
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended July 28, 2000 Commission File Number 1-8649

THE TORO COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE	41-0580470
(State of Incorporation)	(I.R.S. Employer Identification Number)

8111 LYNDALE AVENUE SOUTH
BLOOMINGTON, MINNESOTA 55420
TELEPHONE NUMBER: (952) 888-8801

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares of Common Stock outstanding as of September 1, 2000 was 12,711,852.

THE TORO COMPANY
INDEX TO FORM 10-Q

PART I. ITEM 1. FINANCIAL INFORMATION

THE TORO COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER-SHARE DATA)

	Three Months Ended		Nine Months Ended	
	July 28, 2000	July 30, 1999	July 28, 2000	July 30, 1999
Net sales	$ 345,166	$ 325,317	$ 1,067,204	$ 1,009,186
Cost of sales	211,879	199,478	672,029	642,549
Gross profit	133,287	125,839	395,175	366,637
Selling, general, and administrative expense	101,867	103,140	304,585	292,276
Restructuring and other unusual expense	--	722	--	722
Earnings from operations	31,420	21,977	90,590	73,639
Interest expense	(7,651)	(6,790)	(21,060)	(18,517)
Other income, net	2,329	1,736	748	2,599
Earnings before income taxes	26,098	16,923	70,278	57,721
Provision for income taxes	9,656	6,600	26,003	22,511
Net earnings	$ 16,442	$ 10,323	$ 44,275	$ 35,210
Basic net earnings per share of common stock	$ 1.29	$ .80	$ 3.46	$ 2.72
Dilutive net earnings per share of common stock	$ 1.26	$ .78	$ 3.39	$ 2.66
Weighted average number of shares of common stock outstanding - Basic	12,745	12,825	12,799	12,961
Weighted average number of shares of common stock outstanding - Dilutive	13,071	13,244	13,079	13,235

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	July 28, 2000	July 30, 1999	October 31, 1999
ASSETS			
Cash and cash equivalents	$ 65	$ 1,915	$ 11,960
Receivables, net	368,134	339,748	268,344
Inventories, net	213,461	194,225	204,430
Prepaid expenses and other current assets	10,905	8,352	6,116
Deferred income taxes	40,638	39,154	40,892
Total current assets	633,203	583,394	531,742
Property, plant, and equipment	372,639	345,430	353,808
Less accumulated depreciation	244,457	222,631	229,636
	128,182	122,799	124,172
Deferred income taxes	8,876	3,786	8,876
Goodwill and other assets, net	127,736	128,230	122,388
Total assets	$ 897,997	$ 838,209	$ 787,178
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	$ 485	$ 644	$ 637
Short-term debt	121,775	115,356	56,461
Accounts payable	43,544	39,119	65,543
Other accrued liabilities	205,430	196,153	183,164
Total current liabilities	371,234	351,272	305,805
Long-term debt, less current portion	195,198	195,617	195,600
Other long-term liabilities	6,919	6,325	6,110
Stockholders' equity:			
Stock, par value $1.00, authorized 35,000,000 shares; issued and outstanding 12,721,596 shares at July 28, 2000 (net of 786,459 treasury shares), 12,657,994 shares at July 30, 1999 (net of 640,441 treasury shares), and 12,569,309 shares at October 31, 1999 (net of 938,746 treasury shares)	12,721	12,658	12,569
Additional paid-in capital	52,044	48,883	45,343
Retained earnings	269,231	231,200	229,532
Accumulated comprehensive loss	(9,350)	(7,746)	(7,781)
Total stockholders' equity	324,646	284,995	279,663
Total liabilities and stockholders' equity	$ 897,997	$ 838,209	$ 787,178

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(DOLLARS IN THOUSANDS)

	Nine Months Ended July 28, 2000	Nine Months Ended July 30, 1999
Cash flows from operating activities:		
Net earnings	$ 44,275	$ 35,210
Adjustments to reconcile net earnings to net cash used in operating activities:		
Provision for depreciation and amortization	28,199	26,897
(Gain) loss on disposal of property, plant, and equipment	(86)	264
Deferred income taxes	254	282
Tax benefits related to employee stock option transactions	854	393
Changes in operating assets and liabilities:		
Receivables, net	(107,281)	(95,299)
Inventories, net	(1,869)	(4,060)
Prepaid expenses and other current assets	(4,778)	5,886
Accounts payable and accrued expenses	4,945	8,520
Net cash used in operating activities	(35,487)	(21,907)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(26,143)	(18,551)
Proceeds from asset disposals	1,480	256
Decrease (increase) in investment in affiliates	412	(4,901)
Increase in other assets	(2,381)	(2,207)
Acquisition, net of cash acquired	--	(2,748)
Net cash used in investing activities	(26,632)	(28,151)
Cash flows from financing activities:		
Increase in short-term debt	63,512	79,736
Repayments of long-term debt	(657)	(1,554)
Increase in other long-term liabilities	744	763
Proceeds from exercise of stock options	3,629	3,326
Purchases of common stock	(10,859)	(24,549)
Dividends on common stock	(4,576)	(4,619)
Net cash provided by financing activities	51,793	53,103
Foreign currency translation adjustment	(1,569)	(1,220)
Net (decrease) increase in cash and cash equivalents	(11,895)	1,825
Cash and cash equivalents at beginning of period	11,960	90
Cash and cash equivalents at end of period	$ 65	$ 1,915

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JULY 28, 2000

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by generally accepted accounting principles for complete financial statements. Unless the context indicates otherwise, the terms "company" and "Toro" refer to The Toro Company and its subsidiaries. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting primarily of recurring accruals, considered necessary for a fair presentation of the financial position and the results of operations. Since the company's business is seasonal, operating results for the nine months ended July 28, 2000 are not indicative of the results that may be expected for the fiscal year ending October 31, 2000. Certain amounts from prior period's financial statements have been reclassified to conform to this period's presentation.

For further information, refer to the consolidated financial statements and notes included in the company's Annual Report on Form 10-K for the year ended October 31, 1999. The policies described in that report are used for preparing quarterly reports.

Inventories

The majority of inventories are valued at the lower of cost or net realizable value with cost determined by the last-in, first-out (LIFO) method for most inventories.

Inventories were as follows:

(Dollars in thousands)	July 28, 2000	July 30, 1999
Raw materials and work in process	$ 60,260	$ 69,003
Finished goods	195,810	171,194
	256,070	240,197
Less LIFO and other reserves	42,609	45,972
Total	$ 213,461	$ 194,225

Restructuring and Other Unusual Expense

At July 28, 2000, the company had $1.5 million of restructuring and other unusual expense remaining in other accrued liabilities. The company has utilized $.8 million of these reserves since October 31, 1999. The company expects the majority of these reserves to be utilized when the closed facilities available for sale are sold.

Comprehensive Income

Comprehensive income is comprised of two components: net earnings and other comprehensive income (loss). Other comprehensive income (loss) refers to revenues, expenses, gains, and losses that under generally accepted accounting principles are recorded as an element of stockholders' equity and are excluded from net earnings. Toro's other comprehensive income (loss) is comprised of foreign currency translation adjustments from certain foreign subsidiaries.

The components of comprehensive income were as follows:

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	July 28, 2000	July 30, 1999	July 28, 2000	July 30, 1999
Net earnings	$ 16,442	$ 10,323	$ 44,275	$ 35,210
Other comprehensive income (loss)	282	(1,623)	(1,569)	(1,220)
Comprehensive income	$ 16,724	$ 8,700	$ 42,706	$ 33,990

Net Earnings Per Share

Reconciliations of basic and dilutive weighted average shares of common stock outstanding are as follows:

	Three Months Ended		Nine Months Ended	
Basic (Shares in thousands)	July 28, 2000	July 30, 1999	July 28, 2000	July 30, 1999
Weighted average number of shares of common stock outstanding	12,745	12,825	12,716	12,792
Assumed issuance of contingent shares	--	--	83	169
Weighted average number of shares of common stock and assumed issuance of contingent shares	12,745	12,825	12,799	12,961
Dilutive (Shares in thousands)				
Weighted average number of shares of common stock and assumed issuance of contingent shares	12,745	12,825	12,799	12,961
Assumed conversion of stock options	326	419	280	274
Weighted average number of shares of common stock, assumed issuance of contingent shares, and assumed conversion of stock options	13,071	13,244	13,079	13,235

Segment Data

The presentation of segment information reflects the manner in which management organizes segments for making operating decisions and assessing performance. On this basis, the company has determined it has two reportable business segments: professional and residential. The other segment consists of company-owned distributor operations and corporate activities, including corporate financing activities and elimination of intersegment revenues and expenses.

The following table shows the summarized financial information concerning the company's reportable segments:

(Dollars in thousands) Three months ended July 28, 2000:	Professional	Residential	Other	Total
Net sales	$ 235,662	$ 94,553	$ 14,951	$ 345,166
Intersegment net sales	23,497	2,927	(26,424)	--
Earnings (loss) before income taxes	36,398	5,400	(15,700)	26,098
Three months ended July 30, 1999:				
Net sales	$ 221,129	$ 94,738	$ 9,450	$ 325,317
Intersegment net sales	23,816	6,560	(30,376)	--
Earnings (loss) before income taxes	38,287	(1,199)	(20,165)	16,923

(Dollars in thousands) Nine months ended July 28, 2000:	Professional	Residential	Other	Total
Net sales	$ 693,967	$ 349,759	$ 23,478	$1,067,204
Intersegment net sales	61,651	12,212	(73,863)	--
Earnings (loss) before income taxes	96,735	26,760	(53,217)	70,278
Total assets	473,996	141,100	282,901	897,997
Nine months ended July 30, 1999:				
Net sales	$ 646,536	$ 352,154	$ 10,496	$1,009,186
Intersegment net sales	37,970	8,496	(46,466)	--
Earnings (loss) before income taxes	101,971	15,192	(59,442)	57,721
Total assets	441,660	158,314	238,235	838,209

The following table presents the details of the other segment earnings (loss) before income taxes:

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	July 28, 2000	July 30, 1999	July 28, 2000	July 30, 1999
Corporate expenses	$(17,565)	$(19,781)	$(50,748)	$(53,033)
Finance charge revenue	1,184	1,037	3,921	3,157
Elimination of corporate financing expense	5,521	5,217	13,921	13,093
Interest expense	(7,651)	(6,790)	(21,060)	(18,517)
Other	2,811	152	749	(4,142)
Total	$(15,700)	$(20,165)	$(53,217)	$(59,442)

New Accounting Pronouncements

In December 1999, the Securities and Exchange Commission (SEC) staff issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 summarizes certain SEC staff views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 will be effective for the company in the fourth quarter of fiscal year 2001. Toro is currently evaluating the impact of SAB 101 on its financial condition and results of operations.

During fiscal 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes new standards for recognizing all derivatives as either assets or liabilities, and measuring those instruments at fair value. The new standard will be effective for the company in the first quarter of fiscal year 2001. The company is in the process of evaluating the impact of SFAS 133 on its financial condition and results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In addition, forward-looking statements may be made orally or in press releases, conferences, reports, on the company's websites or otherwise, in the future by or on behalf of the company.

Statements that are not historical are forward-looking. When used by or on behalf of the company, the words "expect," "anticipate," "estimate," "believe," "intend," and similar expressions generally identify forward-looking statements.

