disposition and the Director’s basis in the share (which ordinarily would be the fair market value of the share on the date the Option was exercised).

Taxation of SARs and RSUs. A recipient of an SAR or an RSU will not recognize taxable income at the time of issuance, and the Company will not be allowed a deduction by reason of the issuance. In the case of an SAR, the recipient will generally recognize ordinary income in the taxable year in which he or she exercises the SAR and receives payment (either in cash or in the form of the Company’s common stock) equal to the cash received upon exercise or the excess of the fair market value of the shares underlying the SAR over the deemed Option Price associated with the SAR for such underlying shares. In the case of an RSU, the recipient will generally recognize

ordinary income equal to the value of the number of shares of Company common stock represented by

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the RSU at the time cash payment is made, or the shares are transferred, to the recipient. The Company will, subject to various limitations, be allowed a deduction in the same amount that is treated as taxable income to a grantee of an RSU or SAR.

Withholding. Whenever the Company would otherwise transfer a share of Company common stock under the terms of the Director Plan, the Company has the right to require the recipient to make available sufficient funds to satisfy all applicable federal, state and local withholding tax requirements as a condition to the transfer, or to take whatever other action the Company deems necessary with respect to its tax liabilities. In general, under current tax rules, there is no withholding obligation triggered by reason of the compensation of Non-Executive Directors.

New Plan Benefits

The benefits or amounts that will be received by or allocated to any Non-Executive Director under the Director Plan Amendment are not currently determinable because no specific grants have been decided upon.

Required Vote

To be approved, this proposal must receive an affirmative majority of the votes cast at the Meeting. The Company has been advised that Mr. Robert I. Toll and Mr. Bruce E. Toll intend to vote the shares they beneficially own in favor of the approval of the Director Plan. See "Voting Securities and Security Ownership - Security Ownership of Principal Stockholders and Management."

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL FOUR.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of October 31, 2015 with respect to compensation plans (including individual compensation arrangements) under which the Company's equity securities are authorized for issuance. There are no plans that have not been approved by stockholders.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(2)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
	(a) (In thousands)	(b)	(c) (In thousands)
Equity compensation plans approved by security holders	9,685	\$25.7451	7,541
Equity compensation plans not approved by security holders	—		—
Total	9,685	\$25.7451	7,541

(1) Amount includes 8,025,000 shares and 1,660,000 shares of stock options and RSUs, respectively, outstanding as of October 31, 2015. The amount of performance-based RSUs, which is included in the RSU amount, reflects the maximum number of shares that could be issued under the fiscal 2015 award as further described under "Performance-Based RSUs" on page [38].

(2) The weighted-average exercise price does not take into account the 1,660,000 shares of RSUs outstanding as of October 31, 2015.

**PROPOSAL FIVE—APPROVAL OF AMENDMENT TO THE TOLL BROTHERS, INC.
SECOND RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED**

The Board has approved 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.

Article Five, Part IV of our Second Restated Certificate of Incorporation, as amended, currently provides that the Company's stockholders may remove directors from office only for cause. The Delaware General Corporation Law, as applicable to corporations without a classified Board of Directors (such as the Company at this time), requires that stockholders be afforded the right to remove directors from office with or without cause. The proposed amendment to the Company's Second Restated Certificate of Incorporation, as amended, is intended to conform the certificate of incorporation to the requirements of Delaware law as applicable to the Company following the complete declassification of the Board as of the 2014 Annual Meeting of Stockholders.

The Board has approved, and recommends for approval by the stockholders, amending and restating Article Five, Part IV of the Company's the Second Restated Certificate of Incorporation, as amended to give effect to the changes set forth in Annex B. The Board also has approved an amendment to the Company's By-laws to provide that the Company's stockholders may remove any director from office, with or without cause.

