

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended October 31, 2023**

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period from to**

Commission file number: **1-8649**

THE TORO COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or
Organization)

41-0580470

(I.R.S. Employer Identification No.)

**8111 Lyndale Avenue South
Bloomington, Minnesota 55420-1196
Telephone Number: (952) 888-8801**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	TTC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the common stock held by non-affiliates of the registrant, based on the closing price of the common stock on May 5, 2023, the last business day of the registrant's most recently completed second fiscal quarter, as reported by the New York Stock Exchange, was approximately \$11.0 billion.

The number of shares of the registrant's common stock outstanding as of December 13, 2023 was 103,874,211.

Documents Incorporated by Reference: Portions of the registrant's definitive Proxy Statement for the 2024 Annual Meeting of Shareholders expected to be held March 19, 2024 are incorporated by reference into Part III of this Annual Report on Form 10-K.

THE TORO COMPANY
FORM 10-K
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GENERAL

Unless the context requires otherwise, references to "TTC," the "Company," "we," "us," and "our," refer to The Toro Company and its consolidated subsidiaries. References to fiscal years, such as "fiscal 2023," are to the fiscal year ending on October 31 of the specified year.

We use "Toro" and other marks as trademarks in the United States and/or in other countries. This Annual Report on Form 10-K contains references to our registered or common law trade names, trademarks or service marks and to those belonging to other entities. Solely for convenience, trademarks and trade names referred to in this Annual Report on Form 10-K, including logos, artwork and other visual displays, may appear without the ® or ™ symbols, but such references are not intended to indicate in any way that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other entities' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other entity unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains, or incorporates by reference, not only historical information, but also forward-looking statements regarding future events and our future results within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and the Private Securities Litigation Reform Act of 1995, and that are subject to the safe harbor created by those sections. In addition, we or others on our behalf may make forward-looking statements from time to time in oral presentations, including telephone conferences and/or web casts open to the public, in press releases or reports, on our websites or otherwise. Statements that are not historical are forward-looking and reflect expectations and assumptions that we believe to be reasonable. Forward-looking statements are based on our current expectations of future events, and often can be identified in this report and elsewhere by using words such as "expect," "strive," "looking ahead," "outlook," "guidance," "goal," "optimistic," "encourage," "anticipate," "continue," "plan," "estimate," "project," "target," "improve," "believe," "become," "should," "could," "will," "would," "possible," "promise," "may," "likely," "intend," "can," "seek," "pursue," "potential," "pro forma," variations of such words or the negative thereof, and similar expressions or future dates. Our forward-looking statements generally relate to our future performance and may include, among others, statements relating to:

- our anticipated operating results, liquidity requirements, and financial condition;
- the anticipated impacts of current global supply chain disruptions, the inflationary environment, the war between Ukraine and Russia, the war between Israel and Hamas, and the related sanctions and geopolitical tensions, tight labor markets, and other macroeconomic factors;
- our business strategies, priorities, goals, and commitments;
- acquisitions and any impairment, restructuring, or other charges in connection therewith or resulting therefrom;
- business and productivity initiatives and anticipated sales growth, profitability, cost savings, and other benefits associated therewith; and
- the effect of laws, rules, policies, regulations, tax reform, new accounting pronouncements, and outstanding litigation on our business and future performance.

Forward-looking statements are only predictions and involve risks and uncertainties that could cause actual results to differ materially from those projected or implied in the forward-looking statements. The factors known to us that could materially adversely affect our business, reputation, operations, industry, financial position or future financial performance are described in Part I, Item 1A, "Risk Factors," of this Annual Report on Form 10-K. We caution readers not to place undue reliance on any forward-looking statement which speaks only as of the date made and to recognize that forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described elsewhere in this Annual Report on Form 10-K, including in Part I, Item 1A, "Risk Factors," as well as others that we may consider immaterial or do not anticipate at this time. The risks and uncertainties described in this Annual Report on Form 10-K, including in Part I, Item 1A, "Risk Factors," are not exclusive and further information concerning the company and our businesses, including factors that potentially could materially affect our financial results or condition, may emerge from time to time. We make no commitment to revise or update any forward-looking statements in order to reflect actual results, events or circumstances occurring or existing after the date any forward-looking statement is made, or changes in factors or assumptions affecting such forward-looking statements. We advise you, however, to consult any further disclosures we make on related subjects in our future Quarterly Reports on Form 10-Q and Current Reports on Form 8-K we file with, or furnish to, the United States Securities and Exchange Commission (the "SEC").

PART I

ITEM 1. BUSINESS

Introduction

We design, manufacture, market and sell professional turf maintenance equipment and services; turf irrigation systems; landscaping equipment and lighting products; snow and ice management products; agricultural irrigation ("ag-irrigation") systems; rental, specialty and underground construction equipment; and residential yard and snow thrower products. Our purpose is to help our customers enrich the beauty, productivity, and sustainability of the land. Our products are marketed and sold worldwide through a network of distributors, dealers, mass retailers, hardware retailers, equipment rental centers, and home centers, as well as online and direct to end-users under the primary trademarks of Toro®, Ditch Witch®, eXmark®, Spartan®, BOSS®, Ventrac®, American Augers®, Trencor®, Pope®, Subsite®, HammerHead®, Radius®, Perrot®, Hayter®, Unique Lighting Systems®, Irritrol®, and Lawn-Boy®, most of which are registered in the United States ("U.S.") and/or in the primary countries outside the U.S. where we market our products branded under such trademarks.

We focus on innovation and quality in our products, customer service, manufacturing, and marketing. We strive to provide innovative, well-built, and dependable products supported by an extensive service network. We commit to funding research, development, and engineering activities in order to improve and enhance existing products and develop new products. Through these efforts, we seek to be responsive to trends that may affect our target markets now and in the future. A significant portion of our net sales has historically been, and we expect will continue to be, attributable to new and enhanced products. We define new products as those introduced in the current and previous two fiscal years.

We have continued to complement our brands, enhance our product portfolios, and improve our technologies through innovation and strategic acquisitions over the more than 100 years we have been in business. We plan to continue to leverage a strategic and disciplined approach to pursue targeted acquisitions that add value to TTC by complementing our existing brands, enhancing our product portfolio, and/or improving our technologies.

We classify our operations into two reportable business segments: Professional and Residential. Our remaining activities are presented as "Other" due to their insignificance. These Other activities consist of earnings (loss) from a wholly-owned domestic distribution company, certain corporate activities, and the elimination of intersegment revenues and expenses. Net sales of our reportable segments and Other activities accounted for the following percentages of our consolidated net sales for fiscal 2023: Professional, 80.7 percent; Residential, 18.8 percent; and Other, 0.5 percent.

Sustainability is integrated into our enterprise strategic priorities of accelerating profitable growth, driving productivity and operational excellence, and empowering our people. Our focus on alternative power, smart connected, and autonomous solutions, as well as our continued efforts to address environmental, social, and governance priorities, are embedded as part of our commitment to advancing our sustainability goals.

Business Combination

Acquisition of Intimidator Group

On January 13, 2022, during the first quarter of fiscal 2022, we acquired the privately held Intimidator Group ("Intimidator"). For information regarding the acquisition of Intimidator, refer to Note 2, *Business Combinations and Asset Acquisitions*, in the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

Products by Market

We strive to be a leader in adapting advanced technologies to products and services that provide innovative solutions for turf maintenance; landscape and lighting; rental, specialty, and underground construction; snow and ice management; agricultural; and residential demands. The following is a summary of our products, by market, for our Professional segment and our products for our Residential segment.

Professional Segment

We design professional turf maintenance; landscape and lighting; rental, specialty, and underground construction; snow and ice management; and agricultural products. We market and sell Professional segment products worldwide through a network of distributors and dealers, as well as directly to government customers, rental companies, and large retailers. These channel partners then sell or rent our products to professional and other users, including homeowners, engaged in maintaining turf, such as golf courses, sports fields, municipal properties, as well as residential and commercial landscapes; installing, repairing, and replacing underground pipe and utilities; managing snow and ice demands; irrigating turf and agricultural fields; and creating, renovating, and illuminating landscapes. The following sections describe our Professional segment products by market.

Golf Market

We design, manufacture, market, and sell equipment products under the Toro and Ventrac brands that are intended to provide innovative solutions for golf course turf maintenance. Equipment products for the golf market include large reel and rotary riding mowers for fairway, rough, and trim cutting; riding and walking mowers for greens and specialty areas; greens rollers; all-wheel drive articulating tractors; turf sprayer equipment; utility vehicles; aeration equipment; bunker maintenance equipment, and other specialty turf equipment. We also market and sell irrigation products for the golf market under the Toro brand that are designed to provide innovative water application solutions for golf course turf maintenance. These irrigation products predominantly consist of sprinkler heads, controllers, turf sensors, valves and operating software. These equipment and irrigation products are primarily sold to distributors and dealers, who then sell to owners, managers and/or superintendents of golf courses.

Sports Fields and Grounds Market

We design, manufacture, market, and sell Toro and Ventrac-branded equipment products that are intended to provide innovative turf maintenance solutions to sports fields and grounds customers. Equipment products for the sports fields and grounds market primarily include riding rotary and reel mowers and attachments, aerators, infield grooming equipment, all-wheel drive articulating tractors, multipurpose vehicles and debris management products, which include versatile debris vacuums, blowers, and sweepers. In addition to equipment products, we also market and sell irrigation products under the Toro and Perrot brands that are designed to provide innovative water application solutions for sports fields and grounds turf maintenance. These irrigation products primarily include sprinkler heads, controllers, turf sensors, valves and operating software. These products are primarily sold to distributors and dealers, who then sell to owners and/or managers of sports fields, governmental properties, and residential and commercial landscapes, as well as directly to government customers.

Landscape Contractor Market

We design, manufacture, market, and sell equipment products under the Toro, eXmark, Spartan and Ventrac brands that are intended to provide innovative turf management solutions to landscape contractors. Equipment products for the landscape contractor market include zero-turn radius riding mowers, heavy-duty walk behind mowers, mid-size walk behind mowers, stand-on mowers, and all-wheel drive articulating tractors, as well as turf application, turf renovation, and tree care equipment. These equipment products are primarily sold to distributors and dealers, who then sell to landscape contractors engaged in turf maintenance activities.

Underground Construction Market

We design, manufacture, market, and sell a range of professional grade products to serve the underground construction market under the Ditch Witch, American Augers, Trencor, HammerHead, Subsite, and Radius brands, including horizontal directional drills, walk and ride trenchers, vacuum excavators, horizontal directional drilling guidance and support equipment, utility locators, utility inspection systems, pipe rehabilitation and replacement solutions, as well as after-market tools, including drive chucks and sub savers, drill pipe, starter rods and quick connects, bits and blades, rock tools, reamers, and swivels. Such products are utilized by specialty contractors worldwide to install water, gas, electric, telecommunication, fiber optic, and other utility distribution systems.

Rental and Specialty Construction Market

We design, manufacture, market, and sell Toro and Ditch Witch-branded equipment products that are intended to provide innovative solutions to serve the rental and specialty construction market. These products primarily consist of stand-on skid steers, walk-behind trenchers, stump grinders, and turf renovation products. We also have a line of Toro-branded rental products that feature material handlers, compaction equipment, and other concrete construction equipment. Our rental and specialty construction equipment products are mainly sold to rental companies and large retailers who subsequently rent the products to end-users, as well as to dealers who market and sell to end-customers primarily consisting of landscape contractors, municipalities, and other government entities.

Snow and Ice Management Market

We design, manufacture, market, and sell equipment products under the BOSS, Ventrac, and Toro brands that are intended to provide innovative snow removal and ice management solutions for the snow and ice management market. These equipment products primarily consist of snowplows; salt and brine ice control products; accessories for light and medium duty trucks, all-terrain vehicles, utility task vehicles, skid steers, and front-end loaders; and all-wheel drive articulating tractors, sidewalk snow and ice solution vehicles, and related attachments and accessories. These products are mainly sold through distributors and dealers who market and sell to end-customers primarily consisting of landscape contractors, municipalities, and other government entities.

Commercial Irrigation and Lighting Market

Irrigation products are designed, manufactured, marketed, and sold under the Toro and Irritrol brands and primarily include rotors; sprinkler bodies and nozzles; plastic, brass, and hydraulic valves; drip tubing and subsurface irrigation; electric control devices; and wired and wireless rain, freeze, climate, and soil sensors. These irrigation products are designed to provide innovative water application solutions for both commercial and residential landscapes. Both the Toro and Irritrol brands have received several U.S. Environmental Protection Agency ("EPA") WaterSense awards, as well as the EPA WaterSense certification for numerous irrigation controller families and models. In fiscal 2023, TTC was recognized for the ninth consecutive year with the WaterSense Excellence Award for our dedication to offering products that are designed to help our customers save water, in addition to other factors, as well as for our excellence in outreach, education, training and public relations. In addition to our irrigation products, we market and sell Unique Lighting Systems-branded products primarily consisting of a line of lighting fixtures and transformers designed for commercial and residential landscapes. Our commercial irrigation and lighting products are predominantly sold to distributors and dealers who market and sell to end-customers primarily consisting of landscape contractors that professionally install these products as new systems or use these products to replace or retrofit existing systems.

Ag-Irrigation Market

Irrigation products for the ag-irrigation market are designed, manufactured, marketed, and sold under the Toro brand and are intended to provide an efficient means of water application and usage in agricultural and greenhouse applications. These irrigation products primarily consist of drip tape, polyethylene tubing, drip line, emitters, filters, and fitting solutions. In addition to these core products, we offer a complement of design software and connection options to complete the ag-irrigation system. Our ag-irrigation products are sold through dealers and distributors who then sell to end-users for use primarily in vegetable fields, fruit and nut orchards, and vineyard applications.

Residential Segment

We market and sell our Residential segment products to homeowners through a variety of distribution channels, including outdoor power equipment distributors and dealers, mass retailers, hardware retailers, and home centers, as well as online and direct to end-users. We also license our trademark on certain home solutions products as a means of expanding our brand presence. The following sections describe our Residential segment products.

Walk Power Mower Products

We design, manufacture, market, and sell walk power mower equipment products under our Toro and Lawn-Boy brand names, as well as the Hayter brand in the United Kingdom. Our walk power mower equipment products are designed to provide innovative turf cutting solutions primarily to homeowners. Models differ as to cutting width, type of starter mechanism, method of grass clipping discharge, deck type, operational controls, and power sources, and are either self-propelled or operator-propelled push mowers.

Zero-Turn Riding Mower Products

Our residential zero-turn riding mower equipment products are designed, manufactured, marketed, and sold under the Toro brand name and are intended to provide innovative and time saving turf cutting solutions by using superior maneuverability to navigate around obstacles more efficiently and effectively than tractor technology. Many models of our residential zero-turn riding mowers are available with a variety of engines, decks, transmissions, and accessories.

Snow Thrower Products

We design, manufacture, market, and sell a range of Toro-branded battery, electric, and gas-powered single-stage and two-stage snow thrower equipment products, as well as battery and electric-powered power shovel equipment products. Single-stage snow throwers are walk behind units that are generally designed for small areas of light snow and our two-stage snow throwers are generally designed for relatively large areas of deep and heavy snow. Our battery and electric-powered power shovels are designed to be lightweight and ideal for clearing light snow from decks, steps, sidewalks, and small driveways.

Home Solutions Products

Our home solutions equipment products are designed, manufactured, marketed, and sold under the Toro and Pope brand names.

Our Toro-branded home solution equipment products consist of a variety of yard tools that generally include battery, electric, and/or gas-powered options and primarily consist of grass trimmers, hedge trimmers, blower-vacuums, chainsaws, edgers, cultivators, string mowers, and related parts and accessories that are designed to provide innovative yard maintenance solutions to homeowners.

Our Pope-branded home solution products consist of garden watering and irrigation products that primarily include hoses; reels, carts and hangers; sprinklers; hand sprays and wands; hose end fittings; tap timers; and various irrigation tools designed to develop and maintain gardens. These products are primarily sold to our customers in Australia and New Zealand.