Forward-looking statements involve risks and uncertainties. These uncertainties include factors that affect all businesses operating in a global market, as well as matters specific to the company and the markets it serves. Particular risks and uncertainties facing the company at the present include inflationary pressures and rising interest rates that could slow the economic growth that has been important to the growth of the company's professional businesses, including golf, agricultural irrigation, and landscape contractor markets; product quality issues related to the development and production of irrigation products; delays in key new irrigation product introductions; the degree of success related to reorganization and management changes in the irrigation and worldwide agricultural irrigation areas; increasing oil prices that raise the cost of resin; a slow down in new golf course construction; a decline in the growth rate in the number of new golfers, which affects new golf course construction; higher average short-term debt costs for anticipated higher working capital needs; whether the announced 5 by Five profit improvement program will be successful; the company's ability to develop and manufacture new and existing products based on anticipated investments in manufacturing capacity and engineering; market acceptance of existing and new products relative to expectations and based on current commitments to fund advertising and promotions; the company's ability to acquire, develop, and integrate new businesses and manage alliances successfully; success of a distribution initiative designed to develop a distribution model; increased competition in the company's businesses from competitors that have greater financial resources, including competitive pricing pressures; changing buying patterns affecting the company's residential segment, including but not limited to a trend away from purchases at dealer outlets to price and value sensitive purchases at hardware stores, home centers, and mass retailers; potential impact of the Internet and e-commerce on the company's business; changes in distributor ownership; loss of, or a significant reduction in, sales through a significant distribution channel, particularly as the company's residential segment becomes more dependent on home center sales; the company's expansion into selected home center markets and the resulting effects on other product lines; unforeseen difficulties in the implementation of strategies to use outside providers for warehousing and transportation services; changes in distributors', dealers', home centers', or mass retailers' purchasing practices; the company's ability to cost-effectively open new and expand existing manufacturing facilities; the company's ability to manage costs and capacity constraints at its manufacturing facilities; socio-economic conditions in certain international markets; the degree of success from restructuring actions undertaken at the Australian subsidiary; the continuing relative strength of the dollar against the euro and Australian dollar, which increases the cost of the company's products in certain foreign markets and impairs its ability to increase prices; the decline of the U.S dollar against the Japanese yen, which increases costs of certain inventory components that in turn could negatively affect gross margins; competitive implications and price transparencies related to the euro conversion; the ability to retain and hire quality employees; threatened or pending litigation on matters relating to patent infringement; and the impact of new accounting standards.

Forward-Looking Information (continued)

In addition, the company is subject to risks and uncertainties facing its industry in general, including changes in business and political conditions and the economy in general in both foreign and domestic markets; rising interest rates; weather conditions affecting demand, including warm winters and wet spring and dry summer weather; unanticipated problems or costs associated with the transition of European currencies to the common euro currency; a slowing in housing starts or new golf course starts; inability to raise prices of products due to market conditions; changes in market demographics; actions of competitors; seasonal factors in the company's industry; unforeseen litigation; government action, including budget levels, regulation, and legislation, primarily legislation relating to the environment, commerce, infrastructure spending, health, and safety; availability of raw materials; and the company's ability to maintain good relations with its union employees.

The company wishes to caution readers not to place undue reliance on any forward-looking statement and to recognize that the statements are not predictions of actual future results. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results due to the risks and uncertainties described above, as well as others not now anticipated. The foregoing statements are not exclusive and further information concerning the company and its businesses, including factors that have the potential to materially affect the company's financial results, may emerge from time to time. It is not possible for management to predict all risk factors or to assess the impact of such risk factors on the company's business.

RESULTS OF OPERATIONS

Toro's results for the third quarter of fiscal 2000 were positive, with a substantial increase in profits on an overall modest sales growth. Fiscal 2000 third quarter net sales increased 6.1 percent to $345.2 million from $325.3 million for the third quarter of fiscal 1999. Net earnings increased 59.3 percent to $16.4 million from $10.3 million after restructuring and other unusual expense for the same quarter in fiscal 1999, and dilutive earnings per share for the quarter rose 61.5 percent to $1.26 from $0.78 after restructuring and other unusual expense in the fiscal 1999 third quarter. Worldwide sales for the professional segment rose 6.6 percent compared to last year's third quarter with significant increases in the landscape contractor market and continued strong demand for golf and grounds maintenance equipment somewhat offset by a decline in golf irrigation system sales. Worldwide sales for the residential segment were slightly down by 0.2 percent compared to last year's third quarter due to the divestiture and discontinuance of non-performing product lines and lower sales of walk power mowers and do-it-yourself irrigation products, offset slightly by higher sales of electric trimmers, riding products and snowthrowers. The other segment net sales increased substantially mainly due to sales contributed by two additional Toro-owned distributorships acquired in the second half of calendar 1999. Overall, international sales did well for the quarter with a 16.9 percent increase due to strong sales in the European and Canadian markets.

The profitability growth for the third quarter of fiscal 2000 was led by improved gross margins and lower selling, general, and administrative costs in the residential segment as well as additional profitability from the newly acquired company-owned distributors, which were slightly offset by lower profitability from the professional segment due to lower gross margins and higher costs related to special warranty reserves for product modifications.

Year-to-date net sales were $1,067.2 million compared to $1,009.2 million last year, an increase of 5.7 percent. Net earnings were $44.3 million compared to $35.2 million after restructuring and other unusual expense last year, an increase of 25.7 percent, and dilutive earnings per share for the year were $3.39 compared to $2.66 last year after restructuring and other unusual expense. Worldwide sales for the professional segment grew 7.3 percent over last year, led by significant increases in sales to the landscape contractor market and higher sales of golf and grounds maintenance equipment, somewhat offset by declines in sales to the golf irrigation and agricultural irrigation markets. Worldwide sales for the residential segment were down slightly by 0.7 percent. Snowthrowers, electric trimmers and blowers, riding products, and do-it-yourself irrigation product sales were up. However, sales of walk power mowers were down. The elimination of sales due to divestiture and discontinuance of non-performing product lines also contributed to the decrease. Sales for the residential segment would have been up 3.9 percent without the elimination of these non-performing product lines. The other segment net sales increased substantially mainly due to the acquisition of two distributorships in the second half of calendar 1999. International sales rose 10.1 percent for the year due to continued growth in the European market and increases in the Australian and Asian regions.

The profitability improvement for the year was due to the same reasons noted above in the quarter comparison.

In May 2000, Toro announced a new profit improvement program called "5 by Five." The goal of this program is to achieve an after tax return on sales of 5 percent by the year 2003. The major initiatives to achieve this goal include: revising and transforming how Toro manufactures, purchases, distributes, markets, and services products; improving low performing product lines or discontinuing them; and reviewing the company's expense structure to eliminate low-value activities.

The following table summarizes net sales by segment:

(Dollars in thousands)	Three Months Ended July 28, 2000	July 30, 1999	$ Change	% Change
Professional	$235,662	$221,129	$ 14,533	6.6%
Residential	94,553	94,738	(185)	(0.2)
Other	14,951	9,450	5,501	58.2
Total *	$345,166	$325,317	$ 19,849	6.1%
* Includes international sales of	$ 65,291	$ 55,836	$ 9,455	16.9%

(Dollars in thousands)	Nine Months Ended July 28, 2000	July 30, 1999	$ Change	% Change
Professional	$ 693,967	$ 646,536	$ 47,431	7.3%
Residential	349,759	352,154	(2,395)	(0.7)
Other	23,478	10,496	12,982	123.7
Total *	$1,067,204	$1,009,186	$ 58,018	5.7%
* Includes international sales of	$ 221,178	$ 200,815	$ 20,363	10.1%

Professional Segment Net Sales

Net sales for the worldwide professional segment in the third quarter of fiscal 2000 were $235.7 million compared to $221.1 million in the third quarter of fiscal 1999, an increase of 6.6 percent. The landscape contractor market continues to show significant growth, primarily for good volume increases of both Toro(R) and Exmark(R) brand zero radius turning mowers and the Sitework Systems(TM) product line. Worldwide sales of golf and grounds maintenance equipment were also up, mainly due to the continued growth of the golf market and customer acceptance of new products. The company continues to do well in the new golf market but is shifting its program emphasis to what management believes is a growing market for golf course renovations. Sales would have been slightly higher, however, a flood early in the third quarter at one of the company's distribution facilities destroyed or damaged certain Sitework Systems(TM) and grounds maintenance equipment. Offsetting those increases was a decline in golf irrigation systems and residential/commercial irrigation product sales due mainly to product quality issues related to the development and manufacturing processes. Worldwide agricultural irrigation sales were also down due to continued pricing pressures from competitors. The company has taken aggressive corrective action to address issues in the irrigation and worldwide agricultural irrigation areas, including reorganization and management changes.

Year-to date net sales for the worldwide professional segment were $694.0 million compared to $646.5 million last year, an increase of 7.3 percent. Worldwide sales in the landscape contractor market led this increase for both Toro(R) and Exmark(R) brand zero radius turning mowers and the Sitework Systems(TM) product line. Worldwide golf and grounds maintenance markets also performed well during fiscal 2000 with increases in equipment and parts sales due to the ongoing positive reception of products introduced over the last two years as well as continued strong retail demand. The dual brands of Toro(R) and Irritrol(R) residential/commercial irrigation systems posted sales increases for the year due to better product availability in the first half of fiscal 2000 as compared to last fiscal year. International sales of Toro residential/commercial irrigation products also increased for the year due to an increased focus on the European market. Offsetting those increases were weak sales of agricultural irrigation and golf irrigation products due to the same reasons mentioned in the quarter comparison.

Residential Segment Net Sales

Net sales for the worldwide residential segment in the third quarter of fiscal 2000 were $94.6 million compared to $94.7 million in the third quarter of fiscal 1999, a slight decrease of 0.2 percent. Lower domestic unit shipments were the cause of this decline, while sales to the international markets increased substantially due to delayed introduction of new models, which would have shipped earlier in the fiscal year. Domestic walk power sales were down due to reduced placement in certain home center regions, field inventory management at Toro's distributors and dealers, and the cold, wet spring weather in most key markets. Do-it-yourself irrigation product sales were also down due to water restrictions in the southeast. The elimination of sales due to the divestiture and discontinuance of the non-performing outdoor lighting and gas handheld product lines also contributed to this decline. Somewhat offsetting those decreases were strong early season shipments of snowthrowers due to high demand by Toro dealers who want product on their showcase floors to leverage the increased marketing awareness generated by the introduction of Toro-brand gas snowthrowers into the home center channel. Riding product sales were also up due to customers purchasing product closer to retail demand in efforts to better manage field inventory levels. Riding products manufactured for a third party also increased due to low field inventory levels entering the fiscal year. Sales of electric trimmers continue to be strong due to expanded outlets and placement at mass retailers. International sales were abnormally high due to the delayed introduction of the Toro(R) Personal Pace(R) walk power mower and new riding product models that normally would have shipped earlier in the fiscal year. In addition, stronger than anticipated shipments of snowthrowers also contributed to the sales increase in the international market.

Year-to-date net sales for the worldwide residential segment in fiscal 2000 were $349.8 million compared to $352.2 million last year, a slight decline of 0.7 percent. Sales would have been up 3.9 percent after factoring out sales from the non-performing product lines discussed previously. Walk power mower sales were down for the same reasons in the quarter comparison. Also, last year's sales levels were comparatively high for initial stocking orders from home center outlets, a new distribution channel in fiscal 1999 for the Toro brand of walk power mowers. That decline was offset by increased sales of snowthrower product due to the same factors mentioned in the quarter comparison. In addition, snowthrower sales also increased due to historically low field inventory levels entering the 1999-2000 winter season and a shift in shipments from the fourth quarter of fiscal 1999 to the first quarter of fiscal 2000. Electric trimmer and blower sales were also up for the year due to expanded outlets and placement at mass retailers. Overall, do-it-yourself irrigation product sales increased due to additional placement at home centers, introduction of new products, and the overall growth of this market, somewhat offset by lower sales in the southeast due to water restrictions. International sales were up for the year due to the same contributing factors as mentioned in the above quarter comparison.

Snowthrower sales for the fourth quarter of fiscal 2000 and first quarter of fiscal 2001 are expected to be below the respective prior comparable quarters because of reasons discussed in the quarter comparison and higher field inventory levels at the distributors and dealers this year as compared to last year.

Other Segment Net Sales

The other segment net sales in the third quarter of fiscal 2000 were $15.0 million compared to $9.5 million in the third quarter of fiscal 1999. Net sales in this segment include sales from Toro's wholly owned distribution companies less sales from the professional and residential segments to those distribution companies. The significant sales increase was due to additional sales contributed by two distribution companies acquired in the second half of calendar 1999, raising the total to four Toro-owned distribution companies in fiscal 2000 compared to only two during the comparable period last year.

Year-to-date net sales for the other segment in fiscal 2000 were $23.5 million compared to $10.5 million last year, an increase of $13.0 million. This increase is due to the same factors mentioned in the quarter comparison.

