

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 MAY 1, 1998 Commission File Number 1-8649

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

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

8111 LYNDALE AVENUE SOUTH
BLOOMINGTON, MINNESOTA 55420
TELEPHONE NUMBER: (612) 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 May 29, 1998 was
12,843,461.

THE TORO COMPANY
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PART I. ITEM 1. FINANCIAL INFORMATION

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

	Three Months Ended		Six Months Ended	
	May 1, 1998	May 2, 1997	May 1, 1998	May 2, 1997
Net sales	\$ 379,686	\$ 352,203	\$ 589,745	\$ 561,160
Cost of sales	246,737	227,086	383,744	360,816
Gross profit	132,949	125,117	206,001	200,344
Selling, general and administrative expense	95,034	89,160	166,898	157,629
Earnings from operations	37,915	35,957	39,103	42,715
Interest expense	6,911	6,085	12,716	9,932
Other income, net	(2,141)	(1,600)	(5,004)	(2,806)
Earnings before income taxes	33,145	31,472	31,391	35,589
Provision for income taxes	13,092	12,432	12,399	14,058
Net earnings	\$ 20,053	\$ 19,040	\$ 18,992	\$ 21,531
Retained earnings at beginning of period	\$ 200,085	\$ 174,671	\$ 202,681	\$ 173,630
Dividends on common stock of \$0.12, \$0.12, \$0.24 and \$0.24 per share, respectively . . .	(1,541)	(1,435)	(3,076)	(2,885)
Retained earnings at end of period	\$ 218,597	\$ 192,276	\$ 218,597	\$ 192,276
Basic net earnings per share of common stock . .	\$1.56	\$1.58	\$1.49	\$1.78
Diluted net earnings per share of common stock and common stock equivalents	\$1.53	\$1.53	\$1.45	\$1.73

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(DOLLARS IN THOUSANDS)

	May 1, 1998	May 2, 1997	October 31, 1997
	-----	-----	-----
ASSETS			
Cash and cash equivalents	\$ 640	\$ 5,593	\$ 8
Receivables, net	440,435	412,725	259,134
Inventories	212,425	159,014	160,122
Other current assets	53,518	34,429	52,780
	-----	-----	-----
Total current assets	707,018	611,761	472,044
	-----	-----	-----
Property, plant and equipment	318,977	319,010	297,841
Less accumulated depreciation	188,226	203,859	180,989
	-----	-----	-----
	130,751	115,151	116,852
	-----	-----	-----
Other assets	114,409	73,102	72,738
	-----	-----	-----
Total assets	\$ 952,178	\$ 800,014	\$ 661,634
	-----	-----	-----
	-----	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	\$ 1,839	\$ 350	\$ 365
Short-term borrowing	236,632	278,000	41,000
Accounts payable	69,408	57,064	58,397
Other accrued liabilities	155,825	160,252	138,071
	-----	-----	-----
Total current liabilities	463,704	495,666	237,833
	-----	-----	-----
Long-term debt, less current portion	198,251	53,015	177,650
Other long-term liabilities	6,610	23,591	4,988
	-----	-----	-----
Common stockholders' equity:			
Common stock par value \$1.00, authorized 35,000,000 shares; issued and outstanding 12,841,273 shares at May 1, 1998 (net of 666,782 treasury shares), 11,979,539 shares at May 2, 1997 (net of 930,465 treasury shares), and 12,189,244 shares at October 31, 1997 (net of 720,760 treasury shares)	12,841	11,980	12,189
Additional paid-in capital	58,958	26,309	31,371
Retained earnings	218,597	192,276	202,681
Foreign currency translation adjustment	(6,783)	(2,823)	(5,078)
	-----	-----	-----
Total common stockholders' equity	283,613	227,742	241,163
	-----	-----	-----
Total liabilities and common stockholders' equity	\$ 952,178	\$ 800,014	\$ 661,634
	-----	-----	-----
	-----	-----	-----

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended	
	May 1, 1998	May 2, 1997
Cash flows from operating activities:		
Net earnings	\$ 18,992	\$ 21,531
Adjustments to reconcile net earnings to net cash used in operating activities:		
Provision for depreciation and amortization	16,054	10,521
Loss (gain) on disposal of property, plant and equipment.	295	(65)
Deferred income taxes	(2,632)	1,529
Tax benefits related to employee stock option transactions.	1,815	1,766
Changes in operating assets and liabilities:		
Receivables, net.	(172,618)	(147,979)
Inventories	(40,874)	2,063
Other current assets.	2,977	1,250
Accounts payable and accrued expenses	15,047	30,942
	(160,944)	(78,442)
Cash flows from investing activities:		
Purchases of property, plant and equipment.	(17,783)	(17,143)
Proceeds from asset disposals	1,325	227
Decrease (increase) in other assets	2,887	(9,685)
Acquisition of James Hardie Irrigation, net of cash acquired.	-	(118,030)
Other acquisitions, net of cash acquired.	(17,173)	-
	(30,744)	(144,631)
Cash flows from financing activities:		
Increase in short-term borrowing.	195,632	236,975
Repayments of long-term debt.	(1,142)	(243)
Increase in other long-term liabilities	956	990
Proceeds from sale of common stock.	1,655	3,981
Purchases of common stock	-	(7,952)
Dividends on common stock	(3,076)	(2,885)
	194,025	230,866
Foreign currency translation adjustment.	(1,705)	(2,266)
Net increase in cash and cash equivalents.	632	5,527
Cash and cash equivalents at beginning of period	8	66
Cash and cash equivalents at end of period	\$ 640	\$ 5,593

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MAY 1, 1998

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 term's "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 six months ended May 1, 1998 are not necessarily indicative of the results that may be expected for the year ended October 31, 1998. 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, 1997. 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. Had the first-in, first-out (FIFO) method of cost determination been used, inventories would have been \$27,023,000 and \$25,642,000 higher than reported at May 1, 1998, and May 2, 1997, respectively. Under the FIFO method, work-in-process inventories were \$102,479,000 and \$79,736,000 and finished goods inventories were \$136,969,000 and \$104,920,000 at May 1, 1998, and May 2, 1997, respectively.