International Operations

We currently manufacture our products in the U.S., Mexico, the United Kingdom, Italy, Romania, Germany, Poland, Australia, and China for sale throughout the world. We maintain sales offices in the U.S., the United Kingdom, Australia, Japan, China, Italy, Poland, Germany, Spain, France and Belgium. New product development is pursued primarily in the U.S. with the intention of global distribution. Our net sales outside the U.S. were 20.8 percent, 19.5 percent, and 20.9 percent of total consolidated net sales for fiscal 2023, 2022, and 2021, respectively. For additional financial information regarding our international operations and geographical areas, refer to Note 3, *Segment Data*, in the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

As a result of our international operations, we are exposed to foreign currency exchange rate risk arising from transactions in the normal course of business. For additional information regarding our foreign currency exchange rate risk exposure, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," of this Annual Report on Form 10-K.

Engineering, Research and Innovation

We believe that our longstanding commitment to innovation and quality in our products has been a key driver of our market success. We are committed to the development of innovative new products and improvements in the quality and performance of existing products. When applicable, we also may pursue targeted and strategic acquisitions to acquire innovative technologies that we believe bolster our longstanding commitment to innovation in our products and complement and support the development of alternative power, smart-connected, and autonomous products within our Professional and Residential segments.

Engineering and research activities are performed at our global test sites and facilities and our products are tested in conditions and locations similar to those in which they are intended to be used. We invest time up front with customers, using "Voice of the Customer" tools, to help us develop innovative products that are intended to meet or exceed customer expectations. We use Design for Manufacturing and Assembly ("DFM/A") tools to ensure early manufacturing involvement in new product designs intended to reduce production costs. DFM/A focuses on reducing the number of parts required to assemble new products, as well as designing products to move more efficiently through the manufacturing process. We strive to make improvements to our new product development system as part of our continuing focus on Lean methods to shorten development time and reduce costs, while also improving quality.

Manufacturing and Production

Our manufacturing facilities are designed to provide efficient and flexible assembly-line manufacturing of our products. In addition to most final assembly, we have strategically identified specific core manufacturing competencies for vertical integration, such as injection molding, extrusion, welding, stamping, fabrication, laser cutting, painting, machining, and aluminum die casting, and have chosen outside vendors to provide other services, where applicable. We design component parts through collaboration with our vendors, contract with them for the development of tooling, and subsequently enter into agreements with such vendors to purchase component parts manufactured using the tooling. We also have agreements with third-party manufacturers to produce certain standalone end-products on our behalf. In addition, our vendors regularly test new technologies to be applied in the design and production of component parts. Our manufacturing operations include robotic and computer-automated equipment intended to speed production, reduce costs, and improve resource use and the quality, fit, and finish of our products. Our operations are also designed to be flexible enough to accommodate product design changes that are necessary to respond to market conditions and changing customer requirements.

In order to utilize our manufacturing facilities and technology more efficiently and effectively, we pursue continuous improvements in our manufacturing processes with the use of Lean methods that are intended to streamline work and eliminate waste. Additionally, we use computer-aided design and manufacturing systems to shorten the time between initial concept and final production. DFM/A principles are used throughout the product development process to optimize product quality and reduce cost. We spend considerable effort to reduce manufacturing costs through Lean methods and process improvement, product and platform design, application of advanced technologies, enhanced environmental management systems, safety improvements, and improved supply-chain management.

Our Professional segment products and Residential segment lawn and garden products are generally manufactured throughout the year with peak production generally occurring ahead of the key selling seasons for certain of our businesses and product lines that are more subject to seasonality. However, our Residential segment snow thrower products are generally manufactured in the summer and fall months but may be extended into the winter months, depending upon weather conditions in key regions, the related demand for such products and certain impacts from global supply chain disruptions. Our production levels and

inventory management goals are based on estimates of wholesale and retail demand for our products, taking into account production capacity; commodity, component part, and labor availability; timing of shipments; and field inventory levels. Our production system generally utilizes Kanban, supplier pull, and build-to-order methodologies in our manufacturing facilities, as appropriate, for the business units they support in order to better align the production of our products to meet customer demand. We believe this has resulted in improved service levels for our participating suppliers, distributors, dealers, and other channels. We may also periodically shut down production at our manufacturing facilities in order to allow for maintenance, rearrangement, capital equipment installation, seasonality, and as needed, to adjust for market demand, facility renovation projects, and other factors. Production shut downs of this nature are generally not materially disruptive to our business and are considered to be normal.

Commodities, Components, Parts, and Accessories

We purchase commodities, components, parts, and accessories for use in our manufacturing process and end-products or to be sold as stand-alone end-products. Our primary cost exposures for such items used in our products are with steel, aluminum, petroleum and natural gas-based resins, linerboard, copper, lead, rubber, engines, transmissions, transaxles, hydraulics, electrification components, and others, all of which we purchase from several suppliers around the world. We generally purchase commodities, components, parts, and accessories based upon market prices that are established with suppliers as part of the purchase process and generally attempt to obtain firm pricing from most of our suppliers for volumes consistent with planned production and estimates of wholesale and retail demand for our products. However, most of the commodities, components, parts, and accessories used in our manufacturing process and end-products, or to be sold as stand-alone end-products, are exposed to commodity cost changes, including, for example, as a result of inflation, changing prices, foreign currency fluctuations, tariffs, duties, trade regulatory actions, industry actions, changes to international trade policies, agreements, and/or regulation and competitor activity, including antidumping and countervailing duties on certain products imported from foreign countries, including certain engines imported into the U.S. from China. For additional information regarding changing costs of commodities, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," of this Annual Report on Form 10-K in the section entitled "Commodity Cost Risk."

Most of the commodities, components, parts, and accessories utilized in our products are generally commercially available from a number of sources. Although we regularly monitor the adequacy of the supply of our commodities, components, parts, and accessories, and the financial health of the companies in our supply chain, and use alternative suppliers when necessary and available, financial hardship, insufficient demand planning, and/or the inability of companies throughout our supply chain to deliver on supply commitments, requirements, and/or demands has caused disruptions in our ability to procure the commodities, components, and parts required to manufacture our products.

Service and Warranty

Our products are warranted to provide assurance that the product will function as expected and to ensure customer confidence in design, workmanship, and overall quality. Standard warranty coverage is generally provided for specified periods of time and on select products' hours of usage, and generally covers parts and labor, and other expenses for non-maintenance repairs. We also sell separately priced extended warranty coverage on select products for a prescribed period after the original warranty period expires. Warranty coverage generally does not cover operator abuse or improper use. An authorized distributor or dealer must perform warranty work. Distributors and dealers submit claims for warranty reimbursement and are credited for the cost of repairs, labor, and other expenses as long as the repairs meet our prescribed standards. Service support outside of the warranty period is provided by authorized distributors and dealers at the customer's expense.

Product Safety and Liability

We have rigorous product safety standards and continually work to improve the safety and reliability of our products. We monitor for accidents and possible claims and establish liability estimates based on internal evaluations of the merits of individual claims. We purchase insurance coverage for catastrophic product liability claims for incidents that exceed our self-insured retention levels.

Patents and Trademarks

We own patents, trademarks, and trade secrets related to our products in the U.S. and certain countries outside the U.S. in which we conduct business. We expect to apply for future patents and trademarks, as appropriate, in connection with the development of innovative new products, services, and enhancements. Although we believe that, in the aggregate, our patents are valuable, and patent protection is beneficial to our business and competitive positioning, our patent protection will not necessarily deter or prevent competitors from attempting to develop similar products. We are not materially dependent on any one or more of our patents; however, certain TTC trademarks that contribute to our identity and the recognition of our products and services, including but not limited to the Toro® name and logo, are an integral part of our business.

We review certain patents issued by the U.S. Patent and Trademark Office ("USPTO") and foreign patent offices to help avoid potential liability with respect to others' patents. Additionally, we periodically review competitors' products to prevent possible infringement of our patents by others. We believe these activities help us minimize our risk of being a defendant in patent infringement litigation. From time to time, we are involved in patent litigation cases, including cases by or against competitors, where we are asserting or defending against claims of patent infringement.

Similarly, we periodically monitor various trademark registers and the market to prevent infringement of and damage to our trademarks by others. From time to time, we are involved in trademark oppositions where we are asserting our trademarks against third-parties who are attempting to establish rights in trademarks that are confusingly similar to ours. We believe these activities help minimize risk of harm to our trademarks and help maintain distinct products and services that we believe are well regarded in the marketplace. For a description of our material intellectual property legal proceedings, refer to the headings titled "Litigation" and "Litigation Settlement" within Note 11, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

Seasonality

As a result of our global presence in key markets that are subject to seasonal weather patterns, some of our businesses are seasonal. Overall, our seasonal shipment volumes are generally a function of the key selling seasons of our channel partners based on their industry, geographic location, and the nature and intended purpose of our products in relation to the correlating season. Seasonal weather patterns can impact the timing of the key selling seasons of our channel partners, which may cause our quarterly financial results to differ between fiscal years as demand for our products and related shipment volumes can shift between quarters. Such shifts in the demand for our products and related shipment volumes may result in a negative or positive impact on our net sales and other operating results for a particular period.

Our shipment volumes generally precede and overlap the key selling seasons of our channel partners in order to better allow our channel partners to align field inventory levels with the anticipated retail demand from end-customers. As a result, our shipment volumes have historically been the highest in our fiscal second quarter, and retail demand for our products is generally highest in our fiscal third quarter. Typically, our accounts receivable balances increase between January and April as a result of higher shipment volumes and extended payment terms made available to our customers. Accounts receivable balances typically decrease between May and December when payments are received. Our financing requirements are subject to variations due to seasonal changes in working capital levels, which typically increase in the first half of our fiscal year and decrease in the second half of our fiscal year. Seasonal cash requirements of our business are financed from a combination of cash flows from operations, cash on hand, and borrowings under our revolving credit facility, as applicable.

Shipments of our Residential segment products tend to be more seasonal than our Professional segment products, with shipments of lawn and garden products occurring primarily between February and June, depending upon seasonal weather conditions and product demand. Shipments of snow thrower products occur primarily between July and January, depending upon pre-season demand, in-season snowfalls, and product availability. Opposite seasons in global markets in which we sell our Residential products somewhat moderate this seasonality of our Residential segment product sales.

Seasonality of Professional segment product sales also exists but is slightly tempered because the selling season in the Southern U.S. and our markets in the Southern hemisphere generally continue for a longer portion of the year than in Northern regions of the world. Our BOSS and Ventrac brands offer a portfolio of counter-seasonal snow and ice management products in our Professional segment with our shipments of snow and ice management products occurring primarily between April and December, which can result in variability of shipment volumes depending upon pre-season demand, in-season snowfalls, and product availability. Additionally, our rental, specialty, and underground construction business is generally less seasonal than certain of our Professional segment businesses primarily due to the strong presence of certain of the underlying brands in the Southern U.S. markets and the inherent nature of the underground construction market being less impacted by seasonal factors.

Effects of Weather

From time to time, seasonal weather conditions in particular geographic regions or markets, specifically severe wet or dry conditions, as well as significant weather events such as fires, hurricanes, tornados, drought, rainfall, unseasonably warm winter months, or other weather events, including those exacerbated by global climate change, may adversely or positively affect sales, demand, and field inventory levels of some of our products. In addition, weather conditions in key regions can cause disruption in our seasonality trends and supply chain, which may impact our ability to procure the commodities, components, parts, and accessories needed to manufacture our products to meet the needs of our customers, and such disruptions may adversely or positively affect sales, demand, and field inventory levels of some of our products. For example, persistent hot and dry weather patterns or excessive snowfall across key regions may impact the rate at which inventory needs to be replenished either negatively or positively.

Customers, Distribution, and Marketing

We market and sell the majority of our products through more than 150 distributors worldwide, as well as a large number of equipment dealers, irrigation dealers and distributors, mass retailers, hardware retailers, equipment rental centers, and home centers, as well as online and direct to end-users in more than 125 countries. Our distribution networks are intended to assure quality of sales and market presence, as well as to provide effective after-purchase service and support. Overall, we believe that in the long-term we are not dependent on any single customer. While the loss of any substantial customer could have a material adverse short-term impact on our business, we believe that our diverse distribution channels and customer base should reduce the long-term impact of any such loss.

Professional segment products are sold to distributors and dealers primarily for resale to golf courses, sports fields, contractors, government customers, and homeowners who prefer professional solutions, and in some markets for resale to dealers. We sell some Professional segment products directly to government customers and municipalities and rental companies, as well as to end-users in certain markets. Select irrigation and lighting products are sold to professional irrigation and lighting distributors and dealers, and certain professional-grade retail irrigation products are sold to home centers. Products for the rental, specialty, and underground construction markets are sold to dealers and rental companies, as well as direct to end-users in certain markets. Landscape contractor turf products are also sold to dealers in certain regions of North America. Snow and ice management products are primarily sold to distributors and dealers for resale to contractors.

Residential segment products, such as walk power mowers, zero-turn riding mowers, and snow throwers, are generally sold to home centers, mass retailers, dealers, and hardware retailers, as well as online and direct to end-users. In certain markets, these same products are sold to distributors for resale to hardware retailers and dealers. Home solutions products are primarily sold to home centers, mass retailers, and hardware retailers. Internationally, Residential segment products are sold to dealers and mass merchandisers in Australia, Canada, and select countries in Europe. In most other countries, Residential segment products are mainly sold to distributors for resale to dealers and mass retailers.

We operate one wholly-owned domestic distribution company. Our primary purpose in owning a domestic distributorship is to improve operations and test and deploy new strategies and business practices that could be replicated by our independent distributors, as well as facilitating ownership transfers.

Our current marketing strategy is to maintain distinct brands and brand identification for Toro, Ditch Witch, eXmark, Spartan, BOSS, Ventrac, American Augers, Trencor, Pope, Subsite, HammerHead, Radius, Perrot, Hayter, Unique Lighting Systems, Irritrol, and Lawn-Boy products. Across our brands, we market our Professional and Residential segment products during the appropriate seasons through multiple channels, including digital and online media, radio, print, direct mail, email, television, and social media. Most of our advertising and marketing efforts emphasize our brands, products, features, and other valuable trademarks. Advertising is purchased by us, through our agency partners, as well as through cooperative programs with distributors, dealers, and retailers.

Customer Financing

Inventory Financing Arrangements

We are party to a joint venture with Huntington Distribution Finance, Inc. ("HDF"), a subsidiary of The Huntington National Bank, established as Red Iron Acceptance, LLC ("Red Iron"), the primary purpose of which is to provide inventory financing to certain distributors and dealers of certain of our products in the U.S. For further information on this joint venture, refer to Note 7, *Investment in Joint Venture*, of the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

We are party to inventory financing arrangements with Red Iron, Huntington Commercial Finance Canada, Inc. ("HCFC"), and other third-party financial institutions (collectively, the "financial institutions") which provide inventory financing to certain dealers and distributors of certain of our products in the U.S. and internationally. For further information on these inventory financing arrangements, refer to Note 11, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

End-User Financing

We have agreements with third-party financing companies to provide financing options to end-customers throughout the world. The purpose of these agreements is to provide end-users of our products alternative financing options when purchasing our products.

Open Account Terms

Additionally, we continue to provide financing in the form of open account terms directly to home centers and mass retailers, general line irrigation dealers, certain domestic and international distributors and dealers, ag-irrigation dealers and distributors, government customers, and rental companies.

Order Backlog

Our order backlog represents unfulfilled customer orders at a point in time. The dollar value of our order backlog is equal to the gross sales value that we expect to bill to the customer and is not reduced for expected variable consideration related to certain of our sales promotions and incentives programs. Order backlog is one of many indicators of business conditions within the markets and industries that we operate; however, our order backlog is considered more representative of business conditions than an indicator of our expectation of our future net sales because the dollar value of our order backlog is a gross amount that has not yet been reduced for the variable consideration associated with certain of our sales promotions and incentives programs and because backlog can fluctuate for a number of reasons, including the seasonality of our business, product mix, pricing actions, manufacturing and shipping schedules, cancellation and rescheduling of orders by our customers, and the timing of when orders are originally placed by customers and when we are able to fulfill such orders.