Gross Profit

Third quarter gross profit was $133.3 million compared to $125.8 million last year, an increase of 5.9 percent. As a percentage of net sales, gross profit for the third quarter was 38.6 percent compared to 38.7 percent last year. This slight decline was due to lower gross margins for irrigation and agricultural irrigation products due to price increases for raw materials. Somewhat offsetting this decrease was an improvement in gross margin resulting from increased sales of higher margin products in the residential segment, cost reductions for certain residential segment products, and additional gross profit contribution from the distribution companies. In addition, third quarter of fiscal 1999 reflected the elimination of gross profit previously recorded with respect to sales of Toro products to a Midwestern-based distributor, which was acquired by the company in fiscal 1999.

Year-to-date gross profit was $395.2 million compared to $366.6 million last year, an increase of 7.8 percent. As a percentage of net sales, year-to-date gross profit was 37.0 percent compared to 36.3 percent last year. The increase in gross margin was primarily due to an improvement in the residential segment's margins because of the same factors mentioned in the quarter comparison plus the additional gross profit contribution from the distribution companies. Also, the prior year reflected the elimination of gross profit previously recorded with respect to sales of Toro products to two Midwestern-based distributors, which were acquired in fiscal 1999. Partially offsetting those positive factors were lower margins for irrigation and agricultural irrigation products because of price increases for raw materials and aggressive pricing pressures in the agricultural irrigation market.

Selling, General, and Administrative Expense

Third quarter selling, general, and administrative expense (SG&A) was $101.9 million compared to $103.1 million last year, a decrease of 1.2 percent. As a percentage of net sales, SG&A decreased to 29.5 percent from 31.7 percent for the same quarter in fiscal 1999. The decrease was due to lower administrative costs mainly related to lower levels of information system spending and lower incentive compensation costs compared to higher levels of benefits accrued under the prior year's benefit plans. Somewhat offsetting those decreases was higher expense for warranty due to special warranty reserves for product modifications.

Year-to-date SG&A expense was $304.6 million compared to $292.3 million last year, an increase of 4.2 percent. However, as a percentage of net sales, SG&A decreased slightly to 28.5 percent from 29.0 percent last year. The acquisition of two distribution companies added $7.5 million of incremental SG&A expense. Without the addition of these two distribution companies, SG&A expense would have increased $4.8 million, but decreased 0.8 percent as a percentage of net sales. The dollar increase was due to higher levels of spending for marketing, warranty, engineering, service, Internet-based projects, and distribution changes, slightly offset by lower levels of incentive compensation costs and information systems spending.

Restructuring and Other Unusual Expense

Restructuring and other unusual expense was $0 in the third quarter of fiscal 2000 compared to $0.7 million in the third quarter of fiscal 1999.

Interest Expense

Third quarter interest expense was $7.7 million compared to $6.8 million last year, an increase of 12.7 percent. This increase was due to higher average short-term debt related to higher levels of working capital as well as higher interest rates on short-term debt used to finance operating activities compared to the same prior year period.

Year-to-date interest expense was $21.1 million compared to $18.5 million last year, an increase of 13.7 percent. This increase in interest expense for the year was due to the same contributing factors as in the quarter comparison. Management expects this trend to continue through fiscal 2000 because interest rates are likely to continue to rise and average short-term debt is planned to be higher than in fiscal 1999 due to anticipated higher average inventory levels resulting from manufacturing capacity constraints and property, plant, and equipment additions planned for fiscal 2000.

Other Income, Net

Third quarter other income, net, was $2.3 million compared to $1.7 million last year, an increase of $0.6 million. This favorable variance was due to higher amounts of exchange rate currency gains in the third quarter of fiscal 2000 as compared to the third quarter of fiscal 1999.

Year-to-date other income, net, was $0.7 million compared to $2.6 million last year, a decrease of $1.9 million. This unfavorable variance for the year was due to higher amounts of exchange rate currency losses for the year and a valuation charge related to an investment in a technology company, somewhat offset by increased levels of finance charge revenue.

In the fourth quarter of fiscal 2000, the company expects to recognize a gain from payment of an insurance claim related to the flood at a distribution facility that destroyed or damaged certain Sitework Systems(TM) and grounds maintenance equipment products in the third quarter of fiscal 2000.

Operating Earnings (Loss) by Segment

Operating earnings (loss) by segment is defined as earnings (loss) from operations plus other income (expense), net, for the residential and professional segments. The other segment operating loss includes earnings (loss) from operations, corporate activities, other income, net, and interest expense.

Professional Segment Operating Earnings

Operating earnings for the worldwide professional segment in the third quarter of fiscal 2000 were $36.4 million compared to $38.3 million in the third quarter of fiscal 1999, a decrease of 4.9 percent. As a percentage of net sales, professional segment operating margins decreased to 15.4 percent from 17.3 percent for the same quarter in fiscal 1999. Gross margin as a percent of sales fell 2.2 percent mainly due to increased costs for resin that have not been recaptured with price increases due to competitive implications for irrigation and agricultural irrigation products. The decline in operating profit was also due to increased levels of warranty expense related to special reserves for product modification and lower sales of golf irrigation systems.

Year-to-date operating earnings for the worldwide professional segment in fiscal 2000 were $96.7 million compared to $102.0 million last year, a decrease of 5.1 percent. As a percentage of net sales, professional segment operating margins decreased to 13.9 percent from 15.8 percent last year. The reasons for the decrease are the same as in the quarter comparison in addition to higher levels of exchange rate currency losses and a valuation charge for an investment in a technology company.

Residential Segment Operating Earnings (Loss)

Operating earnings for the worldwide residential segment in the third quarter of fiscal 2000 were $5.4 million compared to operating losses of $1.2 million in the third quarter of fiscal 1999, an improvement of $6.6 million. Gross margin rose 3.9 percent as a percentage of net sales due to increased sales of higher margin products, reduced costs for certain products, and the elimination of non-performing product lines. Also contributing to the increase in operating profits was a 2.9 percent decline in SG&A expense and restructuring and other unusual expense as a percentage of net sales. The Australian operations are showing signs of improvement related to profit improvement programs, which the company began implementing during the second half of fiscal 1999.

Year-to-date operating earnings for the worldwide residential segment in fiscal 2000 were $26.8 million compared to $15.2 million last year, an increase of 76.1 percent. As a percentage of net sales, residential segment operating margins increased to 7.7 percent from 4.3 percent last year. Gross margin as a percentage of net sales increased by 2.5 percent for the same reasons discussed in the above quarter comparison. SG&A expense and restructuring and other unusual expense as a percentage of net sales were lower by 0.7 percent compared to last year, which also contributed to the operating profit improvement.

Other Segment Operating Losses

Operating losses for the other segment in the third quarter of fiscal 2000 were $15.7 million compared to losses of $20.2 million in the third quarter of fiscal 1999, an improvement of 22.1 percent. This improvement resulted from the addition of profits from two additional company-owned distributors acquired during the second half of calendar 1999, lower spending for information systems', and lower incentive compensation costs. The prior year also included the elimination of gross profit previously recorded with respect to sales of Toro products to a Midwestern-based distributor, which was acquired in fiscal 1999. Slightly offsetting these positive factors were higher interest costs and increased spending for Internet-based projects.

Year-to-date operating losses for the other segment in fiscal 2000 were $53.2 million compared to losses of $59.4 million in fiscal 1999, an improvement of 10.5 percent. This improvement was due to the same contributing factors mentioned in the above quarter comparison. In addition, the company also eliminated the gross profit previously recorded with respect to sales of Toro products to a Minnesota-based distributor in the second quarter of fiscal 1999, which also contributed to this improvement.

Provision for Income Taxes

The effective tax rate for the first nine months of fiscal 2000 was 37.0 percent compared to 39.0 percent for the first nine months of fiscal 1999. The decrease was due to benefits from foreign tax strategies and tax minimization projects implemented in fiscal 1999.

Financial Position as of April 28, 2000

July 28, 2000 compared to July 30, 1999

Total assets on July 28, 2000 were $898.0 million compared to $838.2 million on July 30, 1999, an increase of $59.8 million. Net accounts receivable increased by $28.4 million. The increase in net accounts receivable was caused primarily by higher sales volumes. Inventory also increased $19.2 million. Finished goods inventory was higher due to prebuilding of inventory to counter anticipated capacity limitations at certain manufacturing facilities during the peak selling season. Service parts inventory also increased because of efforts to improve fill rates as compared to last year. In addition, the two newly acquired distribution companies added net incremental inventory. Net property, plant, and equipment assets increased $5.4 million due to higher amounts of capital additions in comparison to depreciation expense.

Total current liabilities on July 28, 2000 were $371.2 million compared to $351.3 million on July 30, 1999, an increase of $19.9 million. Short-term debt increased by $6.4 million as a result of higher receivables and inventory levels discussed above. Accounts payable increased by $4.4 million due to higher levels of inventory resulting from increased plant utilization. Other accrued liabilities also increased by $9.3 million due to higher levels of warranty, income tax, and marketing accruals.

July 28, 2000 compared to October 31, 1999

Total assets on July 28, 2000 were $898.0 million compared to $787.2 million on October 31, 1999, an increase of $110.8 million. Net accounts receivable increased $99.8 million from October 31, 1999 due to the normal seasonal increase in accounts receivable. Inventory increased by $9.0 million due to the normal seasonal buildup of inventory, plus prebuilding of inventory parts and certain products for the professional segment to attempt to overcome manufacturing capacity constraints. Also, the acquisition of a new distribution company in the first quarter of fiscal 2000 added more than half of the increase of net incremental inventory. Net property, plant, and equipment increased $4.0 million due to higher amounts of capital additions in comparison to depreciation expense. Goodwill and other assets increased $5.3 million mainly as a result of the final Exmark contingent payment in connection with the company's acquisition of Exmark in fiscal 1998.

Total current liabilities at July 28, 2000 were $371.2 million compared to $305.8 million at October 31, 1999, an increase of $65.4 million. This increase was the result of additional short-term debt of $65.3 million, reflecting the company's strategy of utilizing short-term debt to fund seasonal working capital needs. Accounts payable decreased by $22.0 million due to the timing of payments and other accrued liabilities, which increased $22.3 million primarily as a result of higher warranty accruals and accruals for various seasonal sales and marketing programs.

Liquidity and Capital Resources

Cash used in operating activities for the first nine months of fiscal 2000 was $13.6 million higher than the first nine months in fiscal 1999, primarily because of higher working capital as compared to the prior period, somewhat offset by higher net earnings. Cash used in investing activities decreased $1.5 million when compared to last year's investments in affiliates and the purchase price net of cash acquired for a Minnesota-based distributor in fiscal 1999, slightly offset by higher purchases of property, plant, and equipment. Cash provided by financing activities decreased by $1.3 million due to a reduced change in short-term debt during the first nine months of fiscal 2000 as compared to the first nine months of fiscal 1999. Purchases of Toro common stock were also down compared to last year. The cash used in operating and investing activities was partially funded with the cash on hand at October 31, 1999.

The company's U.S. seasonal working capital requirements are funded with $267.0 million of committed unsecured bank credit lines. In addition, the company's non-U.S. operations maintain unsecured short-term lines of credit of approximately $19.0 million, and one European subsidiary has an uncommitted credit line of approximately $3.0 million. The company also has banker's acceptance agreements under which an additional $40.0 million of credit lines are available. The company's business is seasonal, with peak borrowing under the working capital lines described above generally occurring between February and May each year.

Management believes that the combination of funds available through its existing financing arrangements, coupled with forecasted cash flows, will provide the necessary capital resources for the company's anticipated working capital, acquisitions, stock repurchases, and property, plant and equipment additions.

Inflation

The company is subject to the effects of changing prices. In fiscal 2000, the company began experiencing some signs of inflationary pressures for purchases of general commodities. The company is attempting to deal with these inflationary pressures by actively pursuing internal cost reduction efforts.

Euro Currency

Beginning in January 1999, the European Monetary Union (EMU) entered into a three-year transition phase during which a common currency called the euro is being introduced in participating countries. This new currency is being used for financial transactions and it will progressively replace the old national currencies, which will be withdrawn by July 2002. The transition to the euro currency will involve changing budgetary, accounting, contractual, and fiscal systems in companies and public administrations, as well as simultaneous handling of parallel currencies and conversion of legacy data. Uncertainty exists as to the effects the conversion to the euro currency will have on the marketplace. One anticipated effect will be more transparent price differences on goods in European countries.