BUSINESS ACQUISITIONS

On November 25, 1997, the Company completed the acquisition of Exmark Manufacturing Company Incorporated (Exmark). In exchange for all the capital stock of Exmark, the company issued 598,051 shares of its common stock and paid approximately \$5.5 million in cash. In addition, under terms of the purchase agreement, the Company will be required to make contingent payments to Exmark's former shareholders if Exmark's post-acquisition earnings and sales growth from November 1, 1997 through October 31, 1999 exceed minimum levels established in the purchase agreement. The maximum amount of these contingent payments is \$28 million. Contingent payments will be paid with a combination of cash and the Company's common stock. The acquisition is accounted for using the purchase method of accounting. The transaction was not material to the results of operations reported for the period ended May 1, 1998.

On February 19, 1998, the Company completed the acquisition of GR Driplines, Inc. (Drip In) and various other assets. The acquisition is accounted for using the purchase method of accounting. The transaction was not material to the results of operations reported for the period ended May 1, 1998.

The Company and James Hardie Irrigation Limited (Hardie) entered into an arbitration process related to the valuation and accounting issues used in determining the purchase price of Hardie. This process was completed on April 20, 1998 resulting in a further reduction of the purchase price of \$1.8 million.

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 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", "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 matter specific to the Company and the markets it serves. Particular risks and uncertainties facing the Company at the present includes political and economic uncertainty; whether an announced profit improvement plan can be successfully implemented; instability in many of the company's markets in Asia; the strong dollar which increases the cost of the Company's products in foreign markets resulting in cancellation of planned projects and limiting the company's ability to increase prices; changing buying patterns affecting the company's consumer business from dealer outlets to price and value conscious purchases from hardware, home centers, and mass merchant retailers; increased competition in the Company's businesses; the Company's ability to integrate business acquisitions and to manage alliances successfully; changes in distributor, dealer or mass merchant purchasing practices; the company's ability to rationalize its product lines and plant configurations; and continuing production delays affecting selected consumer products.

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; weather conditions affecting demand, including warm winters and wet spring and summer weather; lack of growth in the Company's markets; financial market changes including increases in interest rates and fluctuations in foreign exchange rates; 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; unanticipated problems or costs associated with implementation by the Company of computer applications that will accommodate the year 2000; the inability of the Company's suppliers, customers, creditors and financial service organizations to implement computer applications accommodating the year 2000; the Company's ability to develop, manufacture and sell both new and existing products profitably; 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 and health and safety; labor relations; and availability of materials.

The Company wishes to caution readers not to place undo 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 are in addition to other factors discussed elsewhere in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

RESULTS OF OPERATIONS

Second quarter net sales were \$379.7 million versus \$352.2 million last year, an increase of 7.8%. Net earnings were \$20.1 million versus \$19.0 million for the same quarter in the previous year, and diluted earnings per share for the quarter were unchanged from last year at \$1.53 per share. Sales would have been down slightly without the incremental revenue from the acquisitions of Exmark-Registered Trademark- and Drip In. The increase in net earnings was due to strong demand for the professional turf equipment products, golf irrigation products, worldwide agricultural irrigation products, and the acquisitions of Drip In and Exmark-Registered Trademark-. The increase, however, was offset partially by lower consumer sales due to less than expected demand for garden tractors, residential/commercial and do-it-yourself irrigation products, and production delays for lawn tractors and the Dura-Force-TM- Lawn Boy-Registered Trademark- walk power mowers.

Year-to-date net sales were \$589.7 million versus \$561.2 million last year, an increase of 5.1%. Without the incremental revenue of Exmark-Registered Trademark- and Drip In, sales would have been down slightly. The decline in net sales without Exmark-Registered Trademark- and Drip In was due to weak consumer sales of snowthrowers and riding products, and production delays related to the redesign of a portion of the Lawn Boy-Registered Trademark- lawn mower product line that delayed the shipment of lawn mower product during the first quarter of fiscal 1998. Net earnings for the six months ended May 1, 1998 were \$19.0 million versus \$21.5 million last year, 3.2% of net sales as compared to 3.8% of net sales for the same period last year. Diluted earnings per share for the six months ended May 1, 1998 were \$1.45 versus \$1.73 for the same period last year. Lower operating margins from consumer sales and higher interest expense due to higher borrowing levels contributed to the decline in net earnings.

The Company is in the process of formulating a profit improvement program to reposition the consumer business and make the Company as a whole more competitive. The expected primary elements of this strategy include broad organizational initiatives for profit improvement, distribution and logistic changes, product line and business rationalizations, and future plant reconfigurations. The Company expects this program will result in restructuring and other one-time charges totaling less than \$20 million, of which approximately \$9-12 million of that will be charged in the second half of fiscal 1998. The expected savings are estimated to be at least \$20 million by the end of fiscal 2000.

The following table sets forth-net sales by product line.