Competition

Our global business operations result in us competing with many U.S. and non-U.S. companies across our various markets, industries, and product offerings. These competitors and the degree of competition vary widely by industry, product line, end market, geographic scope and/or geographic location, including some competitors that have substantially larger operations and financial resources than we do and some that have smaller operations offering various capabilities to customers. We also experience a certain level of competition among our own brands within certain industries and end markets. Because of the diversity of our product portfolios and markets, our businesses typically have a different set of competitors in each geographic area and end market in which they participate. Accordingly, estimating the number of competitors or precise market share is challenging; however, we believe that we are a principal competitor in most of our industries and markets.

The principal competitive factors in our markets are product innovation; quality and reliability; pricing and sales programs; product support and customer service; warranty; brand and reputation; channel relationships, shelf space, and product availability; and financing options. We believe we offer total solutions and full service packages with high quality products that have the latest technology and design innovations. In addition, by selling our products through a network of distributors, dealers, mass retailers, hardware retailers, and home centers, as well as online and direct to end-users, users are offered comprehensive service support during and after the warranty period. We believe that we have a competitive advantage because we manufacture a broad range of product lines, we are committed to product innovation and customer service, we have a strong history in, and focus on, the markets in which our businesses operate, and our distribution channels position us well to compete in various markets.

Our Residential segment products generally face a higher volume of competition than our Professional segment products given the relatively low barriers to entry resulting in numerous other manufacturers selling products that compete directly with our products. Internationally, our Residential segment products face more competition than in the U.S. because many foreign competitors design, manufacture, market, and sell products in their respective countries. We experience this competition primarily in Europe. In addition, fluctuations in the value of the U.S. dollar affect the price of our products in foreign markets, thereby impacting their competitiveness. We provide pricing support to foreign customers, invoice in local currency, and execute foreign currency derivative hedging instruments, as appropriate, to remain competitive in international markets.

Human Capital Resources and Management

Our Purpose, Vision, Mission and Guiding Principles

We believe our commitment to our human capital resources is key to:

Our Purpose: To help our customers enrich the beauty, productivity and sustainability of the land.

Our Vision: To be the most trusted leader in solutions for the outdoor environment. Every day. Everywhere.

Our Mission: To deliver superior innovation and to deliver superior customer care.

As part of our guiding principles, we believe our success is deeply rooted in caring relationships built on trust and integrity. We believe these relationships are the foundation of our market leadership in innovation and solutions that make outdoor environments beautiful, productive and sustainable. We are committed to fostering a meaningful and enriching culture and engaging employee experience. We believe bringing more diversity to our workforce and our commitment to employee wellness and environmental stewardship create a sense of community, allowing employees to take pride in their jobs and live the TTC values.

Our employees are guided further by our global Code of Conduct, which provides a framework for our actions and is the foundation of our partnership with TTC stakeholders—customers, suppliers, shareholders, communities, employees and others. Our goal is to foster a culture of trust and respect for all stakeholders and create a productive, supportive and thriving work environment for all TTC employees.

Number of Employees

During fiscal 2023, we employed an average of 10,982 employees. The total number of employees as of October 31, 2023 was 10,706.

Unions and Collective Bargaining Agreements

As of October 31, 2023, approximately 12.4 percent of our employees were represented by a union under a collective bargaining agreement. Our collective bargaining agreements typically are for terms of three to five years, and from time to time, our collective bargaining agreements expire and come up for renegotiation. Our four collective bargaining agreements expire in October 2025, March 2026, June 2026, and October 2026. We consider our employee relations to be good and currently do not expect any significant difficulties in renewing these agreements. We have not experienced any strikes or work stoppages in the past three years.

Employee Safety

The safety of our employees is paramount to us. We provide mandatory safety trainings each month in our production facilities, which are designed to focus on empowering our employees with the knowledge and tools they need to make safe choices and to mitigate risks. Supervisors also complete safety management courses. In addition to traditional training, we use safety scorecards, standardized signage, and visual management throughout our facilities. Safety best practices are also regularly featured in our employee newsletters and town halls.

Employee Engagement

We provide all employees with the opportunity to share their opinions and feedback on our culture through an engagement survey. Results of the survey are measured and analyzed to enhance the employee experience, promote employee retention, drive change and leverage the overall success of our organization.

Talent Development

We strive to equip our teams and talent to deliver on the company's commitments to excellence by providing all employees a wide range of professional development opportunities, both formal and informal, at all stages in their careers. Our formal career development offerings include apprenticeships, job training, mentoring and coaching, leadership development, tuition reimbursement, a diverse curriculum of learning programs, leadership development experiences, vocational training and external partnerships across the globe. One of our unique leadership development programs is our Leadership in Motion program, a learning experience for nominated current and future TTC leaders to enhance leadership skills and collaborate with TTC colleagues in a cross-functional setting. The global program expands employee networks, provides visibility within the company, and builds capabilities needed for TTC's future. In small groups, participants work on a challenge critical to the company, such as technological innovation, communications, diversifying the workforce and talent retention. Over three months, they learn as a team, use newly gained skills and ultimately present recommendations related to their challenge to our Enterprise Leadership Team. Insights, themes and recommendations from cohort teams have contributed to actions in many areas for the company.

We have transitioned many of our professional development opportunities to virtual delivery options and expanded our offerings for on-demand learning to ensure that robust learning opportunities were still available to our employees who were not required to be physically present at our facilities and sites to perform their job responsibilities. One such example of a virtual development program is our Engaging Effectively program, which we offer to leaders who are required to manage differently in a remote and hybrid environment, yet still engage and achieve high performance standards with their teams.

Health and Wellness

The health and wellness of our employees are critical to our success. We provide our employees with access to a variety of innovative, flexible and convenient health and wellness programs, which include but are not limited to, 24/7 call-in service access to a licensed physician, on-site nurses at some of our manufacturing sites to monitor employee health, safety, and wellness on a daily basis, various mobile apps that provide physical and mental well-being support. Such programs are designed to support employees' physical and mental health by providing tools and resources to help them improve or maintain their health status and encourage engagement in healthy behaviors.

Diversity, Equity and Inclusion

We recognize that our best performance comes when our teams are diverse, and accordingly, diversity, equity and inclusion ("DEI") is core to us. We believe diversity can take the form of visible and known aspects like race, gender, age, and tenure, to less visible or known aspects like country of origin, gender identity, spirituality and more.

To promote DEI in the workplace, our DEI committee is focused on its strategic pillars of nurturing an inclusive workspace, attracting and maintaining a diverse workforce, and impacting the communities and markets in which our employees live and work. Initiatives developed by our DEI committee include, but are not limited to, events to celebrate heritage and awareness months, a new grant program for advancing equitable communities and the inception of an employee resource group to support women in the workforce.

Compensation and Benefits

We conduct compensation market benchmarking on a regular basis to ensure our pay remains competitive to attract and retain superior talent. In addition to annual base salaries, our total rewards, which vary by country/region, can include annual incentive opportunities, stock-based compensation awards, a 401(k) plan with employee matching opportunities, discretionary profit-sharing contribution to employee retirement plan accounts, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, family care resources, flexible work schedules, adoption and surrogacy assistance, employee assistance programs, tuition assistance and on-site services, such as health centers and fitness centers, among many others.

Giving and Community Involvement

At the heart of TTC is our commitment to people, and we believe that a satisfying life comes from contributing to, and engaging with, the communities where we live and work. Community support is core to our culture and our efforts reflect a dedication to action and engagement that enriches the lives, communities, industries and land that we serve. Our community efforts center on four areas: Employees, Community, Industry and Land. Water. Thrive. Through employee volunteerism and donations, corporate giving, and in-kind product donations, we enhance and beautify outdoor spaces while also supporting the shared value of our partner communities and organization.

Our employees around the world volunteer with local charitable and civic organizations to complete beautification, preservation, water conservation, community health, and housing and youth enrichment projects, including supporting the beautification and preservation of outdoor environments, water conservation, community health, housing and youth enrichment. To help our employees make a meaningful impact on organizations that are important to them and us, we provide eligible employees in the U.S. up to 20 hours paid time off to volunteer.

As part of our Land. Water. Thrive. effort, we provide immersion experiences for our employees to work with smallholder farmers in developing countries to improve land productivity and agricultural water practices while also strengthening our employees' empathy and customer-focused approach to problem solving.

Human Rights Policy

We are committed to respecting human rights in all respects of our global operations under the Toro Company Human Rights Policy. We believe that we have a responsibility to ensure that human rights are understood and observed in every location in which we operate. We strive to foster safe, inclusive and respectful workplaces wherever we do business, including prohibiting all forms of child labor and forced labor including indentured labor, bonded labor, military labor, slave labor and any form of human trafficking. We expect our business partners to comply with local labor and employment laws wherever they operate. We encourage each other to seek guidance on our Code of Conduct or other issues without fear of retaliation of any kind. Employees may anonymously report concerns, misconduct or suspected violation of the Code through our confidential web based reporting tool or over the telephone through our Ethics helpline.

Additional Information

Additional information is included in our Fiscal 2022 Sustainability Report, which is available on our website under the "Sustainability" section of our website located at www.thetorocompany.com. Information contained or referenced on our website, including in our Sustainability Report, is not incorporated by reference and does not form a part of this Annual Report on Form 10-K.

Environmental Matters and Other Governmental Regulation

Our business, operations, facilities, and products are subject to numerous international, federal, state, and other governmental laws, rules, and regulations relating to, among others, climate change; emissions to air, including Tier 4 or similar engine emission regulations; discharges to water; restrictions placed on water usage and water availability; product and associated packaging; use of certain chemicals; restricted substances, including "conflict minerals" disclosure rules; recycling and waste disposal; import and export compliance, including country of origin certification requirements; worker and product user health and safety; energy efficiency; product life-cycles; outdoor noise laws; and the generation, use, handling, labeling, collection, management, storage, transportation, treatment, and disposal of hazardous substances, wastes, and other regulated materials. For example:

- The U.S. EPA, the California Air Resources Board ("CARB"), and similar regulators in other U.S. states and international jurisdictions in which we sell our products have phased in, or are phasing in, emission regulations setting maximum emission standards for certain equipment. Specifically, these agencies from time to time adopt increasingly stringent engine emission regulations. Following the U.S. EPA implementation of Tier 4 emission requirements applicable to diesel engines several years ago, China, the European Union ("EU") and its member states, and the United Kingdom also have adopted similar regulations, and similar emission regulations are also being considered in other global markets, including Australia, in which we sell our products. CARB's two phase implementation of net-zero emissions requirements for small off-road engines, like those contained in many lawn and garden equipment, will begin for all products with model year 2024 and onward.
- The SEC has proposed rules that would require registrants to include certain climate-related disclosures in their registration statements and periodic reports, including greenhouse gas emission data and climate-related financial statement metrics. The state of California has recently passed two bills that will require certain companies doing businesses in the state to disclose greenhouse gas emissions and climate-related financial risk information. The European Union Corporate Sustainability Reporting Directive applies to both EU and non-EU in-scope entities and would require them to disclose various metrics relating to climate change, biodiversity, workforce, supply chain, and business ethics.
- The U.S. federal government, several U.S. states, and certain international jurisdictions in which we sell our products, including the EU and each of its member states, have implemented one or more of the following: product life-cycle laws, rules, or regulations, which are intended to reduce waste and environmental and human health impact, and require manufacturers to label, collect, dispose, and recycle certain products, including some of our products, at the end of their useful life, including, but not limited to (i) the Waste Electrical and Electronic Equipment directive, which mandates the labeling, collection, and disposal of specified waste electrical and electronic equipment; (ii) the Restriction on the use of Hazardous Substances directive or similar substance level laws, rules, or regulations, which restrict the use of several specified hazardous materials in the manufacture of specific types of electrical and electronic equipment; (iii) the Registration, Evaluation, Authorization and Restriction of Chemicals directive or similar substance level laws, rules, or regulations that require notification of use of certain chemicals, or ban or restrict the use of certain chemicals; (iv) the Battery Directive, which regulates the manufacture and disposal of batteries; (v) country of origin laws, rules, or regulations, which require certification of the geographic origin of our finished goods products and/or components used in our products through documentation and/or physical markings, as applicable; (vi) energy efficiency laws, rules, or regulations, which are intended to reduce the use and inefficiencies associated with energy and natural resource consumption and require specified efficiency ratings and capabilities for certain products; (vii) outdoor noise laws, which are intended to reduce noise emissions in the environment from outdoor equipment; (viii) conflict minerals laws, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules promulgated by the SEC, which require specific procedures for the determination and disclosure of the use of certain minerals, known as "conflict minerals," which are mined from the Democratic Republic of the Congo and adjoining countries; (ix) other product substance restriction laws, some of which require certain labeling of products, such as California Proposition 65; (x) electromagnetic compatibility laws and regulations, such as the EU Electromagnetic Compatibility directive, and similar laws and regulations in other markets; (xi) wireless product type approvals and licenses in global markets and the EU Radio Equipment Directive and similar laws and regulations related to wireless and radio usage; and (xii) supply chain transparency laws and regulations addressing modern slavery and human trafficking.
- Our products may be subject to various federal, state, and international laws, rules, and regulations that are designed to protect users, including rules and regulations of the U.S. Consumer Product Safety Commission.
- Our vehicle and trailered products may be subject to various federal, state and international laws, rules and regulations related to vehicle safety and compliance with road regulations and safety, including the U.S. National Highway Transportation Safety Administration.
- The manufacture and assembly of products within our facilities must comply with environmental regulations addressing air emissions, wastewater discharge, storm water run-off, and hazardous waste disposal.

Compliance with existing laws, rules, and regulations has not historically had a material impact on our capital expenditures, earnings or global competitive position. With respect to acquired properties and businesses, we conduct due diligence regarding

potential exposure to environmental liabilities and overall regulatory compliance but cannot be certain that we have identified or will identify all adverse environmental conditions or non-compliance with applicable laws, rules and regulations. We are also involved in the evaluation and environmental clean-up of a limited number of properties currently and previously owned. We do not expect that these matters will have a material adverse effect on our consolidated financial position or results of operations.

Corporate and Other Available Information

The Toro Company was incorporated in Minnesota in 1935 as a successor to a business founded in 1914 and reincorporated in Delaware in 1983. Our executive offices are located at 8111 Lyndale Avenue South, Bloomington, Minnesota, 55420-1196, and our telephone number is (952) 888-8801.

We are a U.S. public reporting company under the Exchange Act, and file reports, proxy statements, and other information with the SEC. Copies of these reports, proxy statements, and other information can be accessed from the SEC's home page on the Internet at www.sec.gov. We make available, free of charge on our website www.thetorocompany.com (select the "Investors" link and then the "Financials & Filings" link), our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A, Section 16 reports, amendments to those reports, and other documents filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also provide corporate governance and other information, including our sustainability report, on our website. The information contained on our website or connected to our website is not incorporated by reference into, and should not be considered part of, this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

The following are material risk factors known to us that could materially adversely affect our business, reputation, operating results, industry, financial position, or future financial or operational performance. The risks described below are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business, reputation, operating results, industry, financial position, or future financial or operational performance.

Risk Factor Summary

This summary is not complete and should be read in conjunction with the more detailed risk factors set forth below.

Economic and Operational Risks

- Our net sales and earnings have been and will likely continue to be adversely affected by economic conditions and outlook in the locations in which we conduct business.
- If we are unable to enhance existing products and develop and market new products, demand for our products may decrease adversely impacting our net sales and earnings.
- Disruption and/or shortages in commodities, components, parts, or accessories has adversely affected and could continue to adversely affect our business.
- Weather conditions, including conditions exacerbated by global climate change, present chronic and acute physical risks, and have previously impacted, and may continue to impact, demand for some of our products and/or cause disruptions in our operations.
- Our Professional segment net sales are dependent on several factors, including golf, infrastructure and construction activity.
- Our Residential segment net sales are dependent on several factors, including product placement, consumer confidence and spending levels and changing customer buying patterns.
- Changes in our product mix have adversely impacted and could continue to adversely impact our operating results.
- We face intense competition, which could harm our business and operating results.
- Increases in the cost of commodities, components, parts, and accessories have adversely affected and could continue to adversely affect our profit margins.
- We are dependent upon our facilities and those of our suppliers and other third parties.
- We are dependent upon a strong, effective labor force.
- Our net sales and other operating results are dependent upon us and our channel customers maintaining appropriate inventory levels.
- We are dependent upon our channel customers.
- We are dependent upon the availability and terms of credit offered to our customers.
- We are dependent upon effective information systems.
- Our international operations involve risk.
- We experience disruptions to our operations from time to time as result of facility changes and renovations.