One of the issues for the company is the competitive impact of the euro on Toro distributor sales and Toro direct sales, combined with financial support given to distributors in the countries in the European Union (EU). Current concerns include currency swings and instability in the rate of exchange between the euro and the US dollar. The company is also researching how other companies are planning to incorporate euros into their international business operations. Beginning in December 1999, Toro implemented euro-hedging plans that consolidate the net cash flow from its European subsidiaries.

The company continued its program to evaluate whether its computer systems and programs will experience operational problems when the euro is fully implemented. These subsidiaries began disclosing the euro value on each customer's invoice in January 1999, and have continued that practice in fiscal 2000. The company is also in the planning process of converting to a new operating business system for its European subsidiaries, and therefore, the plan to begin parallel reporting with the current functional currency of the European subsidiaries and euros in fiscal 2000 has been extended to late fiscal 2001. Beginning in fiscal 2002, these European subsidiaries will be fully transitioned from their old national currencies to the euro currency.

Based on evaluation to date, management currently believes that while the company will incur internal and external costs to adjust to the euro, such costs are not expected to have a significant impact on operations, cash flows, or the financial condition of the company and its subsidiaries taken as a whole in future periods.

Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency

The following forward exchange contracts held by the company have maturity dates in fiscal year 2000 and 2001. All items are non-trading and stated in U.S. dollars. The average contracted rate, notional amount, and fair value impact at July 28, 2000 were as follows:

DOLLARS IN THOUSANDS	AVERAGE CONTRACTED RATE	NOTIONAL AMOUNT	FAIR VALUE IMPACT GAIN (LOSS)
Buy US dollar/Sell Australian dollar	.6073	$ 12,783.1	$ 159.5
Buy US dollar/Sell British pound	1.5550	1,172.5	28.2
Buy US dollar/Sell Canadian dollar	1.4628	11,485.7	(68.5)
Buy Australian dollar/Sell US dollar	.5932	1,852.5	(11.6)
Buy Euro/Sell US dollar	.9421	4,145.1	5.2
Buy Mexican Peso/Sell US dollar	9.9389	1,207.4	(12.2)
Buy Japanese yen/Sell US dollar	103.5300	2,994.3	(91.4)

Interest Rate Risk

The company is exposed to interest rate risk arising from transactions that are entered into during the normal course of business. The company's short-term debt rates are dependent upon the LIBOR rate plus an additional percentage based on the company's current borrowing level. See the company's most recent annual report filed on Form 10-K (Item 7A). There has been no material change in this information.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3(i)(a) and 4(a)	Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 4.2 to Registrant's Registration Statement on Form S-3, Registration No. 33-16125).
3(i)(b) and 4(b)	Certificate of Amendment to Certificate of Incorporation of Registrant dated December 9, 1986 (incorporated by reference to Exhibit 3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 30, 1987, Commission File No. 1-8649).
3(i)(c) and 4(c)	Certificate of Designation to Certificate of Incorporation of Registrant dated May 28, 1998 (incorporated by reference to Exhibit (1)(A) to Registrant's Current Report on Form 8-K dated May 27, 1998).
3(ii) and 4(d)	Bylaws of Registrant (incorporated by reference to Exhibit 3(ii) and 4(d) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1999).
4(e)	Specimen form of Common Stock certificate (incorporated by reference to Exhibit 4(c) to Registrant's Registration Statement on Form S-8, Registration No. 2-94417).
4(f)	Rights Agreement dated as of May 20, 1998, between Registrant and Norwest Bank Minnesota, National Association relating to rights to purchase Series B Junior Participating Voting Preferred Stock, as amended (incorporated by reference to Registrant's Current Report on Form 8-K dated May 27, 1998, Commission File No. 1-8649).
4(g)	Indenture dated as of January 31, 1997, between Registrant and First National Trust Association, as Trustee, relating to the Registrant's 7.125% Notes due June 15, 2007 and its 7.80% Debentures due June 15, 2027 (incorporated by reference to Exhibit 4(a) to Registrant's Current Report on Form 8-K for June 24, 1997, Commission File No. 1-8649).
10(a)	Form of Employment Agreement in effect for executive officers of Registrant (incorporated by reference to Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
10(b)	The Toro Company Directors Stock Plan (incorporated by reference to Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 28, 2000).*
10(c)	The Toro Company Annual Management Incentive Plan II for officers of Registrant (incorporated by reference to Exhibit 10(c) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 28, 2000).*
10(d)	The Toro Company 1989 Stock Option Plan (incorporated by reference to Exhibit 10(e) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
10(e)	The Toro Company 1993 Stock Option Plan (incorporated by reference to Exhibit 10(f) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
10(f)	The Toro Company 2000 Stock Option Plan (incorporated by reference to Exhibit 10(g) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 28, 2000).*
10(g)	The Toro Company Performance Share Plan (incorporated by reference to Exhibit 10(h) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 28, 2000).*

10(h)	The Toro Company Supplemental Management Retirement Plan (incorporated by reference to Exhibit 10(h) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
10(i)	The Toro Company Supplemental Retirement Plan (incorporated by reference to Exhibit 10(i) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
10(j)	Chief Executive Officer Incentive Award Agreement (incorporated by reference to Exhibit 10(k) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 28, 2000).*
10(k)	The Toro Company Deferred Compensation Plan for Officers, as amended.*
10(l)	The Toro Company Deferred Compensation Plan for Non-Employee Directors, as amended.*

*Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Quarterly Report on Form 10-Q pursuant to Item 14(c).

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE TORO COMPANY
(Registrant)

By /s/ Stephen P. Wolfe

Stephen P. Wolfe
Vice President, Finance
Chief Financial Officer
(principal financial officer)

Date: September 11, 2000

THE TORO COMPANY

DEFERRED COMPENSATION PLAN
FOR OFFICERS

DECEMBER 2, 1999 RESTATEMENT

CONTENTS

THE TORO COMPANY
DEFERRED COMPENSATION PLAN
FOR OFFICERS

DECEMBER 2, 1999 RESTATEMENT

The Toro Company hereby amends and restates its Deferred Compensation Plan for Officers, originally effective as of January 21, 1998. The purpose of the Plan is to provide the opportunity for selected officers of the Company to defer receipt of compensation that may be payable under The Toro Company Annual Management Incentive Plan II and The Toro Company Performance Share Plan, and to acquire and retain Common Stock in the form of Common Stock Units.

I. DEFINITIONS

When used in the Plan, the following terms have the meanings indicated unless a different meaning is plainly required by the context:

"Account" means a book entry account established and maintained in the Company's records in the name of a Participant pursuant to Articles II and III of the Plan, and includes Retained Units Accounts, Matching Units Accounts and Performance Share Units Accounts.

"AMIP II" means The Toro Company Annual Management Incentive Plan II, as amended from time to time, and any successor plan designated as such by the Board of Directors.

"Annual Performance Award" means an award granted under AMIP II pursuant to which annual incentive compensation based on achievement of annual performance goals may be paid.

"Award Term" means the period established by the Compensation Committee for awards granted under the Performance Share Plan.

"Base Cash Award" means the actual amount of an award payment that may be paid under an Annual Performance Award, as calculated in accordance with AMIP II.

"Board of Directors" means the Board of Directors of the Company.

"Change of Control" means:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 15% or more of either (A) the then-outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding

Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of subsection (iii) of this definition; or

(ii) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation of the Company or sale or other disposition of all or substantially all of the assets of the Company or the acquisition by the Company of assets or stock of another entity (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 15% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination;

or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" means the Common Stock, par value $1.00 per share, and the related Preferred Share Purchase Rights, of the Company as such shares may be adjusted in accordance with Section 3.1(c).

"Company" means The Toro Company, a Delaware corporation.

"Compensation Committee" means the Compensation Committee of the Board of Directors, or any successor committee.

"Deferral Election" shall mean a Participant's election under Section 2.3 hereof, made in the form prescribed by the Company.

"Disability" means a Participant is permanently disabled and unable to work and entitled to a disability benefit under a long-term disability program sponsored or maintained by the Company. "Disability" does not include short-term disability under any program sponsored or maintained by the Company that provides short-term disability benefits.

"Effective Date" means January 21, 1998, the date the Plan was originally adopted, or the date the Plan is amended, by the Board of Directors.

"Eligible Officer" means an officer of the Company or a Subsidiary, described in Section 2.1.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Fair Market Value" means the closing price of one share of Common Stock as reported in The Wall Street Journal, except that where a different meaning is established in AMIP II or the Performance Share Plan for any particular purpose, that meaning shall govern for that purpose.

"Fiscal Year" means the fiscal year of the Company, which begins on November 1 and ends on the following October 31.

"Matching Units Account" means an Account with entries denominated in Units (including fractions) that are credited in accordance with Section 3.3.

"Participant" means an Eligible Officer who delivers a Deferral Election in accordance with Sections 2.2 and 2.3 of the Plan and for whom Units are actually credited to an Account. An individual shall not cease to be a Participant if the person ceases to be an Eligible Officer, so long as Units remain credited to such Participant's Accounts. Neither a Beneficiary, a spouse or former spouse nor an executor or personal administrator of a Participant's estate shall be treated as a Participant even if such spouse or the Participant's estate has an interest in the Participant's benefits under the Plan.

"Performance Shares" are rights to receive shares of Common Stock or Common Stock Units, awarded under the Performance Share Plan.

"Performance Share Units Account" means an Account with entries denominated in Units that are credited in accordance with Section 3.4.

"Performance Share Award" means the award that sets forth the number of Performance Shares granted under the Performance Share Plan.

"Performance Share Plan" means The Toro Company Performance Share Plan, as amended from time to time, and any successor plan designated as such by the Board of Directors.

"Plan" means this Deferred Compensation Plan for Officers, as amended from time to time.

"Retained Units Account" means an Account with entries denominated in Units (including fractions) that are credited in accordance with Section 3.2 of the Plan.

"Stock Retention Award" means a right granted under AMIP II to elect (i) to convert to shares of Common Stock or (ii) to defer under the Plan, into Units, up to 50% of a Base Cash Award and to receive additional incentive compensation in the form of one additional Unit for every two Units acquired upon conversion.

"Subsidiary" means any corporation which is a component member of the controlled group of companies of which the Company is the common parent. Controlled group shall be determined with reference to Section 1563 of the Code but including any corporation described in Section 1563(b)(2) thereof.

"Trust" means a trust which shall be established or maintained by the Company that may be used in connection with this Plan to assist the Company in meetings its obligations under the Plan. The Plan shall constitute an unfunded arrangement and the Trust shall not affect the status of the Plan as an unfunded plan. Participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of any such Trust.

"Trustee" means the corporation or person or persons selected by the Company to serve as Trustee for the Trust.

A "Unit" has a value equal to one share of Common Stock, subject to adjustment by the Compensation Committee as contemplated by Section 3.1(c) of the Plan.

II. ELIGIBILITY, PARTICIPATION, DEFERRAL

2.1 ELIGIBILITY

An officer of the Company or a Subsidiary who is granted a Stock Retention Award under AMIP II or a Performance Share Award under the Performance Share Plan is eligible to participate in the Plan.

2.2. PARTICIPATION

An Eligible Officer may become a Participant in the Plan by executing and delivering to the Director of Compensation and Benefits, or successor position, of the Company a Deferral Election in the form prescribed by the Company.

2.3 DEFERRAL ELECTION

(a) Deadline for Delivery. An Eligible Officer may elect to defer Base Cash Award compensation that may be earned under AMIP II or Performance Shares that may be delivered in settlement of a Performance Share Award, or both, by completing and submitting a Deferral Election to the Director of Compensation and Benefits, or successor position, not later than the December 31 immediately following the grant to such individual of a Stock Retention Award or Performance Share Award.

(i) Notwithstanding the foregoing, the deadline for delivering a Deferral Election in the year in which the Plan is implemented or amended and for newly Eligible Officers shall be as follows:

(A) In the year in which the Plan is first implemented or amended to permit deferral of compensation not previously subject to deferral, an Eligible Officer may submit a Deferral Election not later than 30 days after the Effective Date of the Plan or such amendment, but at least six months prior to the date on which an award either vests or becomes payable.