(Dollars in thousands)	Three Months Ended			
	May 1, 1998	May 2, 1997	\$ Change	% Change
Consumer products.	\$ 140,273	\$ 152,623	\$ (12,350)	(8.1%)
Commercial products.	158,424	122,030	36,394	29.8
Irrigation products.	80,989	77,550	3,439	4.4
Total *	\$ 379,686	\$ 352,203	\$ 27,483	7.8%
* Includes international sales of.	\$ 79,205	\$ 81,954	\$ (2,749)	(3.4%)

(Dollars in thousands)	Six Months Ended			
	May 1, 1998	May 2, 1997	\$ Change	% Change
Consumer products.	\$ 197,717	\$ 240,062	\$ (42,345)	(17.6%)
Commercial products.	256,591	199,987	56,604	28.3
Irrigation products.	135,437	121,111	14,326	11.8
Total *	\$ 589,745	\$ 561,160	\$ 28,585	5.1%
* Includes international sales of:	\$ 134,377	\$ 135,980	\$ (1,603)	(1.2%)

CONSUMER PRODUCT SALES

Second quarter net sales of worldwide consumer products were \$140.3 million versus \$152.6 million last year, a decline of 8.1%. Although the early spring season boosted retail demand in most product categories, sales of riding products, gas-powered trimmers and do-it-yourself irrigation were down for the quarter. International sales were down from last year as a result of product availability for the new Dura-Force-TM- Lawn Boy-Registered Trademark- walk power mowers due to late production in the first quarter of fiscal 1998. Lower than expected demand for garden tractors due to high levels of competition and production delays for lawn tractors resulted in the decrease of revenues from riding products. The wet spring weather in the key markets for do-it-yourself irrigation product also contributed to the decrease in sales. On the other hand, sales of walk power mowers were up indicating early acceptance of this year's reduced pricing on the Toro branded product and acceptance for the new Dura-Force-TM- Lawn Boy-Registered Trademark- product.

Year-to-date net sales of worldwide consumer products were \$197.7 million versus \$240.1 million last year, a decrease of 17.7%. The lack of snowfall in certain parts of the country during the winter season caused a significant reduction in snowthrower sales, predominately in the first quarter. In addition to the reasons mentioned above in the quarter comparison, the Company's redesign of certain portions of its lawn mower product line led to a delay of product shipment. The Company also continues to experience a shift in consumer buying patterns from brand specific purchases from dealer outlets to price and value conscious purchases from hardware, home centers, and mass merchant retailers, a trend throughout the industry.

COMMERCIAL PRODUCT SALES

Second quarter net sales of worldwide commercial products were \$158.4 million versus \$122.0 million last year, an increase of 29.8%. The sales increase was largely a result of the sales growth in the landscape contractor market due to the introduction of new products and the acquisition of Exmark in November 1997. Sales of equipment to domestic golf courses did well, reflecting the continued growth of the golf market. On the other hand, international commercial sales decreased from last year due to the continued weakness in certain foreign economies, particularly in Asia where many golf projects have been postponed or cancelled and to the strength of the dollar against many other currencies, which makes the Company's products more expensive to foreign purchasers.

Year-to-date net sales of worldwide commercial products were \$256.6 million versus \$200.0 million last year, a significant increase of 28.3%. The reasons for the six-month increase in sales parallel the contributing factors for the second quarter increase.

IRRIGATION PRODUCT SALES

Second quarter net sales of worldwide irrigation products were \$81.0 million versus \$77.6 million last year, an increase of 4.4%. Strong domestic golf revenues, the acquisition of Drip In during the second quarter, and the growth of the worldwide agricultural irrigation market contributed to the majority of the increase. International sales were up from the previous quarter due to an increase in agricultural irrigation product sales as well as strong turf irrigation revenues in Australia which is experiencing very dry weather. However, sales of residential/commercial irrigation products have decreased from the previous quarter due to the wet weather in certain key markets.

Year-to-date net sales of worldwide irrigation products were \$135.4 million versus \$121.1 million last year, an increase of 11.8%. As mentioned above in the quarter comparison, strong golf irrigation revenues and worldwide agricultural irrigation revenues contributed to the increase as did the addition of sales from Drip In following its acquisition in the second quarter, however, residential/commercial irrigation products decreased due to the wet weather in certain key markets.

GROSS PROFIT

Second quarter gross profit was \$132.9 million versus \$125.1 million last year, an increase of 6.2%. As a percent of sales, gross profit for the second quarter was 35.0% versus 35.5% last year. The lower gross margin was primarily due to lower pricing on Toro-Registered Trademark- branded walk power mowers and plant inefficiencies in the El Paso facility related to certain consumer products. Also contributing to the decline of gross profit margin was the addition of Exmark-Registered Trademark- products, for which gross margins are lower than historical Toro-Registered Trademark- product margins.

Year-to-date gross profit was \$206.0 million versus \$200.3 million last year. As a percentage of sales, year-to-date gross profit was 34.9% versus 35.7% last year. The decrease in gross margins was due to the same contributing factors as in the quarter comparison with the additional contributing factor of reduced sales in the first quarter of higher gross margin snowthrower sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

Second quarter selling, general and administrative expenses (SG&A) were \$95.0 million versus \$89.2 million last year, an increase of 6.5%. However, as a percent of sales, SG&A decreased slightly to 25.0% from 25.3% for the same quarter in fiscal 1997. The additions of Exmark-Registered Trademark- and Drip In contributed to \$4.8 million of incremental SG&A expense during the second quarter of fiscal 1998. Without Exmark-Registered Trademark- and Drip In, SG&A increased .2% as a percent of sales due to higher warranty expense as a result of a change in the sales mix to commercial products where historical warranty rates are generally higher on average.

Year-to-date SG&A expenses were \$166.9 million versus \$157.6 million last year, an increase of \$9.3 million. The increase was due mainly to the acquisitions of Exmark-Registered Trademark- and Drip In, increased warranty expense, and increased costs for information systems. Without Exmark-Registered Trademark- and Drip In, SG&A expenses increased \$0.8 million and .9% as a percentage of sales.

INTEREST EXPENSE

Second quarter interest expense was \$6.9 million versus \$6.1 million last year, an increase of \$.8 million. Year-to-date interest expense was \$12.7 million versus \$9.9 million last year, an increase of \$2.8 million. Higher working capital levels as a result of higher inventory and accounts receivable balances represented the majority of the increase. Incremental cash required for the acquisitions of Exmark-Registered Trademark- and Drip In also contributed to the increase in interest expense.