Strategic Risks

- Our strategy to pursue acquisitions and alliances, strong customer relations, and new joint ventures, investments, and partnerships and our recent activities in this regard involve risk and may prove to be unsuccessful.
- Increased scrutiny regarding our ESG practices could impact our reputation.

Financial Risks

- We incur impairment, restructuring, and other charges from time to time which harm our operating results.
- Foreign currency exchange rate fluctuations may harm our operating results.
- We are dependent upon the availability and cost of our credit arrangements and any downgrade in our credit ratings could adversely affect our access to and increase the cost of such arrangements.
- Changes in accounting or tax standards and policies and/or assumptions underlying estimates could harm our results of operations.

Legal, Regulatory, and Compliance Risks

- Our patents, trademarks, and contractual provisions may be insufficient to protect our proprietary rights or we may infringe the proprietary rights of others.
- Our business, which is subject to extensive regulation, involves legal and regulatory risks.
- We are subject to product quality issues, product liability claims, and other litigation from time to time.

General Risk Factors

- We may not achieve our financial projections or other business and productivity initiatives, which could have an adverse effect on our business, operating results, and financial condition.
- If we are unable to attract and retain key executive and other talent or successfully implement key employee transitions, we may be unable to meet strategic objectives and our business could suffer.

Economic and Operational Risks

Our net sales and earnings have been and could continue to be adversely affected by economic conditions and outlook in the locations in which we conduct business.

Adverse economic conditions and outlook in the U.S. and in other countries in which we conduct business have and could continue to impact our net sales and earnings. These adverse economic conditions include, but are not limited to, business closures, slowdowns, suspensions or delays of production and commercial activity; recessionary conditions; slow or negative economic growth rates; slowdowns or reductions in levels of interest in the game of golf or golf course activity, development, renovation, and improvement; golf course closures; reduced governmental or municipal spending; reduced levels of home ownership, construction, and sales; home foreclosures; negative consumer confidence; reduced consumer spending levels; increased or prolonged high unemployment rates; higher costs, longer lead times, and reduced availability of commodities, components, parts, and accessories, including as a result of transportation-related costs, inflation, changing prices, foreign currency fluctuations, tariffs, and/or duties; inflationary or deflationary pressures; reduced infrastructure spending; the impact of U.S. federal debt, state debt, and sovereign debt defaults and austerity measures by certain European countries; reduced credit availability or unfavorable credit terms for our distributors, dealers, and end-user customers; higher short-term, mortgage, and other interest rates; government shutdowns; and general economic and political conditions and expectations. In the past, some of these factors have caused and may continue to cause our distributors, dealers, and end-user customers to reduce spending and delay or forego purchases of our products, which has had an adverse effect on our net sales and earnings.

If we are unable to continue to enhance existing products and develop and market new products, demand for our products may decrease.

One of our strategies is to develop innovative, customer-valued and high-quality products to generate revenue and earnings growth. In the past, our sales from new products, which we define as those introduced in the current and previous two fiscal years, have represented a significant portion of our net sales and are expected to continue to represent a significant portion of our future net sales. We may not be able to compete as effectively and ultimately satisfy the needs and preferences of our customers, unless we can continue to enhance existing products and develop new and innovative products, including by incorporating new, emerging, and/or disruptive technologies that may become preferred by our customers. For example, we have the transition risk of developing and marketing electric and alternative fuel products to meet market demands for less greenhouse gas intensive products.

Product development, improvement, and introductions require significant financial and technological resources, talent, research, planning, design, development, engineering, and testing at the technological, product, and manufacturing process levels, and we may not be able to timely develop and introduce new products, technologies or product improvements. New and innovative competitive products may beat our products to market; be higher quality or more reliable; be more effective, have more

features, and/or be less expensive than our products; incorporate new, emerging, and/or disruptive technologies; obtain better market acceptance; or render our products obsolete. Any new products that we develop may not receive market acceptance or otherwise generate any meaningful net sales or profits for us relative to our expectations based on, among other things, investments in manufacturing capacity and commitments to fund advertising, sales incentive and promotion programs, and research and development.

Disruption and/or shortages in the availability of commodities, components, parts, or accessories has, and could continue to, adversely affect our business.

Global supply chain disruptions, natural disasters, antidumping and countervailing duty petitions regarding certain engines imported into the U.S. from China, and other tariffs have, to various and differing degrees, impacted the availability of commodities, components, parts, and accessories used in our products. In addition, while most of our commodities, components, parts, or accessories are generally commercially available from a number of sources, certain items are sourced from single suppliers, which has limited, and could continue to limit, the availability of commodities, components, parts, and accessories when such suppliers are unable to meet our production requirements and we are unable to source such items from an alternative supplier in a timely manner to meet our production needs. This occurred at times during the past couple of years. Any continued or new disruption or shortages in the availability of commodities, components, parts, or accessories, including as a result of labor staffing, workforce shortage, or other challenges that our suppliers may experience as a result of financial hardship, pandemics and/or epidemics, natural disasters, and adverse weather, the frequency and intensity of which may be exacerbated by climate change, or other events, our inability to timely or otherwise obtain substitutes for such items, or any deterioration in our relationships with, the financial viability or quality of, or the personnel relationships at, our suppliers, could adversely affect our business and operating results.

Weather conditions, including conditions exacerbated by global climate change, present chronic and acute physical risks, and have previously impacted, and may continue to impact, demand for some of our products and/or cause disruptions in our operations.

Weather conditions in particular geographic regions have adversely impacted, and will likely in the future, adversely affect the sales, demand, and field inventory levels and seasonality trends of some of our products. Weather conditions also have disrupted our own manufacturing and distribution facilities and our supply chain, which has impacted our ability to manufacture product to fulfill customer demand, and such disruptions may occur in the future. For example, drought or unusually wet conditions have had, and may continue to have, an adverse effect on sales of certain Residential and Professional mowing equipment products. Unusually rainy weather or severe drought conditions that result in watering bans, or otherwise, have had, and may continue to have, an adverse effect on sales of our irrigation products, and lower snowfall accumulations in key markets have had, and may continue to have, an adverse effect on sales of our Residential snow thrower products and products of our Professional snow and ice management business. Similarly, adverse weather conditions in one season may negatively impact customer purchasing patterns and net sales for some of our products in another season. For example, lower snowfall accumulations may result in lower winter season revenues for landscape contractor professionals, causing such customers to forego or postpone spring purchases of our mowing equipment products.

Further, our facilities and other operations and those of our channel customers and suppliers have incurred losses and experienced disruptions as a result of certain weather conditions and such losses or disruption may continue due to additional natural disasters, inclement weather, and/or climate change-related events, such as tornadoes, hurricanes, earthquakes, floods, tsunamis, typhoons, drought, fire, other extreme weather conditions, and other natural disasters and events that occur as a result of such events, such as water or other natural resource shortages, rising sea levels, power outages or shortages, or telecommunications failures. Our insurance coverage with respect to natural disasters and other disruptions is limited and is subject to deductibles and coverage limits. Such coverage may not be adequate, or may not continue to be available at commercially reasonable rates and terms. The occurrence of any such events could negatively impact our business and operating results.

Global climate change may exacerbate the frequency and intensity of unfavorable weather conditions, such as fires, hurricanes, tornadoes, drought, water shortages, rainfall, unseasonably warm winter months, or other weather events, many of which have increased in severity in recent years, in geographic areas where our products are manufactured, distributed, sold, and used and where our supply chains are located, and our sales and operating results may be affected to a greater degree than we have previously experienced. Such weather conditions could pose physical risks to our facilities and critical infrastructure in the U.S. and abroad, disrupt the operation of our supply chain and third-party vendors, and may impact our operational results. Additionally, increased frequency and intensity of weather events due to climate change could lead to lost sales as customers prioritize basic needs.

Our Professional segment includes a variety of products that depend on certain and varied factors.

Our Professional segment includes a variety of products that are sold by distributors or dealers, or directly to government customers, rental companies, construction companies, professional and other users, including homeowners, engaged in maintaining and creating properties and landscapes, such as golf courses, sports fields, residential and commercial properties and landscapes, and governmental and municipal properties. Any one or a combination of the following factors, among others, have in the past resulted and could in the future result in a decrease in spending and demand for our products, resulting in an adverse effect on our Professional segment net sales and earnings:

- reduced revenue for golf courses resulting from a reduction in the level of interest in the game of golf and/or a decrease in rounds played, memberships, and/or food and beverage sales, as applicable;
- reduced investment in golf course renovations and improvements;
- the level of new golf course development and golf course closures;
- reduced consumer and business spending on property maintenance, such as lawn care and snow and ice removal activities;
- low or reduced levels of infrastructure improvements and other construction activities;
- decreased oil and gas construction activities;
- a decline in acceptance of, and demand for, ag-irrigation solutions for agricultural production;
- availability of cash or credit on acceptable terms for our customers to finance new product purchases; and
- customer and/or government budgetary constraints resulting in reduced spending for grounds maintenance or construction equipment.

Our Residential segment net sales depend on several factors, including product placement, consumer confidence and spending levels, changing buying patterns of customers, and the impact of significant sales or promotional events.

The elimination, reduction, or changes in the placement of shelf space assigned to our Residential segment products at mass retailers and home centers have in the past adversely affected and in the future could adversely affect our Residential segment net sales. Our Residential segment net sales also depend upon the buying patterns of consumers and changes to buying patterns could result in reduced sales. For example, after the COVID-19 pandemic, consumers have shifted more of their spending away from home related products, including our Residential segment products, and back to other areas, compared to the historic levels of home related spending we experienced during the heights of the pandemic, which has adversely affected and may continue to adversely affect our Residential net sales. In addition, as consumers purchase products at home centers and mass retailers that typically offer broader and lower price points than dealers, demand for and sales of our Residential segment products purchased at mass retailers and home centers, as compared to dealers and hardware retailers, have increased, adversely affecting our margins. We believe that our diverse distribution channels and customer base should reduce the long-term impact on us if we were to lose any substantial customer, but the loss of any such customer, a significant reduction in sales to such customers, our inability to maintain adequate product placement at mass retailers and home centers or our inability to respond to future changes in buying patterns of consumers or new distribution channels could have a material adverse impact on our business and operating results. Furthermore, our quarterly or annual results have in the past and could in the future be impacted as a result of the timing of significant sales or promotional events for our Residential products.

Changes in product mix could adversely impact our financial performance, including profit margins and net earnings.

Our Professional segment products generally have higher profit margins than our Residential segment products. Accordingly, our financial performance, including our profit margins and net earnings, have been and will continue to be impacted depending on the mix of products we sell during a given period. For example, if we experience lower sales of our Professional segment products that generally carry higher profit margins than our Residential segment products, our financial performance, including profit margins and net earnings, have been and could continue to be negatively impacted. Similarly, within each reportable segment, if we experience lower sales of products that generally carry higher profit margins, our financial performance, including profit margins and net earnings, have been and could continue to be negatively impacted.

We face intense competition, which could harm our business and operating results.

Our products are sold in highly competitive markets throughout the world and as a result, we compete with many U.S. and non-U.S. companies across our various markets, industries, and product offerings. These competitors and the degree of competition vary widely by industry, product line, end market, geographic scope and/or geographic location. The principal competitive factors in our industries and markets include product innovation; quality and reliability; pricing and sales promotion and incentive programs; product support and customer service; warranty; brand awareness; reputation; distribution, shelf space, and product placement and availability; and financing options. Some of our competitors have substantially larger operations and greater financial resources than us, and some have smaller operations offering various and/or more specialized capabilities to customers, and they may be able to adapt more quickly to new or emerging technologies and changes in customer preferences, or devote greater or more specialized resources to the development, promotion, and sale of their products or disruptive new products or technologies than we can. In addition, competition could increase if new companies enter the market, existing

competitors combine or consolidate their operations or if existing competitors expand their product lines or intensify efforts within existing product lines. Our current products, products and technologies under development, and our ability to develop new and improved products and technologies may be insufficient to enable us to compete effectively with our competitors.

Our Residential segment products generally face a higher volume of competition than our Professional segment products given the low barriers to entry resulting in numerous other manufacturers selling products that compete directly with our products. Internationally, our Residential segment products typically face more competition than in the U.S. because many foreign competitors design, manufacture, market, and sell products in their respective countries. In addition, fluctuations in the value of the U.S. dollar may affect the price of our products in foreign markets, thereby impacting their competitiveness. Competitors may move manufacturing operations to low cost countries for significant cost and price reductions, and we may not be able to compete, which could harm our business and operating results.

Increases in the cost of commodities, components, parts, and accessories or our other costs of doing business, have, and could continue to, adversely affect our profit margins and businesses.

We purchase commodities, components, parts, and accessories for use in our manufacturing process and end-products or to be sold as stand-alone end-products, such as steel, aluminum, petroleum and natural gas-based resins, linerboard, copper, lead, rubber, engines, transmissions, transaxles, hydraulics, electrification components, and other commodities, components, parts and accessories. Increased costs and/or inflation, increased tariff, duties, or other charges as a result of changes to U.S. or international trade policies or trade agreements, trade regulation and/or industry activity, or antidumping and countervailing duty petitions on certain products imported from foreign countries, including certain engines imported into the U.S. from China, or the inability of suppliers to continue operations or otherwise remain in business, have affected our profit margins, operating results and businesses and could continue to result in declines in our profit margins, operating results and businesses. Historically, we have mitigated commodity, component, parts, or accessories cost increases, in part, by increasing prices on some of our products and executing on our strategic productivity initiatives, which include, but are not limited to, collaborating with suppliers, reviewing alternative sourcing options, substituting materials, utilizing Lean methods, and engaging in internal cost reduction efforts, all as appropriate. However, during the past couple of years, we experienced higher material, freight and manufacturing costs, which adversely affected our margins, and we may not be able to fully offset increased commodity, component, parts, or accessories costs in the future. Further, if our price increases are not accepted by our customers and the market, our net sales, profit margins, earnings, and market share could be adversely affected.

We are dependent upon the efficient operation of our facilities and those of our suppliers, channel customers, mass retailers, and home centers where our products are sold.

Production downtime and/or the inability to produce products at our facilities and those of our suppliers or other disruptions have occurred and could continue to occur as a result of several factors, including supply chain challenges, labor shortages, natural disasters, inclement weather, man-made disasters or other external events, such as terrorist acts or acts of war, pandemics and/or epidemics, boycotts and sanctions, widespread criminal activities, or protests and/or social unrest, or other events, at or in proximity to any of our facilities or in our manufacturing or other operations, or those of our channel customers, mass retailers or home centers where our products are sold, or suppliers. A work slowdown, strike, or similar action could occur at any one of our facilities, or the facilities of our channel customers and suppliers, and such facilities could fail to renew or enter into new collective bargaining agreements or may have to enter into a new collective bargaining agreement at a facility not currently covered by an agreement. Furthermore, we shift production between our manufacturing facilities from time to time and open new manufacturing and/or distribution facilities to align production capacity with production goals. Such events and disruptions could make it difficult or impossible to manufacture or to deliver products to our customers, produce or maintain sufficient inventory of our products, receive commodities, components, parts or accessories from our suppliers, or perform critical functions, which could adversely affect our business globally or in certain regions. Such events also may result in shortages of commodities, components, parts, or accessories; higher fuel, transportation, and commodity costs; and delays in shipments to our channel customers.

Any failure by us, or our suppliers or channel partners, to hire and/or retain an adequate labor force could adversely affect our business, operating results, and reputation.