(B) In the year in which an individual first becomes an Eligible Officer, if at a time other than that date the Compensation Committee typically makes awards to other officers, the Eligible Officer may submit a Deferral Election not later than 30 days after the date the individual becomes an Eligible Officer, but at least six months prior to the date on which an award either vests or becomes payable.

(b) Amount to be Deferred. The Deferral Election shall relate to compensation that may be earned with respect to the Fiscal Year to which a Stock Retention Award relates or the Award Term to which a Performance Share Award relates. A Deferral Election may designate up to 50% of a Base Cash Award and up to 100% of Performance Shares in a Performance Share Award to be deferred.

(c) Effectiveness. The Deferral Election is irrevocable, shall be effective upon delivery and shall remain in effect only with respect to the Fiscal Year or Award Term for which it is made.

(d) Record of Participants. The name of each Participant and the date on which participation commences shall be recorded, and the record shall be maintained by the Secretary or Assistant Secretary of the Company, or their designee.

III. PARTICIPANTS' ACCOUNTS

3.1 GENERAL

(a) Certification Required. No Units or other amount shall be credited to any Account with respect to any Stock Retention Award or Performance Share Award until the Compensation Committee has certified in writing as required by AMIP II or the Performance Share Plan that the performance goals established with respect to such award have been achieved and, in the case of a Performance Share Award, Performance Shares in such award have vested.

(b) Separate Accounts. The value of each of a Participant's Retained Units Account, Matching Units Account and Performance Share Units Account shall be accounted for separately.

(c) Account Value. Subject to the provisions of this Section 3.1(c), the value of Units in any Account shall fluctuate with the Fair Market Value of the Common Stock. In the event of a corporate transaction involving the Company (including, without limitation, any merger, consolidation, recapitalization, reorganization, split off, spin off, reclassification, combination, stock dividend, stock split, reverse stock split, repurchase, exchange, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or change in the corporate structure of the Company affecting the Common Stock, or a sale by the Company of all or part of its assets or any distribution to stockholders other than a normal cash dividend), the Committee shall adjust Accounts to preserve their benefits or potential benefits. Action by the Committee may include all or any of (i) appropriate adjustments in the number of Units then credited to an Account; (ii) conversion of Units to other new or different securities into which the Common Stock may be converted; (iii) cash payments, or (iv) any other adjustment the Committee determines to be equitable and consistent with the purposes of this Plan. In the event that Common Stock is converted into cash in connection with a corporate transaction described in this subsection, the value of the Units in any Account shall be converted to a dollar amount, by multiplying the number of Units in each Account by the Fair Market Value of a share of Common Stock on the date of the corporate transaction, and such amounts shall be credited with interest at a rate and in a manner determined by the Company to be consistent with the average prime rate of interest charged by U.S. Bank, National Association to its individual borrowers. If the Trust is funded in the event of a Change of Control, the Trustee shall have authority to change the method of determining the interest crediting rate.

(d) Dividends. In the event that the Company pays dividends on its Common Stock, each of the Retained Units Account, Matching Units Account and Performance Share Units Account shall be credited with additional Units (including fractions). The number of additional Units to be credited shall be determined by dividing the aggregate dollar value of the dividends that would be paid on the Units, if such Units were Common Stock, by the Fair Market Value of one share of the Common Stock on the dividend payment date.

(e) Continuation of Accounts. Notwithstanding that a Participant ceases to be an Eligible Officer, any Accounts established for such Participant shall continue to be maintained until distribution of the assets in accordance with the Plan and the Participant's Deferral Election.

3.2 NUMBER OF UNITS TO BE CREDITED

(a) Retained Units Account. The dollar amount of the portion of a Base Cash Award subject to a Deferral Election with respect to any Stock Retention Award shall be divided by the Fair Market Value of the Common Stock and the resulting number of Units (including fractions) shall be credited to a Participant's Retained Units Account.

For purposes of Sections 3.2(a) and (b), Fair Market Value shall be determined as of the date that the Compensation Committee makes the certification required under Section 3.1(a) of this Plan.

(b) Matching Units Account. One-half of the dollar amount of the portion of the Base Cash Award subject to the Deferral Election with respect to any Stock Retention Award shall be divided by the Fair Market Value of the Common Stock and the resulting number of Units (including fractions) shall be credited to a Participant's Matching Units Account.

(c) Performance Share Units Account. The number of Performance Share Units to be credited to a Participant's Performance Share Account with respect to a Performance Share Award shall be the portion of the total number of Performance Shares in the award that has vested and is subject to the Deferral Election.

IV. VESTING

4.1 RETAINED UNITS ACCOUNT AND PERFORMANCE SHARE UNITS ACCOUNT

Retained Units (including fractions) and Performance Share Units credited to a Participant's Accounts shall be 100% vested at all times.

4.2 MATCHING UNITS ACCOUNT

(a) General Requirement. Matching Units shall vest only if Retained Units related to the Units credited as Matching Units remain credited to a Participant's Retained Units Account through the requisite vesting periods and all other requirements of AMIP II have been met by the Participant, except as otherwise provided in AMIP II. Forfeited Units shall not be reallocated or credited to the Accounts of remaining Participants.

(b) Vesting Schedule. Matching Units (including fractions) credited to a Participant's Matching Units Account with respect to a Stock Retention Award shall vest in accordance with the following schedule:

Date	Percentage of Units to Vest
- - At the end of the second year after the date Units are first credited to a Matching Units Account	First 25%
- - At the end of the third year after the date Units are first credited to a Matching Units Account	Second 25%
- - At the end of the fourth year after the date Units are first credited to a Matching Units Account	Third 25%
- - At the end of the fifth year after the date Units are first credited to a Matching Units Account	Final 25%

(c) Death or Disability. Notwithstanding any provision herein or in AMIP II to the contrary, in the event of a Participant's death or Disability, vesting shall accelerate and all Matching Units shall vest in full.

(d) Retirement. Notwithstanding any provision herein or in AMIP II to the contrary, in the event of a Participant's retirement from the Company at or after age 65, vesting shall accelerate and all Matching Units shall vest in full. Notwithstanding the foregoing, if within one year after such retirement the Participant is employed or retained by a company that competes with the business of the Company, or such individual violates any confidentiality agreement with the Company, the Company may require the Participant to return the economic value of the Matching Units which vested early under this Section 4.2(d).

(e) Early Retirement. Notwithstanding any provision herein or in AMIP II to the contrary, but subject to the distribution election permitted under Section 5.4(c), in the event of a Participant's retirement from the Company at or after age 55 but before age 65, the Participant's Retained Units shall remain credited to the Retained Units Account until the earlier of the date the Participant reaches age 65 or until applicable vesting requirements have been fulfilled, and Matching Units shall continue to vest in accordance with the vesting schedule of Section 4.2(b), or until vesting is accelerated by Participant's attaining age 65, whichever occurs earlier. Notwithstanding the foregoing, if within one year after such early retirement the Participant is employed or retained by a company that competes with the business of Company, or violates any confidentiality agreement with the Company, the Company may require the Participant to return the economic value of the Matching Units which vested after the date of early retirement under this Section 4.2(e).

(f) Voluntary Resignation. In the event that a Participant resigns from the Company voluntarily, Matching Units held in such Participant's Account that have not yet vested shall not vest and shall be forfeited, unless otherwise determined by the Chair of the Compensation Committee, in his or her discretion, upon recommendation by the Chief Executive Officer of the Company.

(g) Change of Control. All Matching Units that have not yet vested shall vest upon a Change of Control.

4.3 NO INTEREST IN ASSETS

The Company may set aside or earmark funds or other assets to meet its obligations under the Plan, but title to and ownership of such funds and assets shall remain in the Company. No Participant nor any beneficiary shall have any ownership rights or any property interest in any of such funds or other assets, or in any other assets of the Company, until they are distributed in accordance with the Plan.

V. DISTRIBUTIONS

5.1 DISTRIBUTABLE EVENTS

Benefits shall be payable under the Plan to or on behalf of a Participant, in accordance with the elections made by the Participant under the Plan, upon the earliest to occur of the following events:

(a) death;

(b) Disability; or

(c) termination of employment.

5.2 DISTRIBUTION OF BENEFITS

(a) Value of Benefits. In the event a Participant becomes eligible to receive a payment under the Plan, the Participant shall be entitled to receive the value of the Retained Units Account, the value of the vested portion of the Matching Units Account and the value of the Performance Share Units Account.

(b) Election of Method of Payment. Benefits payable to a Participant or, in the event of the Participant's death, to the Participant's designated beneficiary under the Plan shall be paid in accordance with one of the available methods of payment referred to in Section 5.2(d) in accordance with the Participant's most recent valid Deferral Election form.

(c) Change in Election of Method of Payment. An election of a method of payment will apply to all benefits payable to or on behalf of a participant under the Plan, including amounts deferred in prior years and subject to a prior election. A Participant may change the method of payment by electing another method available under the Plan at any time up to two years before the date of the Participant's retirement from the Company. In no event will any such change in the method of payment be effective if such change is elected during the calendar year in which the distributable event occurs and no further elections may be made once a distributable event occurs.

(d) Available Methods of Payment. Available methods of payment are (i) approximately equal annual installment payments over a period certain (not to exceed ten), unless a longer period is approved by the Compensation Committee) or (ii) a single distribution.

(e) Compensation Committee Discretion. The Compensation Committee may, in its sole discretion, reduce the period over which distributions would have been made pursuant to the method of payment selected by a Participant.

(f) Absence of Election of Method of Payment. Absent a Deferral Election specifying a method of payment, benefits payable under the Plan to or on behalf of a Participant shall be paid in a single distribution to the Participant, or in the event of the Participant's death, to the Participant's designated beneficiary under the Plan.

5.3 OTHER DISTRIBUTIONS

(a) Early Distributions. Notwithstanding Section 5.1, a Participant may irrevocably elect to receive a distribution of a portion or all of the Participant's Performance Share Units Account, Retained Units Account and the vested portion of the Matching Units Account prior to Participant's death, Disability or termination of employment provided that the Participant will have attained age 55 at the date such distribution will begin, and provided further that only benefits credited to an Account for at least two years may be paid. The election shall be made on a Deferral Election form not later than two years prior to the year in which the early distribution is to begin. The election is subject to the consent of the Compensation Committee.

(b) Tax-Related Distributions. Notwithstanding any provision in this Plan to the contrary, if at any time a court or the Internal Revenue Service determines that the value of any Units credited to a Participant's Accounts under the Plan or Trust is includable in the gross income of the Participant and subject to tax, the Compensation Committee shall make a lump sum distribution to the Participant of an amount equal to the amount determined to be includable in the Participant's gross income, and the value of the Participant's Accounts shall be reduced by a like amount.

5.4 COMMENCEMENT OF DISTRIBUTIONS

Payment of a benefit shall begin in accordance with the provisions of this Section 5.4.

(a) Death or Disability. If a benefit is payable because of a Participant's death or Disability, payment shall begin on the 15th day of the first month immediately following the month in which the Participant's death occurs or the determination of Disability is made.

(b) Other Termination. If a benefit is payable because of a Participant's termination of employment with the Company for any reason other than death or Disability or pursuant to an early retirement election approved by the Compensation Committee, payment shall begin on or about the 15th day of January immediately following the calendar year in which the termination of employment occurs.

(c) Early Retirement. If a Participant retires at or after age 55, but prior to age 65, Matching Units that have not yet vested and related Retained Units will remain on deposit until the Matching Units vest, unless the Participant has properly made an irrevocable election (an "early retirement election") to receive a distribution of all of the Participant's Retained Units Account upon early retirement and to forfeit Matching Units that have not vested. An early retirement election must be made at the time the original Deferral Election is made and must be consented to by the Compensation Committee. If a Participant has properly made an early retirement election to which the

Compensation Committee has consented, and if the Participant retires from the Company at or after the Participant attains age 55, but prior to age 65, at a time when Units in the Participant's Matching Units Account are not yet fully vested under Section 4.2(b) of the Plan, the Participant shall forfeit Units that have not vested at the date of such early retirement and distributions shall begin on or about the 15th day of January immediately following the calendar year in which the Participant's early retirement occurs. If a Participant has not made such an early retirement election, distribution of a Participant's Retained Units and Matching Units will begin on or about the 15th day of January immediately following the calendar year in which (i) the applicable vesting requirements are fulfilled or (ii) the Participant attains age 65, whichever is earlier. This provision shall have no effect on distribution of any Account other than a Matching Units Account that has not vested and a related Retained Units Account.