OTHER INCOME, NET

Second quarter other income, net, was \$2.1 million versus \$1.6 million last year. In the prior period, the Company had recorded a \$.5 million expense related to an unfavorable legal settlement. Year-to-date other income, net, was \$5.0 million versus \$2.8 million last year. The increase of \$2.2 million was due to a favorable patent infringement settlement and recoveries of a note receivable previously written off.

FINANCIAL POSITION AS OF MAY 1, 1998

MAY 1, 1998 COMPARED TO MAY 2, 1997

Total assets at May 1, 1998 were \$952.2 million versus \$800.0 million on May 2, 1997, an increase of \$152.2 million. This increase is comprised of approximately \$81.3 million related to the acquisitions of Exmark-Registered Trademark- and Drip In and various other changes discussed below. Net accounts receivable increased by \$27.7 million due to increased sales of landscape contractor equipment that receives extended terms and agricultural irrigation product partially offset by lower levels of sales on consumer products. Exmark-Registered Trademark- and Drip In also contributed to the increase with \$11.1 million in additional receivables. Inventory also increased \$53.4 million due to lower than expected garden tractor sales, higher levels of residual snow product due to the warm winter and production delays in the El Paso facility that increased work-in-process inventory levels. Net property, plant, and equipment rose \$15.6 million primarily due to the acquisition of Exmark-Registered Trademark- and Drip In, corporate headquarters expansion and new tooling projects. Other assets increased \$41.3 million as a result of capitalization of the excess purchase price of Exmark-Registered Trademark- and Drip In over the fair value of the assets acquired.

Total current liabilities were \$463.7 million versus \$495.7 million last year, a decrease of \$32.0 million. The majority of this decrease was in short-term borrowing, which decreased by \$41.4 million from the prior quarter due primarily to the issuance of long-term debt during the third quarter of fiscal 1997. The refinancing of the short-term debt was partially offset by increases in working capital needs to fund increases in accounts receivable and inventory. Accounts payable increased \$12.3 million due to higher levels of inventory as compared to the prior period. Other accrued liabilities decreased \$4.5 million as a result of adjusting Hardie related accruals partially offset by higher warranty accruals. Long-term debt increased \$145.2 million as a result of the issuance of \$175.0 million of debt securities that were used to redeem \$50.0 million of 11% debentures, refinancing of short-term debt in connection with the Hardie acquisition, and long-term debt issued or assumed related to the Drip In acquisition. Other long-term liabilities decreased \$17.0 million as a result of terminating an interest rate swap agreement associated with the issuance of long-term debt in fiscal 1997.

May 1, 1998 COMPARED TO OCTOBER 31, 1997

Total assets at May 1, 1998 were \$952.2 million versus \$661.6 million at October 31, 1997, an increase of \$290.6 million. Accounts receivable increased \$181.3 million from October 31, 1997 due to increased receivables from the acquisitions of Exmark-Registered Trademark- and Drip In and the seasonal increase in account receivables. Inventory increased by \$52.3 million due to lower than projected consumer sales of riding and snow products and production delays in the El Paso facility. Net property, plant and equipment increased \$13.9 million due primarily to the acquisition of Exmark-Registered Trademark- and Drip In along with the expansion of the corporate headquarters. Other assets increased \$41.7 million as a result of the excess purchase price of Exmark-Registered Trademark- and Drip In over the fair value of the net assets acquired.

Total current liabilities at May 1, 1998 were \$463.7 million versus \$237.8 million at October 31, 1997, an increase of \$225.9 million. The majority of this increase was the result of additional short-term borrowings of \$195.6 million, reflecting the Company's strategy of utilizing short-term borrowing to fund the company's seasonal working capital needs. Accounts payable increased \$11.0 million compared to October 31, 1997 due to the timing of inventory purchases that related to the higher levels of inventory. Other accrued liabilities increased \$17.8 million as a result of higher warranty accruals and accruals for various seasonal sales and marketing programs which are at their peak during the spring selling season. Long-term debt increased \$20.6 million due to long-term debt issued or assumed related to the acquisitions of Exmark-Registered Trademark- and Drip In.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities for the first six months of fiscal 1998 was primarily for the seasonal increase in accounts receivable and inventory. The Company's working capital needs are funded with \$230.0 million of unsecured bank credit lines. The Company also has banker's acceptance financing agreements under which an additional \$40.0 million is 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.

In February 1998, the company completed the acquisition of Drip In. The Company financed the cash portion of the acquisition price of approximately \$10.6 million by using the Company's unsecured bank credit lines.

Management believes that the combination of funds available through its existing financing arrangements, coupled with forecasted cash flows, will provide the capital resources for its anticipated needs.

INFLATION

The company is subject to the effects of changing prices. The Company has been able to deal successfully with inflationary pressures through a combination of internal cost reduction efforts and selected increases in selling prices of products.

YEAR 2000 COMPLIANCE

The Company is in the process of implementing a year 2000 compliant enterprise-wide information system. This process was initiated in 1995 and is currently operational in many locations within the Company. This implementation is expected to be largely completed early fiscal 1999. The Company has also completed an assessment project, which addresses those other significant systems that may have year 2000 compliance issues. The Company is addressing issues raised by this analysis.

Year 2000 related costs are being expensed as incurred. The costs expected to be incurred during the remainder of fiscal 1998 and during fiscal 1999 that relate exclusively to addressing the year 2000 issues are expected to be immaterial to the Company.