Our labor needs, and those of our suppliers and channel partners, fluctuate throughout the year and by region. During periods of peak manufacturing activity it is often necessary to sharply increase the number of production staff by utilizing new hires and temporary labor. Production staff hired during such periods of peak manufacturing activity may not have the same level of training, competency, experience, or commitment as regular production employees. In addition, due to limited workforce populations in areas around the locations where we, or our suppliers and channel partners, manufacture products or conduct business, or other factors, we, or our suppliers and channel partners, may not have a sufficient pool of individuals with the right skills and experience available to fulfill labor requirements on a cost-effective basis or otherwise.

For example, our labor needs and those of our suppliers and channel partners were negatively impacted by COVID-19, which exacerbated the challenges in retaining and maintaining an adequate production staff. If we, or our suppliers and channel partners, are unable to hire, train, and/or retain a labor force to adequately staff manufacturing operations, perform service or warranty work, or other necessary activities, we could experience disruptions in our manufacturing and other processes, which have in the past adversely impacted, and could continue to adversely impact, our business, operating results, and reputation.

Our net sales and/or working capital are negatively impacted when we underestimate or overestimate demand for our products or do not maintain appropriate inventory levels.

Our ability to manage our inventory levels to meet our customers' demand for our products and fulfill existing and future sales order backlog is important for our business. Our production levels and inventory management goals for our products are based on estimates of demand for our products, taking into account production capacity, timing of shipments, existing sales order backlog, and field inventory levels. Managing inventory levels during an uncertain macroeconomic environment is particularly difficult as a result of demand volatility; changes to production operations, locations and schedule; and supply chain challenges limiting our ability to source an adequate supply of commodities, components, parts, and accessories to meet our production requirements. These factors have resulted in, and could continue to result in, manufacturing inefficiencies and related unfavorable manufacturing variances that have negatively impacted, and could continue to impact, our financial results. Our net sales, margins, net earnings, and/or working capital are negatively impacted when we underestimate or overestimate channel or retail demand for our products, we are not able to manufacture product to fulfill customer demand and existing and future sales order backlog, and/or we do not produce or maintain appropriate inventory levels. Furthermore, such impacts hinder our ability to meet customer demand, result in the loss of customers, and could cause us to incur charges associated with inventory valuation adjustments for excess and obsolete inventories.

Our business and operating results are subject to the inventory management decisions of our channel customers.

We are subject to risks relating to the inventory management decisions and operational and sourcing practices of our distribution network. Our channel customers carry inventories of our products as part of their ongoing operations and adjust those inventories based on their assessments of future needs, including anticipated end-customer demand. Such adjustments have impacted our inventory management and working capital goals as well as operating results, and such adjustments may impact us in the future.

Changes in composition of, financial viability of, and the relationships with, our channel customers could negatively impact our business and operating results.

If we fail to maintain an effective network of channel partners, including distributors, dealers, mass retailers, and home centers, for our products, we may not have adequate market coverage for the optimal level of sales of our products. Additionally, our channel customers may not commit the necessary resources to market and sell our products as we would expect, and/or they may not be successful in marketing and ultimately selling our products. Any weak demand for, or quality issues with, our products may cause our channel customers to reduce or terminate their relationships with us or adversely affect our ability to engage new dealers and distributors or maintain or obtain shelf space at mass retailers and home centers. Changes in the ownership or control of our channel customers could also adversely affect our relationships with them. If we are not able to maintain effective distribution channels, if our channel customers are not successful in marketing and selling our products, or if we experience a significant reduction or cancellation or change in the size and timing of orders from our channel customers, our sales could decline and have an adverse effect on our business and operating results.

In addition, if adverse economic conditions, business conditions or other events cause a decline in sales by our channel customers or weakens their financial condition, our net sales and earnings could be adversely affected. Such situation could adversely affect the ability of such customers to pay amounts owed, which could require us to repurchase financed product.

We are dependent upon the availability and terms of credit offered to our customers.

We are a party to various floor plan arrangements in order to provide reliable, competitive floor plan financing to certain of our distributors and dealers primarily in the U.S. and Canada to support their businesses and improve our working capital for our other strategic purposes. As a result, we depend on such arrangements for our inventory financing programs. The availability of financing from our floor plan arrangements is affected by many factors, including, among others, the overall credit markets, the credit worthiness of our dealers and distributors, and regulations that may affect such financing providers. Any material change in the availability or terms of credit offered to our customers by our floor plan financing providers, challenges or delays in transferring new distributors and dealers from any business we might acquire or otherwise to our available financing platforms, any termination or disruption of our floor plan arrangements, or any delay in securing replacement credit sources could adversely affect our sales and operating results.

We are dependent upon the effective operation of our information systems, software, or information security practices and those of our business partners or third-party service providers.

We have many information systems and other software that are critical to our business and certain of our products, some of which are managed by third parties. These information systems and software are used to record, process, summarize, transmit, and store electronic information, and to manage or support a variety of business processes and activities, including, among other things, our accounting and financial functions; our manufacturing and supply chain processes; managing personal data or other data relating to our customers, suppliers, and employees; and the data related to our research and development efforts. We may be unable to enhance our existing information systems and software or implement new information systems or software when necessary; may experience unanticipated delays, complications, or expenses in implementing, integrating, and operating our systems; and/or require substantial expenditures or interruptions in operations in connection with any system changes we might pursue, including as may be necessary during the integration of acquisitions. The failure of our information systems or software or those of our business partners or third-party service providers to perform properly, or difficulties encountered in the development of or transfer over to new systems or the modification or upgrade of existing systems, could disrupt our business and harm our reputation, which may result in decreased sales, increased overhead costs, excess or obsolete inventory, and product shortages, causing our business, reputation, financial condition, and operating results to suffer. As we continue to develop internet-connected products and other new, emerging, and/or disruptive technologies, similar risks may also be present in the systems, technology, and software installed within such products.

Additionally, we take steps to secure our information systems and software and any access provided by our business partners or third-party service providers, including our computer systems, intranet and internet sites, email and other telecommunications and data networks. However, the security measures we have implemented may not be effective and our systems may be vulnerable to theft, loss, damage, and interruption from a number of potential sources and events, including unauthorized access or security breaches, data privacy breaches, natural or man-made disasters, cyber attacks, computer viruses, malware, phishing, denial of service attacks, power loss, or other disruptive events. Information technology security threats have been increasing in frequency and sophistication. Cyber attacks may be random, coordinated, or targeted, including sophisticated computer crime threats. These threats pose a risk to the security of our systems and networks including those that may be used by our products, and those of our business partners and third-party service providers, and to the confidentiality, availability, and integrity of our data or data of our customers, suppliers or employees. Our business, reputation, operating results, and financial condition could be adversely affected if a significant cyber event or other event, disrupts or shuts down our operations; our confidential, proprietary information or data of our customers, suppliers, or employees is stolen or disclosed; our intranet and internet sites are compromised; data is manipulated or destroyed; we incur costs, are required to pay fines or face other regulatory enforcement actions, or our customers lose confidence in our ability to adequately protect their information in connection with stolen or disclosed customer, employee, or other confidential or sensitive information; we must dedicate significant resources to system repairs or increase cyber security protection; or we otherwise incur significant litigation or other costs. As a result of a new SEC rule on cybersecurity disclosure, we are required to disclose, on a current basis pursuant to new Item 1.05 of SEC Form 8-K, any cybersecurity incident that we determine to be material and describe the material aspects of the nature, scope, and timing of the incident, as well as the material impact or reasonably likely material impact of the incident on us, including our financial condition and results of operations. We will also be required to describe, on a periodic basis, our processes, if any, for the assessment, identification, and management of material risks from cybersecurity threats, and describe whether any risks from cybersecurity threats have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition, our board's oversight of risks from cybersecurity threats and management's role in assessing and managing material risks from cybersecurity threats. We have incurred significant costs in an effort to detect and prevent security breaches and incidents, and we may face increased costs and requirements to expend substantial resources in the event of an actual or perceived security breach or incident and to comply with this new SEC cybersecurity rule.

Our insurance policies may not be adequate to compensate us for the potential losses arising from any such disruption, failure or security breach or incident. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance may not cover all claims made against us and could have high deductibles in any event, and defending a suit, regardless of its merit, could be costly and divert management attention.

We may incorporate traditional and generative artificial intelligence (AI) solutions into our information systems, products, offerings, services and features, and these solutions may become important in our operations over time. The ever-increasing use and evolution of technology, including cloud-based computing and AI, creates opportunities for the potential loss or misuse of personal data that forms part of any data set and was collected, used, stored, or transferred to run our business, and unintentional dissemination or intentional destruction of confidential information stored in our or our third party providers' systems, portable media or storage devices, which may result in significantly increased business and security costs, a damaged reputation, administrative penalties, or costs related to defending legal claims. If the content, analyses, or recommendations that AI programs assist in producing are or are alleged to be deficient, inaccurate, or biased, our business, financial condition, and results of operations and our reputation may be adversely affected. AI programs may be costly and require significant expertise

to develop, may be difficult to set up and manage, and require periodic upgrades. There is also a risk that we may not have access to the technology and qualified AI personnel resources to adequately incorporate ongoing advancements into our AI initiatives, including access to the licensing of key intellectual property from third parties. Our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our results of operations. Our competition may have access to greater financial and technological resources, giving them a competitive advantage in recruiting, motivating, and retaining sought-after AI professionals. AI also presents emerging ethical issues and if our use of AI becomes controversial, we may experience brand or reputational harm, competitive harm, or legal liability. The rapid evolution of AI, including potential government regulation of AI, will require significant resources to develop, test and maintain our platform, offerings, services, and features to help us implement AI ethically in order to minimize unintended, harmful impact.

In addition, our information technology systems require an ongoing commitment of significant resources to maintain, protect, and enhance existing systems and develop new systems. This enables us to keep pace with continuing changes in information processing technology, evolving legal and regulatory standards, the increasing need to protect employee and customer information, changes in the techniques used to obtain unauthorized access to data and information systems, and the information technology needs associated with our evolving products. There can be no assurance that our efforts (including, but not limited to, consolidating, protecting, upgrading, and expanding our systems and capabilities, continuing to build security into the design of our products, and developing new systems to keep pace with continuing changes in information processing technology, including, but not limited to, generative AI platforms) will be successful or that additional systems issues will not arise in the future.

Our international operations require significant management attention and financial resources, expose us to difficulties presented by international economic, political, legal, regulatory, accounting, and business factors, and may not be successful or produce desired levels of net sales and earnings.

International markets have been, and will continue to be, a strategic focus area for revenue growth, both organically and through acquisitions. We currently manufacture our products and maintain sales offices in the U.S. and other countries for sale throughout the world. Our net sales outside the U.S. were 20.8 percent, 19.5 percent, and 20.9 percent of our total consolidated net sales for fiscal 2023, 2022, and 2021, respectively. We believe many opportunities exist in the international markets, and over time, we intend for international net sales to comprise a larger percentage of our total consolidated net sales; however, expanding our existing international operations and entering into additional international markets requires significant management attention and financial resources. Several factors, including the implications of withdrawal by the U.S. from, or revisions to, international trade agreements, foreign trade or other policy changes between the U.S. and other countries, weakened international economic conditions, the impact of sovereign debt defaults by certain European countries, and current wars and related sanctions and other geopolitical tensions could adversely affect our international net sales.

Many of the countries in which we manufacture or sell our products, or in which we otherwise have a presence are, to some degree, subject to political, economic, and/or social instability. As a result, our international operations expose us and our representatives, agents, and channel customers to risks inherent in operating in foreign jurisdictions. These risks include:

- weakened economic conditions;
- pandemics and/or epidemics;
- increased costs of customizing products for foreign countries;
- difficulties in managing and staffing international operations and increases in infrastructure costs including legal, tax, accounting, and information technology;
- the imposition of additional U.S. and foreign governmental controls or regulations;
- new or enhanced trade restrictions and restrictions on the activities of foreign agents, representatives, and channel customers;
- withdrawal from or revisions to international trade policies or agreements and the imposition or increases in import and export licensing and other compliance requirements, customs duties and tariffs, import and export quotas and other trade restrictions, license obligations, other non-tariff barriers to trade;
- the imposition of U.S. and/or international sanctions against a country, company, person, or entity with whom we do business that would restrict or prohibit our business with the sanctioned country, company, person, or entity;
- international pricing pressures;
- foreign trade or other policy changes between the U.S. and other countries, trade regulation, and/or industry activity that favors domestic companies, including antidumping and countervailing duty petitions on certain products imported from foreign countries, including certain engines imported into the U.S. from China;
- adverse currency exchange rate fluctuations;
- longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;

- potentially higher tax rates and adverse tax consequences, including restrictions on repatriating cash and/or earnings to the U.S.;
- fluctuations in our operating performance based on our geographic mix of sales;
- transportation delays and interruptions;
- national and international conflicts, including the war between Ukraine and Russia, the war between Israel and Hamas, geopolitical tensions and foreign policy changes, acts of war or terrorist acts;
- difficulties in protecting, enforcing or defending intellectual property rights; and
- multiple, changing, and often inconsistent enforcement of laws, rules, regulations and standards, including rules relating to taxes, environmental, health and safety matters.

Our international operations may not produce desired levels of net sales or, among other things, the factors listed above may harm our business and operating results. Any material decrease in our international sales or profitability could also adversely impact our operating results.

We are renovating and expanding certain office, manufacturing, and other facilities and could experience disruptions to our operations in connection with such efforts.

We are continually renovating and, where appropriate or necessary, expanding our facilities, primarily driven by the growth of our business and the need to expand our manufacturing capacity. We have historically financed, and expect to continue to finance, such efforts with cash on hand and cash from operating activities. Expanding and renovating our facilities could disrupt our business operations, and such effects could include but are not limited to potential interruption in manufacturing processes, delivery of raw materials, shipping finished goods, and data flow; unforeseen construction, scheduling, engineering, environmental, or geological problems; and unanticipated cost increases.

Strategic Risks

Our strategy to pursue acquisitions and alliances, strong customer relations, and new joint ventures, investments, and partnerships and our recent activities in this regard involve risk and may not prove to be successful.

One of our strategies is to drive growth in our businesses and expand our global presence through targeted acquisitions and alliances, strong customer relations, and new joint ventures, investments, and partnerships that add value and complement our existing brands and product portfolio. For example, in January 2022, we acquired the Intimidator Group, and in September 2023, we announced a strategic partnership with Lowe's.

Our continued ability to grow through acquisitions will depend, in part, on the availability of suitable target candidates at acceptable prices, terms, and conditions; our ability to compete effectively for acquisition candidates; and the availability of capital and personnel resources to complete such acquisitions and operate and integrate the acquired business effectively. Any acquisition, alliance, joint venture, investment, or partnership could impair our business, financial condition, reputation, and operating results. For instance, the benefits of an acquisition, or new alliance, joint venture, investment, or partnership may take more time than expected to achieve, or may not develop at all. Acquisitions, alliances, joint ventures, investments, and partnerships may involve a number of risks, the occurrence of which could adversely affect our business, reputation, financial condition, and operating results, including:

- diversion of management's attention to manage and integrate the acquired business;
- disruption to our existing operations and plans;
- inability to effectively manage our expanded operations;
- difficulties, delays, or unanticipated costs in integrating and assimilating information and financial systems, internal controls, operations, manufacturing processes and products or in realizing projected efficiencies, growth prospects, cost savings, and other synergies;
- inability to successfully integrate or develop a distribution channel for acquired product lines;
- loss of key employees, customers, distributors, or dealers of the acquired businesses or adverse effects on existing business relationships with suppliers, customers, distributors, and dealers;
- write-off of significant amounts of goodwill, other indefinite-lived intangible assets, and/or long-lived assets because of deterioration in the performance of an acquired business or product line, adverse market conditions, changes in the competitive landscape, changes in laws or regulations that restrict activities of an acquired business or product line, or other circumstances;
- delays or challenges in transitioning distributors and dealers of acquired businesses to available floor plan financing arrangements;
- violation of confidentiality, intellectual property, and non-compete obligations or agreements by employees of an acquired business or lack of or inadequate formal intellectual property protection mechanisms in place at an acquired business;

- adverse impact on overall profitability if our expanded operations do not achieve, or are delayed in achieving, the growth prospects, net sales, net earnings, cost and/or revenue synergies, or other financial results projected in our valuation models;
- reallocation of amounts of capital from other operating initiatives and/or an increase in our leverage and debt service requirements to pay acquisition purchase prices or other business venture investment costs, which could restrict our ability to access additional capital when needed, result in a decrease in our credit rating, or limit our ability to pursue other important elements of our business strategy;
- failure by acquired businesses or other business ventures to comply with applicable international, federal, and state product safety or other regulatory standards;
- infringement by acquired businesses or other business ventures of valid intellectual property rights of others;
- inaccurate assessment of additional post-acquisition or business venture investments, undisclosed, contingent or other liabilities or problems, unanticipated costs associated with an acquisition or other business venture, and despite the existence of representations, warranties and indemnities in any definitive agreement and/or a representation and warranty insurance policy, if applicable, an inability to recover or manage such liabilities and costs; and
- impacts as a result of purchase accounting adjustments, incorrect estimates made in the accounting for acquisitions, occurrence of non-recurring charges, or other potential financial accounting or reporting impacts.