(d) Early Distribution. If a Participant has properly made an early distribution election to which the Compensation Committee has consented and the Participant has attained age 55, payment shall begin on or about the 15th day of January immediately following the calendar year in which the Participant attains the age set forth in Participant's Deferral Election, provided the age is not less than 55.

5.5 FORM OF PAYMENT

If a benefit is payable to or on behalf of a Participant under the Plan, vested Units in the Participant's Accounts shall be distributed in the form of an equal number of shares of Common Stock and any vested fractional Unit shall be converted into cash based on the Fair Market Value of the Common Stock immediately prior to distribution. Common Stock may be original issue shares, treasury shares or shares purchased in the market or from private sources of a combination thereof.

VI. THE TRUST

6.1 THE TRUST

In order to provide assets from which to pay the benefit obligations to the Participants and their beneficiaries under the Plan, the Company shall maintain a Trust by a trust agreement with a third party, the Trustee, to which it may, in its discretion, contribute cash or other property, including securities issued by the Company, to provide for the benefit payments under the Plan. In the event of a Change of Control, the Company shall, as soon as possible, but in no event longer than 30 days following the Change of Control, make irrevocable contributions to the Trust in amounts that are sufficient to pay the Participants or beneficiaries the benefits to which the Participants or their beneficiaries would be entitled pursuant to the terms of the Plan as of the date on which the Change of Control occurred, including benefits that vest under the Plan as a result of the Change of Control. The Trustee will have the duty to invest the Trust assets and funds in accordance with the terms of the Trust. The Company is entitled at any time or times prior to a Change of Control, in its sole discretion, to substitute assets of equal fair market value for any assets held in the Trust. All rights associated with the assets of the Trust will be exercised by the Trustee or the person designated by the Trustee, and will in no event be exercisable by or rest with Participants or their beneficiaries. The Trust shall provide that in the event of the insolvency of the Company, the Trustee shall hold the assets for the benefit of the general creditors of the Company.

6.2 ENFORCEMENT OF FUNDING

If following a Change of Control, irrevocable contributions to the Trust have not been made as required in Section 6.1 hereof, any Participant or beneficiary shall have the right to seek specific performance from the Company of its obligation to make such contributions. The Company consents to the jurisdiction of the district courts of the State of Minnesota to determine any action for such specific performance.

VII. NONTRANSFERABILITY

7.1 ANTI-ALIENATION OF BENEFITS

Units credited to a Participant's Accounts, and any rights or privileges pertaining thereto, may not be anticipated, alienated, sold, transferred, assigned, pledged, encumbered, or subjected to any charge or legal process; and no interest or right to receive a benefit may be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

7.2 INCOMPETENT PARTICIPANTS

If any person who may be eligible to receive a benefit under the Plan has been declared incompetent and a conservator or other person legally charged with the care of such person or of his or her estate has been appointed, any benefit payable under the Plan which the person is eligible to receive shall be paid to such conservator or other person legally charged with the care of the person or his or her estate. Except as provided above, when the Compensation Committee has determined that such a person is unable to manage his or her affairs, the Compensation Committee may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company and the Plan therefor.

7.3 DESIGNATED BENEFICIARY

In the event of a Participant's death prior to the payment of all or a portion of any benefits which may be payable with respect to the Participant under the Plan, the payment of any benefits payable on behalf of the Participant under the Plan shall be made to the Participant's beneficiary designated on the Deferral Election form provided to the Participant by the Company. If no such beneficiary has been designated, payment shall be made as required under the Participant's will; or, in the event that there shall be no will under applicable state law, then to the persons who, at the date of the Participant's death, would be entitled to share in the distribution of such deceased Participant's personal estate under the provisions of the applicable statute then in force governing the decedent's intestate property.

VIII. WITHHOLDING

Any amounts payable pursuant to the Plan may be reduced by the amount of any federal, state or local taxes required by law to be withheld with respect to such payments, and by any amount owed by the Participant to the Company.

IX. VOTING OF STOCK

Participants shall not be entitled to voting rights with respect to Units held in their Accounts.

X. ADMINISTRATION OF THE PLAN

10.1 ADMINISTRATOR

The Company shall be the administrator of the Plan. The Compensation Committee shall act on behalf of the Company with respect to the administration of the Plan and may delegate authority with respect to the administration of the Plan to a committee, person or persons as it deems necessary or appropriate for the administration and operation of the Plan. It is the Company's intention that with respect to Participants subject to Section 16 of the Securities Exchange Act of 1934, transactions under the Plan will comply with all applicable requirements of Rule 16b-3 or its successors and with any Company policy with respect to insider trading. To the extent any action by the administrator fails to so comply, it shall be deemed null and void to the extent permitted by law and deemed advisable by the Compensation Committee.

10.2 AUTHORITY OF ADMINISTRATOR

The Company shall have the authority, duty and power to interpret and construe the provisions of the Plan as it deems appropriate; to adopt, establish and revise rules, procedures and regulations relating to the Plan; to determine the conditions subject to which any benefits may be payable; to resolve all questions concerning the status and rights of Participants and others under the Plan, including, but not limited to, eligibility for benefits, and to make any other determinations necessary or advisable for the administration of the Plan. The Company shall have the duty and responsibility of maintaining records, mailing the requisite calculations and disbursing payments hereunder. The determinations, interpretations, regulations and calculations of the Company shall be final and binding on all persons and parties concerned. The Secretary of the Company shall be the agent of the Plan for the service of legal process in accordance with Section 502 of ERISA.

10.3 OPERATION OF PLAN

The Company shall be responsible for the general operation and administration of the Plan and for carrying out the provisions thereof. The Company shall be responsible for the expenses incurred in the administration of the Plan. The Company shall also be responsible for determining eligibility for payments and the amounts payable pursuant to the Plan. The Company shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Company with respect to the Plan.

10.4 CLAIMS PROCEDURES

The Company intends to make payments under the Plan without requiring that a Participant submit a claim form. However, a Participant who believes a payment is due under the Plan may submit a claim for payments. For claims procedures purposes, the "Claims Manager" shall be the Company.

(a) Claim. A claim for payments under the Plan must be made by the Participant or his or her beneficiary (the "claimant" in this Section and Section 10.5) in writing filed with the Claims Manager and must state the claimant's name and the nature of benefits payable. If a claim for payments under the Plan is denied by the Company, the Claims Manager shall deliver to the claimant a written explanation setting forth the reasons for the denial, references to the pertinent provisions of the Plan on which the denial is based, a description of any information necessary for the claimant to perfect the claim and an explanation of why such information is necessary, and information on the procedures to be followed by the claimant in obtaining a review of his or her claim, all written in a manner calculated to be understood by the claimant. For this purpose:

(i) The claimant's claim shall be deemed to be filed when actually received by the Claims Manager.

(ii) The Claims Manager's denial of a claim, if there is one, shall be delivered to the claimant not later than 90 days after the date the claimant's claim is filed.

(b) Claim Denial Procedures. The claimant shall have 60 days following receipt of the denial of a claim to file with the Claims Manager a written request for review of the denial.

(c) Claims Manager Decision. The Claims Manager shall review the denial and furnish the claimant with a response not later than 60 days after receipt of the claimant's request for review of the denial. The decision on review shall be in writing and shall include reasons for the decision, written in a manner calculated to be understood by the claimant, as well as references to the pertinent provisions in the Plan on which the decision is based. If a copy of the decision is not so furnished to the claimant within such 60 days, the claim shall be deemed denied on review. In no event may a claimant commence an arbitration of a claim until the claimant has exhausted all of the remedies and procedures afforded by this Section 10.4.

10.5 ARBITRATION

(a) In the event that a claimant has exhausted all of the remedies afforded by the claims procedures of Section 10.4, and a claim or controversy relating to the Plan remains, the claim or controversy shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA"), as modified by this Section.

(b) An award rendered in connection with an arbitration pursuant to this Section 10.5 shall be final and binding and judgment upon such an award may be entered and enforced in any court of competent jurisdiction.

(c) The forum for arbitration under this Plan shall be Minneapolis, Minnesota and the governing law for such arbitration shall be laws of the State of Delaware.

(d) Arbitration under this section shall be conducted by a single arbitrator selected jointly by the Company and the claimant.

If within 30 days after a demand for arbitration is made, the Company and the claimant are unable to agree on a single arbitrator, three arbitrators shall be appointed.

Each party shall select one arbitrator and those two arbitrators shall then select a third neutral arbitrator within 30 days after their appointments. In connection with the selection of the third arbitrator, consideration shall be given to familiarity with executive compensation plans and experience in dispute resolution between parties, as a judge or otherwise. If the arbitrators selected by the parties cannot agree on the third arbitrator, they shall discuss the qualifications of such third arbitrator with the AAA, prior to selection of such arbitrator, which selection shall be in accordance with the Commercial Arbitration Rules of the AAA.

(e) If an arbitrator cannot continue to serve, a successor to an arbitrator selected by a party shall be also selected by the same party, and a successor to a neutral arbitrator shall be selected as specified in subsection (d) of this section. A full rehearing will be held only if the neutral arbitrator is unable to continue to serve or if the remaining arbitrators unanimously agree that such a rehearing is appropriate.

(f) The arbitrator or arbitrators shall be guided, but not bound, by the Federal Rules of Evidence and by the procedural rules, including discovery provisions, of the Federal Rules of Civil Procedure. Any discovery shall be limited to information directly relevant to the controversy or claim in arbitration.

(g) The parties shall each be responsible for their own costs and expenses, except for the fees and expenses of the arbitrators, which shall be shared equally by the Company and the claimant.

10.6 PARTICIPANT'S ADDRESS

Each Participant shall keep the Company informed of his or her current address and the current address of his or her beneficiary. The Company shall not be obligated to search for any person. If the location of a Participant is not made known to the Company within three years after the date on which payment of the Participant's benefits payable under the Plan may be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Participant, the Company is unable to locate any designated beneficiary of the Participant (including the Participant's estate), then the Company shall have no further obligation to pay any benefit hereunder to or on behalf of such Participant or designated beneficiary and such benefits shall be irrevocably forfeited.

10.7 LIABILITY

Notwithstanding any of the provisions of the Plan to the contrary, neither the Company nor any individual acting as an employee or agent of the Company shall be liable to any Participant or any other person for any claim, loss, liability or expense incurred in connection with the Plan, unless attributable to fraud or willful misconduct on the part of the Company or any such employee or agent of the Company.

XI. MISCELLANEOUS PROVISIONS

11.1 NO EMPLOYMENT RIGHTS

Neither the Plan nor any action taken hereunder shall be construed as giving any employee a right to be employed by the Company.

11.2 UNFUNDED AND UNSECURED

The Plan shall at all times be considered entirely unfunded both for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. Funds invested hereunder shall continue for all purposes to be part of the general assets of the Company and available to the general creditors of the Company in the event of a bankruptcy (involvement in a pending proceeding under the Federal Bankruptcy Code) or insolvency (inability to pay debts as they mature). In the event of such a bankruptcy or insolvency, the Company shall notify the Trustee of the Trust and each Participant in writing of such an occurrence within three business days after the Company obtains knowledge of such occurrence. No Participant or any other person shall have any interest in any particular assets of the Company by reason of the right to receive a benefit under the Plan and to the extent a

Participant or any other person acquires a right to receive benefits under the Plan, such right shall be no greater than the right of any general unsecured creditor of the Company. The Plan constitutes a mere promise by the Company to make payments to the Participants in the future. Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that any funds in any trust or the assets of the Company will be sufficient to pay any benefit hereunder. Furthermore, no Participant shall have any right to a benefit under the Plan except in accordance with the terms of the Plan.

11.3 SINGULAR AND PLURAL

Except when otherwise required by the context, any singular terminology shall include the plural.