The Company presently believes that with the implementation of the new system and modifications to existing software, year 2000 compliance will not pose a significant operational issue for the company. However, if these modifications and conversions are not completed on a timely basis, including implementation by its business partners, year 2000 compliance may have a material impact on the operations of the Company.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

- (a) The Annual Meeting of Stockholders was held on March 18, 1998.
 (b) The results of the stockholder votes were as follows:

	For ---	Against -----	Abstain -----	Broker ----- Non-Votes -----
1. Election of Directors				
Robert H. Buhrmaster	10,405,406	254,009	-	-
Winslow H. Buxton	10,361,994	297,421	-	-
Robert. H. Nassau	10,400,827	258,588	-	-
Christopher A. Twomey	10,364,761	294,654	-	-
2. Approval of Selection of Independent Auditors	10,398,545	184,701	76,169	-
3. Approval of Amendment of Annual Management Incentive Plan II to add a stock retention feature	9,344,282	1,005,842	267,406	41,885

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, Commission File No. 1-8649).
- 3(ii) and 4(d) Bylaws of Registrant (incorporated by reference to Exhibit 3.3 to Registrant's Annual Report on Form 10-K for the year ended July 31, 1991, Commission File No. 1-8649).
- 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).

Item 6. Exhibits and Reports on Form 8-K (continued)

- 10(iii)(a) Form of Employment Agreement in effect for certain officers of Registrant (incorporated by reference Exhibit 10(b) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1995).
- 10(iii)(b) 1992 Directors Stock Plan, as amended (incorporated by reference to Exhibit 10(iii)(b) to Registrant's Annual Report on Form 10-K for the year ended October 31, 1996).
- 10(iii)(c) Annual Management Incentive Plan II for officers of Registrant (incorporated by reference to Exhibit A to Registrant's Proxy Statement dated February 2, 1998).
- 10(iii)(d) 1985 Incentive Stock Option Plan, as amended (incorporated by reference Exhibit 10(b) to Registrant's Annual Report on Form 10-K for the year ended July 31, 1993).
- 10(iii)(e) 1989 Stock Option Plan, as amended (incorporated by reference to Exhibit 10(iii)(e) to Registrant's Annual Report on Form 10-K for the year ended October 31, 1997).
- 10(iii)(f) 1993 Stock Option Plan, as amended (incorporated by reference to Exhibit 10(iii)(f) to Registrant's Annual Report on Form 10-K for the year ended October 31, 1997).
- 10(iii)(g) Continuous Performance Award Plan, as amended (incorporated by reference Exhibit 10(iii)(g) to Registrant's Annual Report on Form 10-K for the year ended October 31, 1996).
- 10(iii)(h) The Toro Company Supplemental Management Retirement Plan (incorporated by reference Exhibit 10(iii)(h) to Registrant's Annual Report on Form 10-K for the year ended October 31, 1996).
- 10(iii)(i) Chief Executive Officer Succession Incentive Agreement dated as of July 31, 1995, as amended (incorporated by reference to Exhibit 10(iii)(i) to Registrant's Annual Report on Form 10-K for the year ended October 31, 1997).
- 10(iii)(j) The Toro Company Deferred Compensation Plan for Officers.
- 11 Computation of Earnings per Share of Common Stock and Common Stock Equivalent (page 16 of this report).
- 27 Financial Data Schedule; electronic filing only.

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: June 15, 1998

Exhibit 11

THE TORO COMPANY AND SUBSIDIARIES
 COMPUTATION OF EARNINGS PER COMMON SHARE (UNAUDITED)
 (DOLLARS IN THOUSANDS, EXCEPT PER-SHARE DATA)

	Three Months Ended		Six Months Ended	
	May 1, 1998	May 2, 1997	May 1, 1998	May 2, 1997
Net earnings	\$ 20,053	\$ 19,040	\$ 18,992	\$ 21,531
Basic:				
Weighted average number of common shares outstanding	12,836,019	12,075,340	12,736,213	12,080,429
Net earnings per share of common stock.	\$ 1.56	\$ 1.58	\$ 1.49	\$ 1.78
Diluted:				
Shares of common stock and common stock equivalents:				
Weighted average number of common shares outstanding.	12,836,019	12,075,340	12,736,213	12,080,429
Dilutive effect of outstanding stock options.	312,582	361,208	345,837	381,289
	13,148,601	12,436,548	13,082,050	12,461,718
Net earnings per share of common stock and common stock equivalent	\$ 1.53	\$ 1.53	\$ 1.45	\$ 1.73

THE TORO COMPANY
DEFERRED COMPENSATION PLAN
FOR OFFICERS

The Toro Company hereby establishes The Toro Company Deferred Compensation Plan for Officers. The purpose of the Plan is to provide the opportunity for selected officers of Toro to defer receipt of compensation that may be payable under the AMIP II and, at the same time, to acquire and retain Common Stock in the form of Common Stock Units.

ARTICLE I.
DEFINITIONS

Section 1.1 DEFINITIONS. When used in the Plan with initial capital letters, 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 and Matching Units Accounts.

"AMIP II" means The Toro Company Annual Management Incentive Plan II, as amended from time to time.

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

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

"Board of Directors" means the Board of Directors of Toro.

"Change of Control" means the earliest to occur of (a) a public announcement that a Party has acquired or obtained the right to acquire beneficial ownership of 20% or more of the outstanding shares of Common Stock of Toro, (b) the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a party of 20% or more of the outstanding shares of Common Stock of Toro, or (c) the occurrence of a tender offer, exchange offer, merger, consolidation, sale of assets or contested election or any combination thereof, that causes (or would cause) the persons who were directors of Toro immediately before such Change of Control to cease to constitute a majority of the Board of Directors of Toro or of any parent of or successor to Toro.

"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 Toro as such shares may be adjusted in accordance with subparagraph 8.i. of the AMIP II.

"Compensation Committee" means the Compensation Committee of the Toro Board of Directors, which has the authority to administer the AMIP II.

"Deferral Election" shall mean the written election form set forth in Exhibit B hereto.