Required Vote

To be approved, the votes that our stockholders cast "FOR" this proposal must equal at least 66 2/3% of our outstanding shares of common stock. The amendment, if adopted, would become effective upon the filing of a Certificate of Amendment with the Secretary of State of the State of Delaware incorporating the amendment, which we would expect to do as soon as practicable after the amendment is adopted. The Company has been advised that Mr. Robert I. Toll and Mr. Bruce E. Toll intend to vote the shares they beneficially own in favor of the approval of the amendment to our Second Restated Certificate of Incorporation, as amended. See "Voting Securities and Security Ownership—Security Ownership of Principal Stockholders and Management."

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL FIVE.

CORPORATE GOVERNANCE

We are committed 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. The Board and the Governance Committee regularly monitor developments in the area of corporate governance to ensure that our corporate governance practices continue to evolve as appropriate.

Corporate Governance Guidelines and Practices

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

Leadership Structure

In connection with the appointments of Mr. Douglas C. Yearley, Jr. as CEO and Mr. 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 CEO, Mr. Yearley is responsible for our day-to-day operations and for formulating and executing our long-term strategies in collaboration with Mr. Robert I. Toll and the Board. As Executive Chairman of the Board, Mr. Robert I. Toll continues to play a significant role and is actively involved in our business by chairing the Board, acting as advisor to the executive officers, and regularly engaging in the review of land transactions and in planning our long-term business strategy, particularly with respect to product and geographic expansion.

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 us at this time as it enables us and the Board to continue to benefit from Mr. Robert I. Toll's vast experience, skills, expertise, and knowledge of the Company and the home building 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 the 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:

- presiding over all executive sessions and other meetings of the independent directors;
- acting as principal liaison between the Executive Chairman of the Board, the CEO and the non-independent directors, on the one hand, and the independent directors, on the other hand;
- serving as the director whom stockholders may contact;
- leading the process for evaluating the Board of Directors and the committees of the Board of Directors;
- 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.

Codes of Business Conduct and Ethics

Management has adopted a Code of Ethics for Principal Executive Officer and Senior Financial Officers, violations of which must be reported to the Audit Committee or to our Chief Executive Officer or General Counsel. This code and any waiver or amendment to the code are available free of charge from our website at www.tollbrothers.com under "Investor Relations: Corporate Governance."

We operate under a comprehensive Code of Ethics and Business Conduct that we review annually and that 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. This code can be obtained free of charge from our website at www.tollbrothers.com under “Investor Relations: 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 us 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 in assessing a director’s independence. The standards applied by the Board in affirmatively determining whether a director is “independent” 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 personally 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 Mr. Robert I. Toll, Mr. Bruce E. Toll and Mr. Yearley. As part of the Board’s process in making such determination, the Board determined that all of the above-cited objective criteria for independence are satisfied, and that no independent director has any material relationship with us that could interfere with his or her ability to exercise independent judgment.

Compensation Committee Interlocks and Insider Participation

None of the members who served on the Compensation Committee during the fiscal year ended October 31, 2015 has ever been an officer or employee of the Company or its subsidiaries. None of the members has any relationship required to be disclosed under this caption under the rules of the SEC.

Personal Loans to Executive Officers and Directors

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

Communication with the Board

Any person who wishes to communicate with the Board or specific individual directors, including the Lead Independent Director 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 General Counsel, Toll Brothers, Inc., at the address appearing on the cover 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 the independent directors. Communications directed to independent directors will be referred to the intended Board member(s).

Committees of the Board and Meetings

The Board currently has the following standing committees: Audit and Risk Committee; Executive Compensation Committee; Nominating and Corporate Governance Committee; and Public Debt and Equity Securities Committee. The following table lists our four Board committees, as well as the chairs and members of each committee, for our entire 2015 fiscal year and at present.