11.4 SEVERABILITY

If a provision of the Plan shall be held to be illegal or invalid, the illegality or invalidity shall not affect the remaining parts of the Plan and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

11.5 APPLICABLE LAW

To the extent not preempted by the laws of the United States, the laws of the State of Delaware shall apply with respect to the Plan and Deferral Elections under the Plan without giving effect to any conflicts or choice of law rule or principle that might otherwise refer construction to the substantive laws of another jurisdiction.

XII. AMENDMENT OR TERMINATION

12.1 AMENDMENT OR TERMINATION OF THE PLAN

The Company reserves the power to amend or terminate the Plan at any time by action of the Compensation Committee, ratified by the Board of Directors, but

(a) no amendment or termination of the Plan may alter, impair or reduce any benefit of a Participant under the Plan to which such Participant may have previously become entitled prior to the effective date of such amendment or termination, without the written consent of such Participant, and

(b) no amendment may be made that would contravene the amendment and termination provisions of AMIP II or the Performance Share Plan, if applicable, and

(c) no amendment may increase the benefits payable to a Participant who is referred to in Section 162(m) of the Code unless AMIP II or the Performance Share Plan, as the case may be, has first been amended to permit an increase, in accordance with the amendment provisions of AMIP II or the Performance Share Plan, relating to stockholder approval.

12.2 ACCOUNTS AFTER TERMINATION

No further Units (or fractions thereof) shall be credited to any Account of any Participant after the date on which the Plan is terminated, except that (a) Accounts shall continue to be credited with additional Units (and fractions thereof) equal in value to dividends paid on an equivalent value of Common Stock, if any, in accordance with Section 3.1(d) until all benefits are distributed to a Participant or to the Participant's beneficiaries and (b) the distribution provisions of the Plan shall continue in effect as if the Plan had not been terminated. Accordingly, upon such termination of the Plan the benefits credited to the Accounts shall be payable in accordance with the elections made by the Participants and the distribution provisions of the Plan.

DATED as of December 2, 1999.

THE TORO COMPANY

By

Chairman, Chief Executive Officer
and President

DATE	ACTION	PRINCIPAL CHANGE
January 21, 1998	Adopted by Board of Directors	
January 29, 1999	Amended by Board of Directors	Change of Control definition
December 2, 1999	Amended by Board of Directors	Change of Control definition, dividend calculation date, adjustment for corporate transactions.

THE TORO COMPANY

DEFERRED COMPENSATION PLAN
FOR NON-EMPLOYEE DIRECTORS

EFFECTIVE JANUARY 1, 1999
AS AMENDED JULY 20, 2000

CONTENTS

THE TORO COMPANY
DEFERRED COMPENSATION PLAN
FOR NON-EMPLOYEE DIRECTORS

Effective January 1, 1999
As amended July 20, 2000

PURPOSE

The growth and success of The Toro Company depend on its ability to attract and retain the services of Directors of the highest competence, initiative, integrity, and ability. The purpose of this Plan is to advance the interests of the Company and its stockholders through a deferred compensation program designed to attract, motivate and retain Directors and selected Consultants. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA.

I. DEFINITIONS

For purposes of this Plan, the following words and phrases have the meanings indicated, unless a different meaning is clearly indicated by the context:

"Account" means a book entry account established and maintained in the Company's records in the name of a Participant pursuant to Articles II and III, and includes a Cash Account, a Common Stock Units Account and a Retirement Units Account.

"Beneficiary" means one or more individuals, trusts, estates or other entities, designated in accordance with, or otherwise determined under, Article V to receive benefits under this Plan upon the death of a Participant.

"Board" means the Board of Directors of the Company.

"Cash Account" means an Account with entries denominated in dollars, credited in accordance with Section 3.1(a).

"Change of Control" means:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 15% or more of either (A) the then-outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of subsection (iii) of this definition; or

(ii) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation of the Company or sale or other disposition of all or substantially all of the assets of the Company or the acquisition by the Company of assets or stock of another entity (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 15% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv)Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time.

"Committee" means the committee described in Article VI, and if an Administrative Committee has been appointed pursuant to Section 6.2, shall include such Administrative Committee.

"Common Stock" means The Toro Company Common Stock, $1.00 par value, and related preferred share purchase rights, or any other equity security of the Company designated by the Committee, as such shares may be adjusted in accordance with Section 3.1(d)(i).

"Common Stock Units Account" means an Account with entries denominated in Units (including fractions) that are credited in accordance with Section 3.1(b).

"Company" means The Toro Company, a Delaware corporation, and any successor to all or substantially all of the Company's assets or business.

"Consultant" means an individual engaged by the Company as an independent contractor to perform consulting or similar services for the Company or a subsidiary of the Company under a written agreement that specifically designates certain Consulting Fees as eligible for deferral under this Plan.

"Consulting Fees" means the consideration paid by the Company or a subsidiary to a Consultant for services. Consulting Fees shall be calculated before reduction for amounts voluntarily deferred or contributed by the Participant pursuant to this Plan.

"Deferral Election" means a Participant's election under Section 2.2, made in the form prescribed by the Committee.

"Director" means any member of the Board who is not an employee of the Company or of any subsidiary of the Company.

"Directors Fees" means amounts paid to a Director as compensation (but not as reimbursement of expenses) for serving on the Board, including retainer fees, meeting fees and stock grants or awards.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended and as in effect from time to time.

"Participant" means a Director who elects to participate in the Plan in accordance with Article II, and includes a Consultant who is selected to participate in the Plan and who elects to do so. Status as a Participant shall continue for as long as the individual has a balance credited to an Account under the Plan, even if the Participant is no longer a Director or Consultant. Neither a Beneficiary, a spouse or former spouse nor an executor or personal administrator of a Participant's estate shall be treated as a Participant even if such spouse or the Participant's estate has an interest in the Participant's benefits under the Plan.

"Plan" means this Deferred Compensation Plan for Non-Employee Directors, as it may be amended from time to time.

"Plan Year" means the calendar year.

"Retirement", "Retire(s)" or "Retired" refer to resignation or retirement from the Board or termination of service as a Director for any reason; and, with respect to a Consultant, means termination of service as a Consultant for any reason.

"Retirement Units Account" means an Account with entries denominated in Units (including fractions) that are credited in accordance with Section 3.1(c) of the Plan.

"Retirement Stock Election" means an election permitted one time only not later than October 31, 2000 to convert cash amounts previously accrued for a Director's benefit pursuant to The Toro Company Non-Employee Director Retirement Plan, into Units credited to a Retirement Units Account under this Plan.

"Trust" means one or more trusts established by the Company to be used in connection with the Plan.

"Trustee" means the financial institution acting at the time as trustee of the Trust.

"Unforeseeable Financial Emergency" means an unanticipated severe financial hardship to the Participant resulting from (i) a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, (ii) a loss of the Participant's residence or other property due to casualty, or (iii) other extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Committee.

A "Unit" has a value equal to one share of Common Stock, subject to adjustment by the Committee in accordance with Section 3.1(d) of the Plan.

II. ELIGIBILITY, PARTICIPATION, DEFERRAL ELECTION

2.1 ELIGIBILITY

Any Director is eligible to participate in the Plan. A Consultant who is selected by the Company to participate is eligible to participate in the Plan.

2.2 PARTICIPATION

A Director or eligible Consultant may become a Participant in the Plan by completing, signing and delivering to the Office of the Corporate Secretary a Deferral Election, which may include a beneficiary designation, and such other material as the Committee may request.

2.3 DEFERRAL ELECTION

(a) Deadline for Delivery. A Director or an eligible Consultant may deliver a Deferral Election not later than December 31 of any year prior to a Plan Year in which it is to become effective.

(i) Notwithstanding the foregoing:

(A) In a year in which the Plan is amended to permit deferral of compensation not previously subject to deferral, a Director or eligible Consultant may submit a Deferral Election not later than 30 days after the effective date of the amendment, provided that the election shall be effective only with respect to Directors Fees or Consulting Fees not due and payable at the time the election is received.

(B) In a year in which an individual first becomes a Director or an eligible Consultant, the individual may submit a Deferral Election not later than 30 days after the date the individual becomes eligible to participate in the Plan, provided that the election shall be effective only with respect to Directors Fees or Consulting Fees not due and payable at the time the election is received.

(b) Election Irrevocable. A Deferral Election is effective upon delivery and is irrevocable with respect to the Plan Year for which it is made. A Participant may change a Deferral Election for a subsequent Plan Year by delivering a new Deferral Election to the Office of the Corporate Secretary not later than December 31 of the preceding Plan Year.

III. CREDITING; VESTING; TAXES

3.1 AMOUNTS TO BE CREDITED TO ACCOUNTS

(a) Cash Account. A Participant's Cash Account shall be credited with Directors Fees deferred pursuant to a valid Deferral Election and shall be further credited with interest at a rate and in a manner determined by the Committee to be consistent with the prime rate of interest charged to individual borrowers by U.S. Bank, National Association (formerly First Bank National Association) or its successor. Prior to a Change of Control, the method for determining the interest crediting rate may be changed at any time, at the discretion of the Committee. After the Trust is funded in event of a Change of Control, the Trustee shall have authority to change the method of determining the interest crediting rate.

Interest shall be credited at the end of each calendar quarter.

(b) Common Stock Units Account. A Participant's Common Stock Units Account shall be credited with a number of Units equal to the number of shares of Common Stock that otherwise would have been issued to Participant by way of a stock grant or award and that were deferred pursuant to a valid Deferral Election.

(c) Retirement Units Account. A Participant's Retirement Units Account shall be credited with a number of Units equal to the dollar value of retirement benefits accrued under The Toro Company Non-Employee Director Retirement Plan at October 31, 2000 divided by the 4 p.m. New York Stock Exchange closing price of one share of the Common Stock on October 31, 2000, provided the Participant is eligible to make an election to convert such accrued benefits and has properly made the election.

(d) Account Value. Subject to the provisions of subparagraph (i) of this Section 3.1(d), the value of Units in a Common Stock Units Account or Retirement Units Account shall fluctuate with the New York Stock Exchange price of the Common Stock.

(i) In the event of a corporate transaction involving the Company (including, without limitation, any merger, consolidation, recapitalization, reorganization, split off, spin off, reclassification, combination, stock dividend, stock split, reverse stock split, repurchase, exchange, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or change in the corporate structure of the Company affecting the Common Stock, or a sale by the Company of all or part of its assets or any distribution to stockholders other than a normal cash dividend), the Committee shall adjust Accounts to preserve their benefits or potential benefits. Action by the Committee may include all or any of (i) appropriate adjustments in the number of Units then credited to an Account; (ii) conversion of Units to other new or different securities into which the Common Stock may be converted; (iii) cash payments, or

(iv) any other adjustment the Committee determines to be equitable and consistent with the purposes of this Plan. In the event that Common Stock is converted into cash in connection with a corporate transaction described in this subsection, the value of the Units in any Account shall be converted to a dollar amount, by multiplying the number of Units in each Account by the fair market value of a share of Common Stock on the date of the corporate transaction, and such amounts shall be credited with interest at a rate and in a manner determined by the Company to be consistent with the average prime rate of interest charged by U.S. Bank, National Association to its individual borrowers. If the Trust is funded in the event of a Change of Control, the Trustee shall have authority to change the method of determining the interest crediting rate.

(e) Time of Crediting. Directors Fees and Consulting Fees deferred under this Plan shall be withheld at the time they otherwise would be paid to the Participant, whether or not payment occurs during the Plan Year itself. Units credited to a Retirement Units Account will be credited as of October 31, 2000.

(f) Dividends. In the event that the Company pays dividends on its Common Stock, each of the Common Stock Units Account and Retirement Units Account shall be credited with additional Units (including fractions). The number of additional Units to be credited shall be determined by dividing the aggregate dollar value of the dividends that would be paid on the Units, if such Units were Common Stock, by the 4 p.m. New York Stock Exchange closing price of one share of the Common Stock on the dividend payment date.

(g) Self-Employment and Other Taxes. The Company may withhold from a Participant's Directors Fees or Consulting Fees, in a manner determined by the Committee, the Participant's share of self-employment, FICA and other taxes that may be required to be withheld. If necessary, the Committee may reduce the amount of Directors Fees or Consulting Fees a Participant elects to defer in order to comply with this Section 3.1(g).