"Disability" means a Participant is permanently disabled and unable to work and entitled to a disability benefit under a program sponsored or maintained by Toro.

"Effective Date" means January 21, 1998, the date the Plan was adopted by the Board of Directors, subject to stockholder approval at the March 18, 1998 Annual Meeting of Stockholders.

"Eligible Officer" means an officer of Toro described in Section 2.1.

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

"Fiscal Year" means the fiscal year of Toro, which year 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 have been credited to such Participant's Accounts.

"Plan" means The Toro Company 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 the AMIP II to elect (i) to convert to shares of Common Stock or (ii) to defer through 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.

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

"Trust" means a trust which shall be established or maintained by Toro that may be used in

connection with this Plan to assist Toro in meeting its obligations under the Plan. Such a Trust shall constitute an unfunded arrangement and 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 Toro to serve as Trustee for the Trust.

A "Unit" has a value equal to one share of Common Stock or fraction thereof, adjusted in accordance with paragraph 8.i. of the AMIP II.

ARTICLE II
ELIGIBILITY, PARTICIPATION AND DEFERRAL ELECTION

Section 2.1 ELIGIBILITY. An officer of Toro who is granted a Stock Retention Award under the AMIP II is eligible to participate in the Plan.

Section 2.2. PARTICIPATION. An Eligible Officer shall become a Participant in the Plan by executing and delivering to Toro a Deferral Election.

Section 2.3. DEFERRAL ELECTION.

(a) DEADLINE FOR DELIVERY. A Participant may elect to defer Base Cash Award compensation that may be earned under the AMIP II by completing and submitting to Toro a Deferral Election not later than the December 31 immediately following the grant to such individual of a Stock Retention Award. Notwithstanding the foregoing, the deadline for delivering a Deferral Election in the year in which the Plan is implemented and for new Eligible Officers shall be as follows:

- (i) In the year in which the Plan is first implemented, an Eligible Officer may make a Deferral Election with respect to a Base Cash Award that may be paid in connection with the Stock Retention Award most recently granted not later than 30 days after the Effective Date of the Plan, but at least six months prior to the date on which the Base Cash Award becomes payable.
- (ii) 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 make a Deferral Election with respect to a Base Cash Award that may be paid in connection with a Stock Retention Award granted in connection with becoming an Eligible Officer 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 the Base Cash Award 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 the Stock Retention Award relates (the fiscal year ending on the subsequent October 31). A Deferral Election may designate up to 50% of a Base Cash Award to be deferred and credited to the Participant's Retained Units Account.
- (c) EFFECTIVENESS. The Deferral Election is irrevocable and shall be effective upon delivery to the Director of Compensation and Benefits of Toro and shall remain in effect only with respect to the fiscal year for which it is made.
- (d) RECORD OF PARTICIPANTS. The name of each Participant and the date on which participation commences with respect to each Stock Retention Award shall be recorded on Exhibit A which is attached hereto and which shall be revised from time to time by the Secretary or Assistant Secretary of Toro, or their designee.

ARTICLE III
PARTICIPANTS' ACCOUNTS

Section 3.1 GENERAL.

- (a) CERTIFICATION REQUIRED. No Units or other amount shall be credited to any Account with respect to any Stock Retention Award relating to a particular fiscal year until the Compensation Committee has certified in writing that the performance goals established with respect to that fiscal year have been achieved.
- (b) SEPARATE ACCOUNTS. The value of each of a Participant's Retained Units Account and Matching Units Account shall be accounted for separately.
- (c) ACCOUNT VALUE. The value of Units in any Account shall fluctuate with the Fair Market Value of the Common Stock, as defined in Section 3.1(d)(i).
- (d) DIVIDENDS. In the event that Toro pays dividends on its Common Stock, each Retained Units Account and Matching 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 record date for payment of dividends.
 - (i) "Fair Market Value" (as defined in the AMIP II) means the closing price of one share of Common Stock as reported in THE WALL STREET JOURNAL.
- (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.

Section 3.2. RETAINED UNITS ACCOUNT.

- (a) NUMBER OF UNITS TO BE CREDITED. 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.
 - (i) For purposes of Sections 3.2 and 3.3, Fair Market Value shall be determined as of the date that the Compensation Committee makes the certification required under paragraph 7 of the AMIP II and Subsection 3.1(a) of this Plan.

Section 3.3. MATCHING UNITS ACCOUNT.

- (a) NUMBER OF UNITS TO BE CREDITED. 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.

ARTICLE IV.
VESTING

Section 4.1 RETAINED UNITS ACCOUNT.

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

Section 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 the AMIP II have been met by the Participant, except as otherwise provided in paragraph 8.f. of the 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 the 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 the AMIP II to the contrary, in the event of a Participant's retirement 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 Toro, or such individual violates any confidentiality agreement with Toro, Toro may demand the return of the economic value of the Matching Units which vested early under this Subsection 4.2.(d).

(e) EARLY RETIREMENT. Notwithstanding any provision herein or in the AMIP II to the contrary, in the event of a Participant's retirement 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 Subsection 4.2(b), until vesting is accelerated by Participant's attaining age 65. 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 Toro, or such individual violates any confidentiality agreement with Toro, Toro may demand the return of the economic value of the Matching Units which vested after the date of early retirement under this Subsection 4.2.(e).

- (f) VOLUNTARY RESIGNATION. In the event that a Participant resigns 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 Toro.
- (g) CHANGE OF CONTROL. All Matching Units that have not yet vested shall vest if there is a Change of Control.

ARTICLE V.
DISTRIBUTIONS.

Section 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.