For example, at the end of the third quarter of fiscal 2023, we recorded non-cash impairment charges of \$18.0 million related to the indefinite-lived Spartan® trade name intangible asset and \$133.3 million related to the goodwill of the Intimidator reporting unit. These impairment charges resulted in a \$36.7 million income tax benefit (deferred tax asset) associated with the remaining tax deductible basis in goodwill and other intangible assets.

In addition, we need effective internal controls to provide reliable and accurate financial reports and to effectively prevent fraud. Integrating acquired businesses may make our systems and controls more complex and difficult to manage. We devote significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act of 2002. However, we cannot be certain that these measures will ensure that we design, implement, and maintain adequate control over our financial processes and reporting in the future, particularly in the context of acquisitions of other businesses, regardless of whether such acquired business was previously privately or publicly held. Any difficulties in the assimilation of acquired businesses into our internal control framework could harm our operating results or cause us to fail to meet our financial reporting obligations.

Also, some acquisitions may require the consent of the lenders under our credit agreements. We cannot predict whether such approvals would be forthcoming or the terms on which the lenders would approve such acquisitions. These risks, among others, could be heightened if we complete a large acquisition or other business venture or multiple transactions within a relatively short period of time.

Failure to successfully complete divestitures or other restructuring activities could negatively affect our operations.

From time to time, we may divest of all or a portion of certain businesses and/or facilities, joint venture or minority equity investment interests, subsidiaries, distributorships, or product categories. Divestitures involve risk, including, potential increased expense associated with the divestitures, and potential issues with the acquirers, customers or suppliers of the divested business, or products. Occasionally, we may wind down certain business activities and/or facilities, product lines, and/or perform other organizational restructuring projects in an effort to reduce costs and streamline operations. Such activities involve risks as they may divert management's attention from our core businesses, increase expenses on a short-term basis and lead to potential issues with employees, customers, or suppliers. If we do not complete these activities in a timely manner, or do not realize anticipated cost savings, synergies and efficiencies, business disruption occurs during or following such activities, or we incur unanticipated charges, this may negatively impact our business, financial condition, operating results, and cash flows.

Increased scrutiny regarding our ESG practices could impact our reputation.

Increasing governmental and societal attention to ESG matters, including expanding mandatory and voluntary reporting, and disclosure topics such as climate change, sustainability, natural resources, waste reduction, energy, human capital, and risk oversight could expand the nature, scope, and complexity of matters that we are required to control, assess, and report. We strive to deliver shared value through our business and our diverse stakeholders expect us to make progress in certain ESG priority issue areas. To address this growing set of matters, we have taken several actions, including hiring a new executive officer with responsibility for sustainability in July 2023, devoting additional dedicated employee resources, and creating a cross-functional/business sustainability leadership team to further develop and implement an enterprise-wide sustainability strategy. In June 2023, we released our sustainability report for fiscal 2022, which highlights certain aspirations and goals related to ESG matters, such as goals to increase battery and hybrid product sales, plans to reduce certain GHG emissions over time, and goals to increase the number of women and racial and ethnic minorities in leadership positions. No assurance can be provided that we will achieve our new sustainability goals. It is possible that we may be unsuccessful in the achievement of our ESG goals, on a timely basis or at all, or that the costs to achieve those goals become prohibitively expensive. Furthermore, our stakeholders may not be satisfied with our initiatives or efforts or the speed at which we are progressing towards any such

aspirations and goals. Additionally, organizations that inform investors on ESG matters have developed rating systems for evaluating companies on their approach to ESG. Unfavorable ratings may lead to negative investor sentiment, which could negatively impact our stock price. Any failure, or perceived failure, to respond to ESG concerns could harm our business and reputation. Certain challenges we face in the achievement of our ESG objectives are also captured within our ESG reporting in our sustainability report for fiscal 2022, which is not incorporated by reference into and does not form any part of this report.

Financial Risks

We incurred non-cash impairment charges during the third quarter of fiscal 2023 which adversely affected our third quarter and full year fiscal 2023 operating results and we may be required to incur additional future impairment and other charges, which could adversely affect our operating results.

In connection with our acquisitions and other business combinations, including our January 2022 acquisition of Intimidator, applicable accounting standards require the net tangible and intangible assets of the acquired business to be recorded on our consolidated balance sheet at their fair values as of the date of acquisition and any excess in the purchase price paid by us over the fair value of net tangible and intangible assets of any acquired business to be recorded as goodwill. Goodwill and indefinite-lived intangible assets are not amortized, but are tested at least annually for impairment or more frequently as events and circumstances dictate. Goodwill is tested for impairment at the reporting unit level, which is generally an operating segment or underlying business component. Indefinite-lived intangible assets are tested for impairment at the individual indefinite-lived intangible asset or asset group level, as appropriate. Finite-lived intangible assets other than goodwill considered long-lived assets for impairment testing purposes, are tested for impairment as events and circumstances dictate, and are required to be amortized over their estimated useful lives and this amortization expense may be significant to our ongoing financial results.

If we determine that the anticipated future cash flows from our reporting units, indefinite-lived intangible assets or asset groups, or long-lived asset groups may be less than their respective carrying values, our goodwill, indefinite-lived intangible assets, and/or long-lived assets may be deemed to be impaired. If this occurs, applicable accounting rules may require us to write down the value of the goodwill, indefinite-lived intangible assets, and/or long-lived assets on our balance sheet to reflect the extent of any such impairment. Any such write-down of goodwill, indefinite-lived intangible assets, and/or long-lived assets would generally be recognized as a non-cash expense in our Consolidated Statements of Earnings for the accounting period during which any such write down occurs.

For example, at the end of the third quarter of fiscal 2023, we recorded non-cash impairment charges of \$18.0 million related to the indefinite-lived Spartan trade name intangible asset and \$133.3 million related to the goodwill of the Intimidator reporting unit. These impairment charges resulted in a \$36.7 million income tax benefit (deferred tax asset) associated with the remaining tax deductible basis in goodwill and other intangible assets. As of October 31, 2023, we had goodwill of \$450.8 million, which is maintained in various reporting units, and indefinite-lived intangible assets of \$271.5 million, which together comprise 19.8 percent of our total assets as of October 31, 2023. Any future impairment charges could be significant and could adversely affect our future consolidated operating results and financial condition.

Fluctuations in foreign currency exchange rates have adversely affected and could continue to adversely affect our operating results.

Because the functional currency of most of our foreign operations is the applicable local currency, but our financial reporting currency is the U.S. dollar, we are required to translate the assets, liabilities, expenses, and revenues of our foreign operations into U.S. dollars at the applicable exchange rate in preparing our Consolidated Financial Statements. Accordingly, we face foreign currency exchange rate risk arising from transactions in the normal course of business, such as sales and loans to wholly owned subsidiaries, sales to third-party customers, purchases from suppliers, and bank lines of credit with creditors denominated in foreign currencies.

Foreign currency exchange rates have affected our net sales, net earnings, and operating results in the past and could affect them in the future, in some cases materially. Currency exchange rate fluctuations may also affect the comparative prices between products we sell and products our foreign competitors sell in the same market, which may decrease demand for our products. Substantial exchange rate fluctuations as a result of the strengthening of the U.S. dollar or otherwise, may have an adverse effect on our operating results, financial condition, and cash flows, as well as the comparability of our Consolidated Financial Statements between reporting periods. While we actively manage our foreign currency market risk in the normal course of business by entering into various derivative instruments to hedge against such risk, these derivative instruments involve risks and may not effectively limit our underlying exposure to foreign currency exchange rate fluctuations or minimize our net earnings and cash volatility associated with foreign currency exchange rate changes. Further, the failure of one or more counterparties to our foreign currency exchange rate contracts to fulfill their obligations to us could adversely affect our operating results.

We are subject to financial and operating restrictions and counterparty risk as a result of our credit arrangements.

Our credit arrangements, including our revolving credit facility, term loan and senior notes, and the indentures governing our senior notes and debentures, include a number of financial and operating restrictions. For example, our credit arrangements contain financial covenants that, among other things, require us to maintain a maximum leverage ratio. Our credit arrangements and/or indentures also contain provisions that restrict our ability, subject to specified exceptions, to, among other things, create liens or other encumbrances on our assets; dispose of assets; engage in mergers or consolidations; and pay dividends that are significantly higher than those currently being paid, make other distributions to our shareholders, or redeem shares of our common stock. These provisions may limit our ability to conduct our business, take advantage of business opportunities, and respond to changing business, market, and economic conditions. They may also competitively disadvantage us relative to other companies that may be subject to fewer, if any, restrictions or may otherwise adversely affect our business.

Potential important opportunities or transactions, such as significant acquisitions, may require the consent of our lenders, which consent may be withheld or granted subject to conditions that may affect the attractiveness or viability of the transaction. Additionally, market deterioration or other factors could jeopardize the counterparty obligations of one or more of the banks participating in our revolving credit facility, which could have an adverse effect on our business if we are not able to replace such revolving credit facility or find other sources of liquidity on acceptable terms.

If we do not comply with the terms of our credit arrangements and indentures, they could be terminated and amounts thereunder could become due and payable.

We cannot assure that we will be able to comply with all of the terms of our credit arrangements and indentures, particularly the financial covenants. Our ability to comply with such terms depends on the success of our business and our operating results, as well as various risks, uncertainties, and events beyond our control. If we fail to comply with any covenant required by our credit arrangements following any applicable cure periods, the banks could terminate their commitments unless we could negotiate a covenant waiver. The banks could condition such waiver on terms that may be unfavorable to us. In addition, any amounts outstanding pursuant to our credit arrangements and indentures could become due and payable if we were unable to obtain a covenant waiver or refinance our debt under such arrangements.

A downgrade in our credit ratings could increase our cost of funding and/or adversely affect our access to funding.

Our credit ratings are important to our cost and availability of capital. The major rating agencies routinely evaluate our credit profile and assign credit ratings to us. This evaluation is based on a number of factors, which include financial strength, business and financial risk, transparency with rating agencies, and timeliness of financial reporting. Further leveraging our capital structure could result in a downgrade to our credit ratings. For instance, if our credit rating falls below investment grade and/or our leverage ratio rises above 1.50, the interest rate we currently pay on outstanding debt under our revolving credit facility could increase. As such, failure to maintain investment grade credit ratings could adversely affect our cost of funding and our liquidity by limiting the access to capital markets or the availability of funding from a variety of lenders.

Changes in accounting or tax standards and policies and/or assumptions utilized in determining accounting or tax estimates could adversely affect our results of operations and financial condition.

In preparing the Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles ("GAAP"), we must make decisions that impact our results of operations and/or financial condition, including selecting the appropriate accounting and/or tax principles to be applied and the assumptions on which to base accounting and tax estimates. In reaching such decisions, we apply judgments based on our understanding and analysis of the relevant circumstances, historical experience, and actuarial and other independent external third-party specialist valuations, all as appropriate. As a result, actual amounts could differ from those estimated at the time the Consolidated Financial Statements are prepared.

In addition, various authoritative accounting or regulatory entities, including the Financial Accounting Standards Board, Public Company Accounting Oversight Board, and the SEC may amend, expand, and/or eliminate the financial accounting or reporting standards or tax positions that govern the preparation of our Consolidated Financial Statements or could reverse their previous interpretations or positions on how various financial accounting and/or reporting standards or tax positions should be applied. We disclose the impact of accounting pronouncements that have been issued but not yet adopted within our annual and quarterly reports on Form 10-K and Form 10-Q, respectively. However, we do not provide an assessment of proposed accounting pronouncements, as such proposals are subject to change through the exposure process and therefore, we cannot meaningfully assess their effects on our Consolidated Financial Statements. Future changes to accounting or tax standards could modify the accounting or tax policies and procedures that we currently use to prepare our Consolidated Financial Statements. Such changes may be difficult to predict and implement and could impact how we prepare and report our Consolidated Financial Statements, results of operations, and financial condition.

For additional information regarding our accounting policies and new accounting pronouncements, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the section entitled "Critical

Accounting Policies and Estimates" and Note 1, *Summary of Significant Accounting Policies and Related Data*, of the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

Legal, Regulatory, and Compliance Risks

Our patents, trademarks, and contractual provisions may be insufficient to protect our proprietary rights and intellectual property from others who may sell similar products and our products may infringe the valid proprietary rights of others.

We hold patents and trademarks relating to various aspects of our products and business and believe that proprietary technical know-how is important to our business. The loss of such intellectual property could have a material adverse effect on our business and operating results. Proprietary rights relating to our products are protected from unauthorized use by third-parties only to the extent that they are covered by valid and enforceable patents or are maintained in confidence as trade secrets. We cannot be certain that we will be issued any patents from any pending or future patent applications owned by or licensed to us, or that the claims allowed under any issued patents will be sufficiently broad to protect our technology. Without enforceable patent protection, we may be vulnerable to competitors who attempt to copy our products or gain access to our trade secrets and know-how. We also cannot be certain that our products or technologies have not infringed or will not infringe the valid proprietary rights of others. Others may initiate litigation to challenge the validity of our patents, allege that we infringe their patents, or use their resources to design comparable products that do not infringe our patents. Additionally, we may initiate proceedings to protect our proprietary rights. Any litigation, whether initiated by us or others, may cause us to incur substantial costs and possible damages. If the outcome of any such litigation is unfavorable to us, our business, operating results, and financial condition could be adversely affected. We could also be forced to develop an alternative that could be costly and time-consuming, or acquire a license, which we might not be able to do on terms favorable to us, or at all.

We rely on trade secrets and proprietary know-how that we seek to protect, in part, by confidentiality agreements with our employees, suppliers, consultants, and others. These agreements may be breached, and we may not have adequate remedies for any such breach. Even if these confidentiality agreements are not breached, our trade secrets may otherwise become known or be independently developed by competitors.

We are subject to extensive laws, rules, policies, and regulations, with which our compliance is costly and not guaranteed.

We are subject to numerous international, federal, state, municipal and other governmental laws, rules, policies, regulations, and orders ("Laws") relating to, among other things; climate change; emissions to air, including engine emission requirements; discharges to water; restrictions placed on water usage and water availability; product and associated packaging; use of certain chemicals; restricted substances, including "conflict minerals" disclosure rules; import and export compliance, including country of origin certification requirements; worker and product user health and safety; energy efficiency; product life-cycles; outdoor noise laws; the generation, use, handling, labeling, collection, management, storage, transportation, treatment, and disposal of hazardous substances, wastes, and other regulated materials; and the registration of certain technologies with various government agencies throughout the world and operation of those technologies within the limits imposed by those agencies, including but not limited to radio frequency, broadband or other wireless technologies and technologies within the airspace of commercial airplanes, such as unmanned aerial systems. In addition, Laws may adversely affect our operating results, including, (i) to address health and safety requirements, (ii) taxation and tax policy changes, tax rate changes, new tax laws, or revised tax law interpretations or guidance, which individually or in combination may cause our effective tax rate to increase or result in tax charges, (iii) changes to, or adoption of new, healthcare laws or regulations, or (iv) changes to U.S. or international trade policies or agreements, or trade regulation and/or industry activity, including antidumping and countervailing duty petitions on certain products imported from foreign countries, including certain engines imported in the U.S. from China, that could result in additional tariffs, duties or other charges on commodities, components, parts or accessories that we import and/or use in our products.