3.2 VESTING

A Participant's Cash Account and Common Stock Units Account shall at all times be fully vested, subject only to the Participant's status as a general creditor of the Company, as provided in Section 9.2. A Director Participant's Retirement Units Account shall vest on the date that the Director completes five full years of service as a member of the Board.

IV. DISTRIBUTIONS

4.1 DISTRIBUTABLE EVENTS

Distributions under the Plan shall be payable in accordance with a Participant's Deferral Election upon the earliest of (i) Retirement, (ii) prior to Retirement if a valid election has been made under Section 4.4, or (iii) an Unforeseeable Financial Emergency under Section 4.5.

4.2 METHOD OF PAYMENT

(a) A Participant may elect, in a manner determined by the Committee, (i) to receive Cash Account distributions in a lump sum or in quarterly installments over a period of time not to exceed ten years or such period as the Committee may determine and (ii) to receive Common Stock Units Account distributions in a single distribution or in annual installments over a period of time not to exceed ten years or such period as the Committee may determine and (iii) to receive Retirement Units Account distributions in a single distribution or over a period of time not to exceed five years.

(b) An election may be changed to an allowable alternative payment period by submitting a new election to the Committee, in a form approved by the Committee, provided that an election submitted less than two years before the distribution is to commence shall not be given effect. The most recent effective election received by the Committee shall govern the payment. If a Participant does not make a valid election with respect to the payment of benefits, then such benefits shall be payable in a single distribution. The single distribution shall be made, or installment payments shall commence, on or around the 15th day of January immediately after the calendar year in which the Participant Retires.

(c) Any Account denominated in Units shall be payable only in shares of Common Stock, except that cash shall be paid for any fractional share. Distributions of Common Stock shall be made either in a single distribution or in annual installments. If, at the time of any annual installment payment, the total number of Units in a Participant's Common Stock Units Account and Retirement Units Account is 1,000 or less, the balance in such Accounts shall be distributed in a single distribution.

4.3 DEATH PRIOR TO COMPLETION OF PAYMENT

If a Participant dies after Retirement but before his or her Accounts are distributed in full, the remaining Account Balance shall be paid to the Participant's Beneficiary, in a lump sum or, if the Participant has so elected, in installments.

4.4 DISTRIBUTION PRIOR TO RETIREMENT

Subject to Committee approval, a Participant may irrevocably elect in a Deferral Election to receive all or part of the balance of either or both of the Cash Account or the Common Stock Units Account, but not the Retirement Units Account, in any year prior to Retirement. Except as provided in Section 4.5, no distribution prior to Retirement shall be made until at least two Plan Years have elapsed following Committee approval of the election. A distribution in any year shall not exceed the aggregate of the balance of each of the Cash Account and Common Stock Units Account as of the last day of the Plan Year immediately prior to the Plan Year in which the distribution is made. Any distribution made pursuant to an approved election hereunder shall be made in a single distribution by March 1 of the year in which it becomes payable.

4.5 UNFORESEEABLE FINANCIAL EMERGENCIES

A Participant who experiences an Unforeseeable Financial Emergency may request either or both of (i) suspension of any deferrals then in effect and (ii) a partial or full distribution from the Plan. The Committee shall in its discretion act on the Participant's request, but a distribution shall not exceed the lesser of the aggregate balance of the Participant's Accounts or the amount reasonably needed to satisfy the Unforeseeable Financial Emergency.

4.6 DISTRIBUTION IN THE EVENT OF TAXATION

A Participant or Beneficiary may request the Committee before a Change of Control, or the Trustee after a Change of Control, for a distribution of that portion of any benefit under the Plan that has become taxable to such Participant or Beneficiary prior to its receipt. The Committee shall not unreasonably withhold its consent to any such request. After a Change of Control, the Trustee shall consent to any such request upon a proper showing that the benefits are taxable. Once consent to such a request is granted, the Plan shall distribute to the Participant or Beneficiary an amount equal to the taxable portion of the benefit, but not more than the aggregate balance then credited to all of the Participant's Accounts. Distribution shall be made not later than 90 days after the date a request is granted by the Committee. Such a distribution shall reduce applicable Account balances and the benefits to be paid under this Plan.

4.7 WITHHOLDING

The Company or the Trustee shall withhold from any distribution to a Participant or Beneficiary all federal, state and local income, employment and other taxes required to be withheld from such distribution, in amounts and in a manner determined in the discretion of the Company or Trustee.

4.8 DEDUCTIONS

Prior to a Change of Control, the Company may deduct from any distribution to a Participant or Beneficiary any amounts due from the Participant to the Company.

V. BENEFICIARY DESIGNATION

Each Participant shall have the right to designate one or more Beneficiaries (including primary and contingent Beneficiaries) to receive any benefits payable under the Plan. A Participant shall have the right to change a Beneficiary by completing a new beneficiary designation on a form approved by the Committee.

If a Participant fails to designate a Beneficiary or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then payment shall be made as required under the Participant's will; or, in the event there is no will under applicable state law, then to the persons who, at the date of the Participant's death, would be entitled to share in the distribution of the deceased Participant's estate under applicable state law then in force governing the decedent's intestate property.

VI. ADMINISTRATION

6.1 COMMITTEE DUTIES

This Plan shall be administered by a Committee, which shall consist of the Board, or such committee as the Board may appoint. Members of the Committee may be Participants. The Committee shall have the discretion and authority, subject to Section 7.2, to make amendments to this Plan or in its discretion it may recommend amendments to the Board for its action. The Committee shall have the discretion and authority to make, amend, interpret and enforce appropriate rules and regulations for the administration of this Plan and to decide or resolve, in its discretion, any and all questions involving interpretation of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Committee shall be entitled to rely on information furnished by a Participant or by the Company.

6.2 ADMINISTRATIVE COMMITTEE; AGENTS

The Committee may, from time to time, appoint an Administrative Committee and delegate to the Administrative Committee such duties and responsibilities (including the authority to make ministerial or administrative amendments to this Plan) with respect to the Plan as the Committee may determine. The Committee, and the Administrative Committee, may employ agents and delegate to them such duties as either Committee sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to the Company.

6.3 BINDING EFFECT OF DECISIONS

The decisions or actions of the Committee, and of the Administrative Committee, with respect to the administration, interpretation and application of the Plan and the rules and regulations hereunder shall be final and conclusive and shall be binding upon all persons having any interest in the Plan.

6.4 INDEMNITY OF COMMITTEE AND ADMINISTRATIVE COMMITTEE

The Company shall indemnify and hold harmless the members of the Committee, the Administrative Committee, and any agent or employee to whom the duties of the Committee or the Administrative Committee may be delegated, against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct.

VII. TERMINATION; AMENDMENT OR MODIFICATION

7.1 TERMINATION

Although the Company anticipates that the Plan will continue for an indefinite period of time, it reserves the right to terminate the Plan at any time with respect to any or all Participants. Upon termination, the Accounts of the affected Participants shall be paid pursuant to the Participants' election or, at the discretion of the Company, in a lump sum.

Termination of the Plan shall not adversely affect the rights under the Plan of any Participant or Beneficiary who has become entitled to the payment of any Plan benefits as of the date of termination. The Company shall, however, have the right to accelerate installment payments without a premium or prepayment penalty by paying the Account Balance in a single distribution.

7.2 AMENDMENT OR MODIFICATION

The Company may, at any time, amend or modify the Plan in whole or in part; provided, that no amendment or modification shall decrease the balances of a Participant's Accounts. No amendment or modification of the Plan shall affect the rights of any Participant or Beneficiary who has become entitled to the distribution of benefits under the Plan as of the date of the amendment or modification. The Company shall, however, have the right to accelerate installment payments by paying amounts then credited to the Accounts in a single distribution without a premium or prepayment penalty.

VIII. TRUST

8.1 TRUST ASSETS

The Company may transfer to the Trust such assets as it determines, in its sole discretion, are necessary or appropriate to provide for its liabilities under the Plan. In the event of a Change of Control, the Company shall, as soon as possible, but in no event longer than 30 days following the Change of Control, make irrevocable contributions to the Trust in amounts that are sufficient to pay the Participants or Beneficiaries the benefits to which the Participants or their Beneficiaries would be entitled pursuant to the terms of the Plan as of the date on which the Change of Control occurred, including benefits that vest under the Plan as a result of the Change of Control. The Company is entitled at any time or times prior to a Change of Control, in its sole discretion, to substitute assets of equal fair market value for any assets held in the Trust.

8.2 ENFORCEMENT OF FUNDING

If following a Change of Control, irrevocable contributions to the Trust have not been made as required in Section 8.1 hereof, any Participant or Beneficiary shall have the right to seek specific performance from the Company of its obligation to make such contributions. The Company consents to the jurisdiction of the district courts of the State of Minnesota to determine any action for such specific performance.

8.3 MISCELLANEOUS

The provisions of the Plan shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Company, Participants and the creditors of the Company to any assets held by the Trust. The Company's obligations under this Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and the Company's obligations under the Plan shall be reduced to the extent of any such distributions.

IX. MISCELLANEOUS

9.1 STATUS OF PLAN

The Plan is intended to be a plan that is not qualified within the meaning of Section 401(a) of the Code and that is unfunded and maintained by an employer primarily for the purpose of providing deferred compensation for a select management group, within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted in a manner consistent with that intent.

9.2 UNSECURED GENERAL CREDITOR

Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of the Company or of the Trust. For purposes of the payment of benefits under this Plan, any and all of the Company's assets including any assets of the Trust shall be, and remain until paid, the general, unpledged unrestricted assets of the Company. The Company's obligation under the Plan shall consist solely of an unfunded and unsecured promise to pay money in the future.

9.3 NONASSIGNABILITY

Neither a Participant nor a Beneficiary nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof. All of such rights are expressly declared to be unassignable and nontransferable. None of the amounts payable under the Plan shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.

9.4 DISCHARGE OF OBLIGATIONS

The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge the Company and the Committee from all further obligations under this Plan with respect to the Participant and any other Beneficiary.

9.5 NOT A CONTRACT OF EMPLOYMENT

The terms and conditions of this Plan shall not constitute a contract of employment between the Company and the Participant. Nothing in this Plan shall be deemed to give a Participant the right to be retained as a Director of the Company or a Consultant to the Company, or interfere with the right of the Company to sever its relationship with the Participant at any time.

9.6 GOVERNING LAW

This Plan and Deferral Elections under the Plan shall be construed, administered and governed in all respects under and by the applicable laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction to the substantive law of another jurisdiction, to the extent not superseded by ERISA.

9.7 NOTICE

Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail or by facsimile, to the address below:

Corporate Secretary
The Toro Company
8111 Lyndale Avenue South
Bloomington, Minnesota 55420

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

9.8 SUCCESSORS

The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns and the Participant and the Participant's designated Beneficiaries.

9.9 VALIDITY

If any provision of this Plan shall be found to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

9.10 COURT ORDER

The Committee is authorized to make any payments directed by court order. If a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Committee, in its sole discretion, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.

9.11 NO ASSURANCE OF TAX CONSEQUENCES

Neither the Company nor the Board nor any other person guarantees or assures a Participant or Beneficiary of any particular federal or state income tax, payroll tax, or other tax consequence of participation in this Plan. A Participant should consult with professional tax advisors regarding all questions related to the tax consequences of participation.

IN WITNESS WHEREOF, the Company has signed this Plan document as of July 20, 2000.

THE TORO COMPANY

By ------------------------------------

Title ------------------------------------

Plan History	Action
January 1, 1999	Effective Date (adopted by Board of Directors on November 18, 1998)
July 20, 2000	Amendment to permit deferral of stock grants and awards and to create retirement accounts for accrued benefits under the Non-Employee Directors Retirement Plan, to be terminated on October 31, 2000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND CONDENSED CONSOLIDATED BALANCE SHEETS.

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9-MOS
OCT-31-2000
NOV-01-1999
JUL-28-2000
65
0
368,134
0
213,461
633,203
372,639
244,457
897,997
371,234
195,683
0
0
12,721
311,925
897,997
1,067,204
1,067,204
672,029
304,585
(748)
0
21,060
70,278
26,003
44,275
0
0
0
44,275
3.46
3.39

Total net receivables
Not included in quarterly information
Total long-term debt
Does not include additional paid-in-capital
Other income, net