Section 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 and the vested portion of the Matching Units Account. If a Participant elects to receive benefits under the installment payment method referred to in Subsection 5.2(d), the Participant's Accounts shall continue to be credited with additional Units equal in value to dividends that would be paid on Units remaining in the Accounts, if such Units were Common Stock.
- (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 Subsection 5.2(d) in accordance with the Participant's most recently-dated 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, but such change in the method of payment will not be effective until the calendar year following the calendar year in which the change was elected. Further, 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 (10)), unless a longer period is approved by the Compensation Committee or (ii) a lump sum payment.
- (e) COMPENSATION COMMITTEE DISCRETION. The Compensation Committee may, in its sole discretion, reduce the payment period over which payments 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 lump sum payment to the Participant, or in the event of the Participant's death, to the Participant's designated beneficiary under the Plan.

Section 5.3 OTHER 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 may, in its sole discretion, permit a lump sum distribution of an amount equal to the value of the units determined to be includable in the Participant's gross income.

Section 5.4 COMMENCEMENT OF DISTRIBUTIONS. Notwithstanding any provision in this Plan to the contrary, 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 in the event 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 occurred or the determination of such Disability is made.
- (b) OTHER TERMINATION. Except as otherwise provided in this Section 5.4, if a benefit is payable in the event of a Participant's termination of employment, payment shall begin on or about the 15th day of January immediately following the calendar year in which the Participant's termination of employment occurs.

(c) EARLY RETIREMENT. If a Participant has properly made an early distribution election on a Deferred Election, and the Compensation Committee has consented to the election, in the event of a Participant's retirement on or after the date on which the Participant attains age 55 at a time when the Units in the Participant's Matching Units Accounts are not yet fully vested under Subsection 4.2(b) of the Plan, the Participant shall forfeit Matching Units that have not vested at the date of early retirement, and payment shall 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.

Section 5.5 FORM OF PAYMENT. If a benefit is payable to or on behalf of a Participant under the Plan, vested Units 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, unless the Compensation Committee in its sole discretion, determines to pay the entire benefit in cash. Common Stock may be original issue shares, treasury shares or shares purchased in the market or from private sources of a combination thereof.

ARTICLE VI. THE TRUST

Section 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, Toro shall maintain a Trust by a trust agreement with a third party, the Trustee, to which Toro may, in its discretion, contribute cash or other property, including securities issued by Toro, to provide for the benefit payments under the Plan. However, in the event of a Change of Control, Toro 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 Subsection 4.2(g) 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. Toro is entitled at any time, and from time to time, 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 Toro or any of its affiliated companies, the Trustee shall hold the assets for the benefit of the general creditors of Toro and its affiliated companies. The Trust shall be based substantially on the model trust contained in Internal Revenue Service Revenue Procedure 92-64.

Section 6.2 NO ASSETS REQUIRED. Neither the Plan nor any of the Accounts shall hold or be required to hold actual shares of Common Stock, funds or assets.

ARTICLE VII
NONTRANSFERABILITY

Section 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.

Section 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 Toro and the Plan therefor.

Section 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 Deferred Election form provided to the Participant by Toro. 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.

ARTICLE VIII.
WITHHOLDING

Section 8.1 WITHHOLDING. The 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.

ARTICLE IX.
VOTING OF STOCK

Section 9.1 VOTING OF COMMON STOCK. Participant's shall not be entitled to voting rights with respect to Units.

ARTICLE X.
ADMINISTRATION OF THE PLAN

Section 10.1 ADMINISTRATOR. The administrator of the Plan shall be Toro. However, the Compensation Committee shall act on behalf of Toro 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 Toro'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. 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.

Section 10.2 AUTHORITY OF ADMINISTRATOR. Toro 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. Toro shall have the duty and responsibility of maintaining records, making the requisite calculations and disbursing payments hereunder. The determinations, interpretations, regulations and calculations of Toro shall be final and binding on all persons and parties concerned. The Secretary of Toro shall be the agent of the Plan for the service of legal process in accordance with Section 502 of ERISA.

Section 10.3 OPERATION OF PLAN. Toro shall be responsible for the general operation and administration of the Plan and for carrying out the provisions thereof. Toro shall be responsible for the expenses incurred in the administration of the Plan. Toro shall also be responsible for determining eligibility for payments and the amounts payable pursuant to the Plan. Toro 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 Toro with respect to the Plan.

Section 10.4 CLAIMS PROCEDURES. Toro intends to make payments under the Plan without a Participant submitting 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 Toro.

- (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 Toro, 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.

Section 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 Toro and the claimant.

If within 30 days after a demand for arbitration is made, Toro 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 Toro and the claimant.

Section 10.6 PARTICIPANT'S ADDRESS. Each Participant shall keep Toro informed of his or her current address and the current address of his or her beneficiary. Toro shall not be obligated to search for any person. If the location of a Participant is not made known to Toro within three (3) 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 (1) additional year after such three-year period has elapsed, or, within three (3) years after the actual death of a Participant, Toro is unable to locate any designated beneficiary of the Participant (including the Participant's estate), then Toro 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.

Section 10.7 LIABILITY. Notwithstanding any of the provisions of the Plan to the contrary, neither Toro nor any individual acting as an employee or agent of Toro 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 Toro or any such employee or agent of Toro.

ARTICLE XI. MISCELLANEOUS PROVISIONS

Section 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 Toro.

Section 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 Toro and available to the general creditors of Toro 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, Toro is required to notify the Trustee of the Trust and each Participant in writing of such an occurrence within one (1) day of Toro's knowledge of such occurrence. No Participant or any other person shall have any interests in any particular assets of Toro 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 Toro. The Plan constitutes a mere promise by Toro to make payments to the Participants in the future. Nothing contained in the Plan shall constitute a guaranty by Toro or any other person or entity that any funds in any trust or the assets of Toro 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.

Section 11.3 SINGULAR AND PLURAL. Except when otherwise required by the context, any singular terminology shall include the plural.

Section 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.

Section 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.