Although we believe that we are in substantial compliance with currently applicable Laws, we are unable to predict the ultimate impact of adopted or future Laws on our company, business, properties, or products. Any of these Laws may cause us to incur significant expenses to achieve or maintain compliance, require us to modify our products, adversely affect the price of, or demand for, some of our products or manufacturing processes, and ultimately affect the way we conduct our operations. Failure to comply with any of these Laws could harm our reputation and/or lead to fines and other penalties, including restrictions on the importation of our products into, and the sale of our products in, one or more jurisdictions. In addition, our competitors may adopt strategies with respect to compliance with any such Laws that differ significantly from ours. This may change customer preferences and our markets in unanticipated ways which may adversely affect market demand for our products and our net sales and financial results. Other Laws impacting our supply chain, such as the United Kingdom Modern Slavery Act, or data privacy requirements, such as the EU's General Data Protection Regulation, the California Consumer Privacy Act, and other emerging domestic and global data privacy and cybersecurity laws, may have similar consequences.

Climate change legislation, regulations, accords, mitigation efforts, or other legislation may adversely impact our operations and could impact the competitive landscape within our markets and affect demand for our products.

We are currently subject to rules limiting exhaust and other emissions and other climate-related rules and regulations in certain jurisdictions where we operate. Concern over climate change has resulted in, and could continue to result in, new legal or regulatory requirements designed to reduce or mitigate the effects of greenhouse gases. An example of such legislation is California's AB 1346, which will require most new sales of small off-road engines, such as those installed in certain of our products, including leaf blowers and lawnmowers, sold in the state of California on or after January 1, 2024 to be zero-emission. We may become subject to additional legislation, regulations, or accords regarding climate change, and compliance with any new rules could be difficult and costly as a result of increased energy, environmental, and other costs and capital expenditures to comply with any such legislation, regulation, or accord or could otherwise decrease demand for our products.

Due to uncertainty in the regulatory and legislative processes and the negotiation and adoption of international climate change accords, as well as the scope of such requirements and initiatives, we cannot currently determine the effect any such legislation, regulation, or accord may have on our products and operations. Additionally, inconsistency of regulations in the states and countries in which we operate may affect the costs of compliance with such requirements. If such laws or regulations are more stringent than current legal or regulatory requirements, we may be subject to curtailment or reduced access to resources or experience increased compliance burdens and costs to meet the regulatory obligations, which may adversely affect our business and operating results.

Additionally, various other legislative proposals, if enacted, could put us in a competitively advantaged or disadvantaged position and affect customer demand for our products. For example, any fiscal-stimulus or other legislation that inordinately impacts the lawn and garden, outdoor power equipment, or irrigation industries generally by promoting the purchase of certain types of products that we sell, such as through customer rebate or other incentive programs, could impact us positively or negatively, depending on whether we manufacture products that meet the specified legislative criteria, including in areas such as fuel efficiency, alternative energy or water usage. Such legislation may also cause customers to perceive our product offerings to be more or less attractive than our competitors' product offerings. We cannot currently predict whether any such legislation will be enacted, the specific terms and conditions of such legislation, such legislation's impact on the competitive landscape within our markets, or how, if at all, any such legislation might ultimately affect customer demand for our products or our operating results.

Our compliance with applicable environmental laws is costly and not guaranteed.

Because we own and lease real property, various environmental laws may impose liability on us for the costs of cleaning up and responding to hazardous substances that may have been released on our property, including releases unknown to us. These environmental laws and regulations could also require us to pay for environmental remediation and response costs at third-party locations where we disposed of or recycled hazardous substances. We are currently involved in the evaluation and clean-up of a limited number of properties we either currently or previously owned. Although we do not expect that these current matters will have a material adverse effect on our financial condition or operating results, our future costs of complying with the various environmental requirements, as they now exist or may be altered in the future, could adversely affect our financial condition and operating results.

We are subject to product quality issues, product liability claims, and other litigation from time to time that could adversely affect our business, reputation, operating results, or financial condition.

The manufacture, sale, and use of our products expose us to significant risks associated with product quality issues and product liability claims and other litigation from time to time. If a product liability claim, other claim or series of claims is brought against us for liabilities exceeding our insurance coverage, and it is ultimately determined that we are liable, our business could suffer. While we believe that we appropriately instruct and warn our customers on the proper usage of our products, we cannot ensure that they will implement our instructions accurately or completely. If our products are defective or used incorrectly by our customers, injury may result and this could give rise to product quality issues and/or product liability claims against us, which could result in losses or damages or adversely affect our brand reputation and the marketability of our products, which may negatively impact our business and operating results.

Product defects can occur through our own product development, design, and manufacturing processes or through our reliance on third-parties for certain component design and manufacturing activities. Some of our products or product improvements were developed or modified relatively recently and defects or risks that we have not yet identified, such as quality issues or unanticipated use of our products, may give rise to warranty or other quality claims and/or product liability claims. Additionally, we could experience a material design, testing, or manufacturing failure in our products, a quality system failure, failures in our products and other challenges that are associated with our inability to properly manage changes in the suppliers and components that we use in our products, insufficient testing procedures, other safety issues, or heightened regulatory scrutiny that could warrant a recall of some of our products. A recall of some of our products could also result in increased

product liability claims. Unforeseen product quality and/or product liability problems in the development and production of new and existing products could also result in loss of market share, decreased demand, reduced sales, rework costs, and higher warranty expense.

We are also subject to other litigation from time to time that could adversely affect our business, reputation, operating results or financial condition.

We operate in many different jurisdictions and we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act ("FCPA") and similar worldwide anti-corruption laws.

The U.S. FCPA and similar worldwide anti-corruption laws generally prohibit companies and their intermediaries from making certain improper payments for the purpose of obtaining or retaining business. The continued expansion of our international operations could increase the risk of violations of these laws. Significant violations of these laws, or allegations of such violations, could harm our reputation, disrupt our business, and result in significant fines and penalties that could have a material adverse effect on our operating results or financial condition.

General Risk Factors

We may not achieve our financial projections, sustainability goals, or other business and productivity initiatives, which could have an adverse effect on our business, operating results, and financial condition.

We generally provide financial projections such as our expected revenue growth and adjusted diluted earnings per share. These financial projections are based on management's assumptions and expectations at the time made. Failure to achieve our financial projections could have an adverse effect on our business, operating results, and financial condition.

We have set certain aspirations and goals related to ESG matters, such as goals to increase battery and hybrid product sales, plans to reduce certain GHG emissions over time, and goals to increase the number of women and racial and ethnic minorities in leadership positions. We also set goals and objectives for the timing of certain accomplishments, initiatives and milestones regarding our business or operating results, including without limitation our recently announced "Amplifying Maximum Productivity" or AMP initiative, which is a multi-year initiative intended to result in annualized cost savings of more than \$100 million by fiscal 2027, driven by sustainable supply-base, design-to-value, and route-to-market transformation. Whether we achieve our goals and objectives of such initiatives can vary due to a number of factors, including the risk factors described in this Annual Report on Form 10-K. It is possible that we may be unsuccessful in the achievement of our goals, on a timely basis or at all. A delay, failure or perceived failure or delay to achieve such goals and objectives in the time periods that we anticipate, or at all, could have an adverse effect on our business, operating results and financial condition, and the public perception of our business.

We are dependent upon our ability to attract and retain key executive and employees and successfully implement key employee transitions.

Our ability to meet our strategic objectives and otherwise profitably grow our business will depend to a significant extent on the continued contributions of our leadership team and our ability to identify, attract, engage, develop, and retain other highly qualified employees worldwide. Competition for these individuals is intense, and we may not succeed in identifying, attracting, or retaining qualified employees. Our executive management team and board of directors have undergone significant changes during the past two years. Losing executive officers or other key employees, failure to identify, attract, or retain qualified leaders in the future, ineffective executive officer or other employee transitions, delays or the inability to hire necessary and qualified office or production employees due to employment conditions or otherwise, or any employee work slowdowns, strikes, or similar actions could make it difficult for us to conduct and manage our business and meet key objectives, which could harm our business, financial condition, and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Not applicable.

ITEM 2. PROPERTIES

Our global business operations require the use of various facilities and other properties for manufacturing, distribution, warehousing, engineering and product testing, sales and marketing, and other corporate activities. We generally consider our current facilities to be in good operating condition, suitable for their respective uses, and adequate for our current and future business needs as our business is presently conducted. However, as a matter of course, we review our facilities from time to time as we continue to optimize our global business operations and footprint and may determine that certain of our facilities should be expanded or exited, sold, or utilized in another manner.

Our significant facilities are listed below by location, ownership, and function as of October 31, 2023:

Location	Reportable Segment	Facility Type/Use	Ownership
United States:			
Batesville, Arkansas	Professional	Manufacturing facility, office, and warehouse	Owned/Leased
El Cajon, California	Professional	Manufacturing facility and test site	Owned/Leased
Riverside, California	Professional	Office and test site	Owned/Leased
Sanford, Florida	Professional	Manufacturing facility	Leased
Ankeny, Iowa	Professional & Residential	Distribution center	Leased
Mount Sterling, Kentucky	Professional	Manufacturing facility	Leased
Iron Mountain, Michigan	Professional	Manufacturing facility, office, and test site	Owned/Leased
Bloomington, Minnesota	Other activities	Corporate headquarters and test site	Owned/Leased
Shakopee, Minnesota	Professional & Residential	Manufacturing facility	Owned
Windom, Minnesota	Professional & Residential	Manufacturing facility	Owned/Leased
Beatrice, Nebraska	Professional	Manufacturing facility, office, and test site	Owned/Leased
Orrville, Ohio	Professional	Manufacturing facility and office	Owned
West Salem, Ohio	Professional	Manufacturing facility and office	Owned
Perry, Oklahoma	Professional	Manufacturing facility, office, and test site	Owned/Leased
El Paso, Texas	Professional & Residential	Manufacturing facility and distribution center	Owned/Leased
Weatherford, Texas	Professional	Manufacturing facility	Owned
Baraboo, Wisconsin	Professional & Residential	Distribution center	Leased
Lake Mills, Wisconsin	Professional	Manufacturing facility	Owned
Plymouth, Wisconsin	Professional & Residential	Distribution center	Owned
Tomah, Wisconsin	Professional	Manufacturing facility and distribution center	Owned/Leased
International Countries:			
Beverly, Australia	Professional	Manufacturing facility and office	Owned
Braeside, Australia	Professional & Residential	Distribution center	Leased
Oevel, Belgium	Professional & Residential	Distribution center	Owned/Leased
Xiamen City, China	Professional & Residential	Manufacturing facility	Leased
Althengstett, Germany	Professional	Manufacturing facility and office	Owned
Fiano Romano, Italy	Professional	Manufacturing facility and office	Owned/Leased
Juarez, Mexico	Professional & Residential	Manufacturing facility	Leased
Monterrey, Mexico	Professional & Residential	Manufacturing facility	Leased
Ustron, Poland	Professional	Manufacturing facility	Owned
Ploiesti, Romania	Professional	Manufacturing facility and test site	Owned
Hertfordshire, United Kingdom	Professional & Residential	Manufacturing facility, office, and test site	Owned

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are a party to litigation in the ordinary course of business, including claims for punitive, as well as compensatory, damages arising out of the use of our products; litigation and administrative and judicial proceedings with respect to claims involving asbestos and the discharge of hazardous substances into the environment; and commercial disputes, employment disputes, and patent litigation cases. For a description of our material legal proceedings, refer to the heading titled "Litigation" within Note 11, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K, which is incorporated into this Item 3 by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The list below identifies those persons designated by our Board of Directors as executive officers of the company. The list sets forth each such person's age and position with the company as of December 13, 2023, as well as other positions held by the executive for at least the last five years. There are no family relationships between any director, executive officer, or person nominated to become a director or executive officer of the company. There are no arrangements or understandings between any executive officer and any other person pursuant to which such executive officer was selected as an officer of the company.

Name, Age, and Position	Business Experience during the Last Five or More Years
Richard M. Olson 59, Chairman of the Board, President and Chief Executive Officer	Chairman of the Board since November 2017 and President and Chief Executive Officer since November 2016. From September 2015 through October 2016, he served as President and Chief Operating Officer. From June 2014 through August 2015, he served as Group Vice President, International Business, Global Ag-Irrigation Business and Distributor Development.
Jason P. Baab 48, Vice President, Strategy, Corporate Development, and Sustainability	Vice President, Strategy, Corporate Development, and Sustainability since July 2023. Prior to joining the company, he held several roles at Oshkosh Corporation, a global manufacturer of specialty vehicles and equipment, serving as Senior Vice President, Corporate Development, Strategy, and Venture Capital from October 2021 to June 2023 and Vice President from 2017 to September 2021.
Kevin N. Carpenter 49, Vice President, Global Operations and Integrated Supply Chain	Vice President, Global Operations and Integrated Supply Chain since December 2021. Prior to joining the company, he held several roles at Carrier Global Corporation, a global provider of healthy, safe, sustainable and intelligent building and cold chain solutions, serving as Vice President of Operations, Residential and Light Commercial Systems from June 2021 to November 2021, Vice President of Quality and Continuous Improvement from August 2020 to May 2021, Vice President of Operations, Commercial HVAC from February 2020 to July 2020, and Vice President of Advanced Manufacturing from May 2019 to January 2020. Prior to joining Carrier, he held several roles at Rockwell Automation, Inc., an industrial automation and digital transformation company, serving as Vice President of Manufacturing Services from June 2018 to April 2019 and Director of Manufacturing Services from May 2016 to May 2018.
Amy E. Dahl 49, Vice President, International	Vice President, International since June 2023. She previously served as Vice President, International, General Counsel and Corporate Secretary from March 2023 to June 2023. From August 2022 to February 2023 she served as Vice President, General Counsel and Corporate Secretary. From November 2020 through August 2022, she served as Vice President, Human Resources, General Counsel, and Corporate Secretary and from January 2020 through October 2020, she served as Vice President, Human Resources, Distributor Development, General Counsel, and Corporate Secretary. From December 2016 through December 2019, she served as Vice President, Human Resources and Distributor Development.
Angela C. Drake 51, Vice President and Chief Financial Officer	Vice President and Chief Financial Officer since March 2023. She previously served as Vice President, Finance from July 2022 to February 2023. From April 2020 to June 2022, she served as Vice President, Construction and from April 2019 through March 2020, she served as Senior Managing Director, Integration. From February 2011 through March 2019, she served as Chief Financial Officer for The Charles Machine Works, Inc., an underground construction company acquired by the company in April 2019.
Edric C. Funk 51, Group Vice President, Golf, Grounds, and Irrigation	Group Vice President, Golf, Grounds, and Irrigation since November 2022. He previously served as General Manager, Sitework Systems from November 2020 to November 2022, and prior to that led the company's Center for Technology, Research and Innovation from July 2017 to October 2020.
Gregory S. Janey 45, Group Vice President, Landscapes and Contractor	Group Vice President, Landscapes and Contractor since November 2022. He previously served as Vice President, Residential and Landscape Contractor Businesses from November 2019 to November 2022. From November 2017 to October 2019, he served as General Manager, Residential and Landscape Contractor Businesses.
Margeaux M. King 46, Vice President, Human Resources	Vice President, Human Resources since August 2022. Prior to joining the company, she held several roles at Ecolab, a global provider in water, hygiene and infection prevention solutions and services, serving as Senior Vice President, Human Resources, Global Total Rewards & Talent from February 2022 to July 2022, Senior Vice President, Human Resources, Global Total Rewards from September 2019 to January 2022, and Vice President, Human Resources, Global Compensation & Benefits from March 2016 to August 2019.
Peter D. Moeller 46, Group Vice President, Underground and Specialty Construction	Group Vice President, Underground and Specialty Construction since March 2023. From November 2020 to February 2023, he served as Vice President, International. From November 2019 to October 2020, he served as Vice President, Sitework Systems. From November 2017 to October 2019, he served as General Manager, Sitework Systems.
Kurt D. Svendsen 57, Vice President, Technology	Vice President, Technology since March 2023. From November 2020 to February 2023, he served as Vice President, Strategy, Corporate and Channel Development. From June 2013 to October 2020, he served as Vice President, Information Technology.
Joanna M. Totsky 55, Vice President, General Counsel, and Corporate Secretary	Vice President, General Counsel, and Corporate Secretary since June 2023. Prior to joining the company, she held several roles at Cooper-Standard Holdings, a leading manufacturer of sealing, fuel and brake delivery, and fluid transfer systems, serving as Senior Vice President, Chief Legal and Transformation Officer and Secretary from November 2022 to May 2023, Senior Vice President, Chief Legal and Compliance Officer and Secretary from July 2019 to October 2022, and Vice President, Deputy General Counsel from October 2016 to June 2019.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Common Stock and Cash Dividends**

Our common stock is listed for trading on the New York Stock Exchange and trades under the symbol "TTC." As of October 31, 2023 and 2022, we had 175,000,000 shares of common stock, par value \$1.00 per share, authorized, and 103,843,485 and 103,969,805 shares of common stock outstanding, respectively. In each quarter of fiscal 2023, our Board of Directors declared a common stock cash dividend of \$0.34 per share, which was a 13.3 percent increase over our common stock cash dividend of \$0.30 per share paid in each quarter of fiscal 2022. As announced on December 12, 2023, our Board of Directors increased our fiscal 2024 first quarter common stock cash dividend by 5.9 percent to \$0.36 per share. Future common stock cash dividends will depend upon our financial condition, results of operations, capital requirements, and other factors deemed relevant by our Board of Directors. Restrictions on our ability to pay dividends are disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Preferred Stock

As of October 31, 2023 and 2022, we had 1,000,000 voting shares and 850,000 non-voting shares of preferred stock, par value \$1.00 per share, authorized, none of which were outstanding.