Name	Independent	Audit and Risk Committee	Executive Compensation Committee	Nominating & Corporate Governance Committee	Public Debt & Equity Securities Committee
Robert I. Toll					
Bruce E. Toll					M
Douglas C. Yearley, Jr.					
Robert S. Blank	ü			M	M
Edward G. Boehne	ü	M		C	
Richard J. Braemer	ü				C
Christine N. Garvey	ü	M			
Carl B. Marbach	ü	M	C		M
Stephen A. Novick	ü		M	M	
Paul E. Shapiro	ü	C	M		

C-Chair M-Member

Audit and Risk Committee

The Audit Committee is, and for the entire 2015 fiscal year was, composed of Paul E. Shapiro (Chair), Edward G. Boehne, Christine N. Garvey, and Carl B. Marbach, each of whom has been determined by the Board to meet the standards of independence required of audit committee members by the NYSE and applicable SEC rules. 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—Election of Directors.”

The duties and responsibilities of the Audit Committee are set forth in its charter, which may be found at 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;

overseeing our compliance with legal and regulatory requirements;

overseeing 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;

review of the performance of our internal audit function; and

management of the Company's significant risks and exposures, including strategic, operational, compliance, and reporting risks.

The duties of the Audit Committee with respect to oversight of the Company's financial reporting process are described more fully on page [57] under "Audit and Risk Committee Report." During fiscal 2015, the Audit Committee held 11 meetings. All of its meetings were attended by representatives from Ernst & Young LLP, our independent registered public accounting firm. The Audit Committee meets regularly in executive session with management, the company's Chief Audit Officer, and our independent registered public accounting firm.

Executive Compensation Committee

The Compensation Committee is, and for the entire 2015 fiscal year was, composed of Carl B. Marbach (Chair), Stephen A. Novick, and Paul E. Shapiro, each of whom has been determined by the Board to meet the NYSE's standards for independence required of compensation committee members. In addition, each committee member qualifies as a "Non-Employee Director" as defined in Rule 16b-3 under the Exchange Act and as an "outside director" as defined for purposes of Section 162(m) of the Code.

The duties and responsibilities of the Compensation Committee are set forth in its charter, which may be found at 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 the CEO;

evaluating the performance of the Executive Chairman of the Board and the CEO in light of those goals and

objectives and determining each of the Executive Chairman of the Board's and CEO's compensation level based on these evaluations;

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 stockholder 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 Senior Officer Plan and the Supplemental Executive Retirement Plan ("SERP");

• reviewing and approving, or making recommendations to the full Board regarding, equity-based awards; and
• reviewing our 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 the “Compensation Discussion and Analysis” beginning on page [28]. The Compensation Committee held six meetings during fiscal 2015. During fiscal 2015, the Compensation Committee's independent compensation consultant and its affiliates did not provide any services to the Company or its affiliates other than advising the Compensation Committee on executive officer compensation.

Nominating and Corporate Governance Committee

The Governance Committee is, and for the entire 2015 fiscal year was, composed 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 Governance Committee are set forth in its charter, which may be found at 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 our objectives;
- assessing annually the composition of the Board, including a review of Board size, the skills and qualifications represented on the Board, and director tenure;
- evaluating and making recommendations to the Board with respect to the compensation of the non-management 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 stockholders;
- reviewing the Board's committee structure;
- reviewing proposed changes to our governance instruments;
- reviewing and recommending director orientation and continuing orientation programs; and
- reviewing and approving related person transactions.

The Governance Committee is responsible for evaluating and making recommendations to the Board with respect to compensation of our directors. The Governance Committee, along with the Board, administers the 2007 Director Plan and is expected to administer, along with the Board, the Director Plan once approved by stockholders. See "Proposal Four—Approval of the Toll Brothers, Inc. Stock Incentive Plan for Non-Executive Directors (2016)" on page [13] for a description of the Director Plan. The Governance Committee held four meetings during fiscal 2015.

Public Debt and Equity Securities Committee

The Public Debt and Equity Securities Committee is, and for the entire 2015 fiscal year was, composed of Richard J. Braemer (Chair