ARTICLE XII. AMENDMENT OR TERMINATION

Section 12.1 AMENDMENT OR TERMINATION OF THE PLAN. Toro 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 provisions of paragraph 12 of the AMIP II, 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 the AMIP II has first been amended to permit an increase, in accordance with the provisions of paragraph 12 of the AMIP II relating to stockholder approval.

Section 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 this 21 day of January, 1998.

THE TORO COMPANY

By: /s/ K. B. Melrose
Title: Chairman & CEO

DEFERRAL ELECTION
FOR
THE TORO COMPANY DEFERRED COMPENSATION PLAN FOR OFFICERS

TO: OFFICERS ELIGIBLE TO PARTICIPATE IN
THE TORO COMPANY DEFERRED COMPENSATION PLAN FOR OFFICERS

As a recipient of a Stock Retention Award under The Toro Company Annual Management Incentive Plan II (the "AMIP II") for Fiscal 1998, you are eligible to participate in The Toro Company Deferred Compensation Plan for Officers (the "Plan"). If you wish to do so, please complete each of the three sections of this Deferral Election, and sign the form in the space indicated.

This deferral election applies to Fiscal 1998 AMIP II compensation only. The deadline for returning this form to the Director of Compensation and Benefits is February 20, 1998. Note: If you become eligible to participate in the Plan in future years, the deadline for returning the form will generally be earlier--that is, December 31 of the year in which a Stock Retention Award is granted.

If Toro stockholders do not approve AMIP II amendments which create Stock Retention Awards at the March 18, 1998 Annual Meeting, this Deferral Election will be null and void and of no effect.

I. DEFERRAL ELECTION

- A. I hereby elect to participate in the Plan and to defer a portion of the Base Cash Award that I may earn under the AMIP II.
- B. The percentage of my Base Cash Award that I wish to defer is _____ % (the percentage must be 50% or less). I understand that this election is irrevocable.

Base Cash Award means the actual amount you will be paid under an Annual Performance Award, if pre-established Performance Goals are achieved. The amount may be more or less than the Target Payout, but not more than the Maximum Payout, established for you by the Compensation Committee at the beginning of the year. If Performance Goals are not achieved at minimum levels, no Base Cash Award will be paid and no compensation will be deferred under this Plan.

II. DISTRIBUTION OF BENEFITS

- A. PAYMENT IN COMMON STOCK. I understand that benefits payable under the Plan will be distributed in shares of Common Stock equal to the number of Retained Units and vested Matching Units credited to my Accounts, unless the

Compensation Committee, in its sole discretion, determines to pay benefits in cash.

If I elect as my Method of Payment annual installment payments, the number of shares of Common Stock that will be distributed to me in each annual installment will be determined immediately prior to each distribution by dividing the total number of Units then credited to my Accounts by the number of annual installment payments remaining.

B. METHOD OF PAYMENT. I hereby elect to have the entire value of my Retained Units Account and the vested portion of my Matching Units Account paid to me, or to my beneficiary in the event of my death, in the following manner:

1. DEATH OR DISABILITY. In the event of my death or Disability (as defined in the Plan), (complete only one of the following)

___ in one lump sum payment, or

___ in approximately equal annual installment payments for _____ (a number not greater than 10) years,

in either case, beginning on or about the 15th day of the first month immediately following the month in which my death occurs or the determination of such Disability is made.

2. TERMINATION OF EMPLOYMENT. In the event of my termination of employment, including retirement at or after age 65, (complete only one of the following)

___ in one lump sum payment, or

___ in approximately equal annual installment payments for _____ (a number not greater than 10) years,

in either case, beginning on or about the 15th day of January of the calendar year immediately following the calendar year in which my termination of employment occurs.

3. OPTIONAL. EARLY RETIREMENT. In the event of my termination of employment by reason of retirement at or after age 55 but prior to age 65, at a time when the Units in my Matching Units Account are not yet fully vested, (complete only one of the following)

___ in one lump sum payment, or

___ in approximately equal annual installment payments for _____ (a number not greater than 10) years,

in either case, beginning on or about the 15th day of January of the calendar year immediately following the calendar year in which my early retirement occurs.

NOTE: This election results in forfeiture of Matching Units that have not vested at the date of early retirement. It requires consent of the Compensation Committee, in its sole discretion. The election permits you to begin receiving payments earlier than otherwise permitted under the Plan.

NOTE: The elections you make in this Deferral Election regarding Method of Payment are binding and may be changed only in accordance with Section 5.2 of the Plan.

III. DESIGNATION OF BENEFICIARY

I hereby designate the following person, persons or trust as my beneficiary with respect to the distribution of any benefits payable on my behalf under the Plan:

Name Relationship

Name Relationship

Subject to the terms of the Plan and unless otherwise provided above, all benefits payable under the Plan by reason of my death shall be paid as follows: (a) benefits shall be paid in equal shares to the named beneficiaries who survive me; (b) if no named beneficiary survives me or if no beneficiary is designated, benefits shall be paid as required under my will; or (c) in the event I have no will, under applicable state law, to the persons who at the date of my death would be entitled to share in the distribution of my personal estate under the provisions of the applicable statute then in force governing my intestate property.

I further reserve the right to change the beneficiary designation at any time in the future on a form provided by Toro.

Date: -----
Participant's Signature

Please print name

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS, THE CONDENSED CONSOLIDATED BALANCE SHEET AND EXHIBIT 11 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS		
	OCT-31-1998	
	NOV-01-1997	
	MAY-01-1998	640
		0
	440,435	0
	212,425	
	707,018	318,977
	188,226	
	952,178	
463,704		200,090
	0	0
		12,841
952,178		270,772
		589,745
	589,745	
		383,744
	166,898	
	(5,004)	
	0	
	12,716	
	31,391	
	12,399	
18,992		
	0	
	0	
		0
	18,992	
	1.49	
	1.45	

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