Shareholders

As of December 13, 2023, we had 2,450 shareholders of record.

Issuer Purchases of Equity Securities

The following table sets forth information with respect to shares of our common stock purchased by the company during each of the three fiscal months in our fourth quarter ended October 31, 2023:

Period	Total Number of Shares (or Units) Purchased ^{1,2,3}	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs ^{1,2}	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs ^{1,2}
August 5, 2023 through September 1, 2023	—	\$ —	—	6,949,491
September 2, 2023 through September 29, 2023	—	—	—	6,949,491
September 30, 2023 through October 31, 2023	1,560	86.01	—	6,949,491
Total	1,560	\$ 86.01	—	

¹ On December 4, 2018, the company's Board of Directors authorized the repurchase of 5,000,000 shares of the company's common stock in open-market or in privately negotiated transactions. This authorized stock repurchase program has no expiration date but may be terminated by the company's Board of Directors at any time. No shares were repurchased under this program during the time period indicated above. As a result, 1,949,491 shares remained available to repurchase under this program as of October 31, 2023.

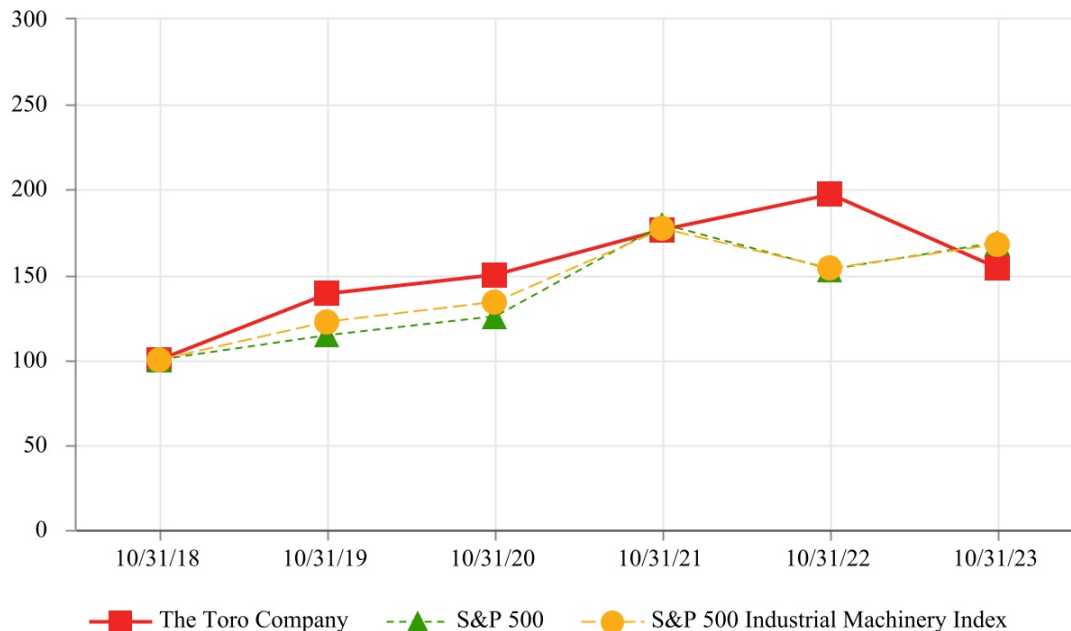
² On December 13, 2022, the company's Board of Directors authorized the repurchase of an additional 5,000,000 shares of the company's common stock in open-market or privately negotiated transactions. This authorized stock repurchase program has no expiration date but may be terminated by the company's Board of Directors at any time. No shares were repurchased under this program during the time period indicated above.

³ Includes 1,560 shares of the company's common stock purchased in open-market transactions at an average price of \$86.01 per share on behalf of a rabbi trust formed to pay benefit obligations of the company to participants in the company's deferred compensation plans. These 1,560 shares were not repurchased under the company's authorized stock repurchase programs described in notes 1 and 2 above.

The Toro Company Common Stock Comparative Performance Graph

The following stock performance graph and table depict the cumulative total shareholder return (assuming reinvestment of dividends) on \$100 invested in each of TTC common stock, the S&P 500 Index, and the S&P 500 Industrial Machinery Index for the five-year period from October 31, 2018 through October 31, 2023. The total returns on TTC common stock depicted in the stock performance graph and table are not necessarily indicative of future performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among The Toro Company, the S&P 500 Index, and the S&P 500 Industrial Machinery Index



*\$100 invested on 10/31/18 in stock or index, including reinvestment of dividends. Fiscal years ending October 31.

Fiscal Years Ended October 31	2018	2019	2020	2021	2022	2023
The Toro Company	\$ 100.00	\$ 138.80	\$ 149.82	\$ 176.04	\$ 197.09	\$ 153.25
S&P 500	100.00	114.33	125.43	179.25	153.06	168.59
S&P 500 Industrial Machinery Index	\$ 100.00	\$ 121.96	\$ 133.77	\$ 176.57	\$ 153.30	\$ 167.86

The information contained in The Toro Company Common Stock Comparative Performance Graph section shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that it be treated as soliciting material or incorporate it by reference into a document filed under the Securities Act or the Exchange Act.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our Consolidated Financial Statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Our Consolidated Financial Statements and Notes to Consolidated Financial Statements are included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K and all references in this MD&A to the Notes to Consolidated Financial Statements can be found in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

Unless expressly stated otherwise, the comparisons presented in this MD&A refer to the year-over-year comparison of changes in our financial condition and results of operations as of and for the fiscal years ended October 31, 2023 and 2022. Discussion of fiscal 2021 items and the year-over-year comparison of changes in our financial condition and results of operations as of and for the fiscal years ended October 31, 2022 and 2021 can be found in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Annual Report on Form 10-K for the fiscal year ended October 31, 2022. Statements that are not historical are forward-looking and involve risks and uncertainties, including those discussed in Part I, Item 1A, "Risk Factors," and elsewhere in this Annual Report on Form 10-K. These risks and uncertainties could cause our actual results to differ materially from any future performance suggested throughout this MD&A.

Our MD&A is presented as follows:

- Company Overview
- Results of Operations
- Business Segments
- Financial Position
- Non-GAAP Financial Measures
- Critical Accounting Policies and Estimates

Non-GAAP Financial Measures

Throughout this MD&A, we have provided financial and liquidity measures that are not calculated or presented in accordance with U.S. GAAP ("non-GAAP financial measures," "adjusted" before specified financial measures, and "non-GAAP liquidity measures"), as information supplemental and in addition to the most directly comparable financial measures presented in this Annual Report on Form 10-K that are calculated and presented in accordance with U.S. GAAP. We believe that these non-GAAP financial measures, when considered in conjunction with our Consolidated Financial Statements prepared in accordance with U.S. GAAP, provide investors with useful supplemental financial information to better understand our core operational performance and cash flows. These non-GAAP financial measures, however, should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with, the most directly comparable U.S. GAAP financial measures. Reconciliations of non-GAAP financial measures to the most directly comparable reported U.S. GAAP financial measures are included in the section titled "Non-GAAP Financial Measures."

COMPANY OVERVIEW

Executive Summary

Our fiscal 2023 results included the following items of significance that are provided in summary format here and described in greater detail throughout the "Results of Operations," "Business Segments," and "Financial Position" sections:

- Consolidated net sales for fiscal 2023 were \$4,553.2 million, an increase of 0.9 percent compared to \$4,514.7 million in fiscal 2022.
- Professional segment net sales for fiscal 2023 were \$3,674.6 million, an increase of 7.1 percent compared to \$3,429.6 million in fiscal 2022.
- Residential segment net sales for fiscal 2023 were \$854.2 million, a decrease of 20.1 percent compared to \$1,068.6 million in fiscal 2022.
- Gross margin was 34.6 percent in fiscal 2023, an increase of 130 basis points compared to 33.3 percent in fiscal 2022.
- Adjusted gross margin was 34.7 percent in fiscal 2023, an increase of 130 basis points compared to 33.4 percent in fiscal 2022.
- SG&A expense as a percentage of net sales in fiscal 2023 was 21.8 percent, an increase of 130 basis points compared to 20.5 percent in fiscal 2022.
- Net earnings for fiscal 2023 were \$329.7 million, or \$3.13 per diluted share, compared to \$443.3 million, or \$4.20 per diluted share, in fiscal 2022.

- Adjusted net earnings for fiscal 2023 were \$443.5 million, or \$4.21 per diluted share, compared to \$444.2 million, or \$4.20 per diluted share, in fiscal 2022.
- Field inventory was higher as of the end of fiscal 2023 compared to the end of fiscal 2022, primarily driven by channel replenishment and lower than anticipated retail demand from homeowners who prefer professional solutions.
- Our order backlog represents unfulfilled customer orders at a point in time. Our order backlog (including shipments beyond 12 months) decreased \$343.4 million to \$1,965.7 million as of October 31, 2023 from \$2,309.1 million as of October 31, 2022, primarily driven by improved manufacturing output. Our order backlog remains significantly elevated over what the company would consider normal, due to demand for golf and grounds equipment and underground and specialty construction products continuing to outpace production of such products.

Please refer to the section titled "Non-GAAP Financial Measures" for reconciliations of non-GAAP financial measures to the most directly comparable reported U.S. GAAP financial measures.

We continued our history of paying quarterly cash dividends throughout fiscal 2023 and increased our fiscal 2023 quarterly cash dividend by 13.3 percent to \$0.34 per share compared to \$0.30 per share paid in fiscal 2022. We also repurchased shares of our common stock under our Board authorized repurchase program, thereby reducing our total shares outstanding. As a result of the combination of quarterly cash dividends and share repurchases, we returned \$201.9 million of cash to our shareholders during fiscal 2023. As of October 31, 2023, we had a strong liquidity profile with available liquidity of \$750.5 million, consisting of cash and cash equivalents of \$193.1 million and availability under our revolving credit facility of \$557.4 million.

Multi-Year Employee Initiative

Our current multi-year employee initiative, "Drive for Five," which began in fiscal 2022, is intended to align and engage employees on furthering our profitable growth by offering innovative business and product categories to serve our customers. As such, the core focus of this initiative is our goal of exceeding \$5.0 billion in net sales through organic growth, while continuing our historical focus on improving profitability, by the end of fiscal 2024. We believe this goal enhances the innovation and growth momentum for the organization.

AMP Initiative

We recently announced a new "Amplifying Maximum Productivity" or AMP initiative, which is a multi-year initiative intended to result in annualized cost savings of more than \$100 million by fiscal 2027, driven by sustainable supply-base, design-to-value, and route-to-market transformation. We expect to reinvest a portion of the savings from this initiative to drive further innovation and growth.

Acquisition of Intimidator Group

On January 13, 2022, during the first quarter of fiscal 2022, we completed our acquisition of Intimidator for net aggregate purchase consideration of \$399.8 million. Intimidator primarily designs, manufactures, markets, and sells a commercial-grade line of zero-turn mowers under the Spartan brand, which are intended to provide innovative turf management solutions to landscape contractors and other customers including homeowners who prefer professional solutions. The acquisition of Intimidator broadened our Professional reportable segment and expanded our manufacturing footprint and dealer network. Subsequent to the closing date, results of operations for Intimidator have been included within our Professional reportable segment within our Consolidated Financial Statements and had an incremental impact to our Professional reportable segment net sales for the first twelve months post acquisition, or through the first quarter of fiscal 2023. For additional information regarding the Intimidator acquisition, refer to Note 2, *Business Combinations and Asset Acquisitions*, in the Notes to Consolidated Financial Statements.

Impairment

During the preparation of our financial statements for the third quarter of fiscal 2023, we identified deterioration in year-to-date fiscal 2023 results of Intimidator compared to previous expectations and resulting downward revisions to our projected future results of Intimidator made during the third quarter of fiscal 2023 as part of our annual long range strategic planning process, including future expected cash flows, which were significantly lower than previously expected. The underperformance was attributable to summer seasonality trends that did not materialize primarily due to reduced retail demand from homeowners who prefer professional solutions. This reduced retail demand from homeowners who prefer professional solutions was driven by persistent hot and dry weather patterns across key regions, coupled with a number of macro factors, including higher interest rates, economic uncertainty, and consumer spending preferences following the exceptional demand during the pandemic. Additionally, we had previously replenished the Intimidator customer channel, which, combined with the reduced retail demand, caused a significant reduction in shipments and customer reorders during the third quarter of fiscal 2023, as well as a material reduction in projected future financial results for Intimidator.

Based on the above factors, we concluded it was more likely than not that the indefinite-lived Spartan trade name intangible asset was impaired and that the fair value of the Intimidator reporting unit was less than its carrying amount. As such, we

performed quantitative impairment analyses to compare the fair value of the Spartan trade name intangible asset and the Intimidator reporting unit with their respective carrying amounts.

As a result of these analyses, at the end of the third quarter of fiscal 2023, we recorded an impairment charge of \$18.0 million related to the indefinite-lived Spartan trade name intangible asset reported under the Professional segment. Further, during the same period, we recorded an impairment charge of \$133.3 million related to goodwill of the Intimidator reporting unit also reported under the Professional segment. Subsequent to these impairment charges, the remaining balance of the indefinite-lived Spartan trade name intangible asset is \$81.1 million and the remaining balance of goodwill for the Intimidator reporting unit is \$30.5 million. These impairment charges are included in the Non-cash impairment charges caption on the Consolidated Statements of Earnings. These impairment charges resulted in a \$36.7 million income tax benefit (deferred tax asset) associated with the remaining tax deductible basis in goodwill and other intangible assets.

RESULTS OF OPERATIONS

Net Sales

Consolidated net sales in fiscal 2023 were \$4,553.2 million compared to \$4,514.7 million in fiscal 2022, an increase of 0.9 percent. This net sales increase was primarily driven by net price realization, higher shipments of Professional segment products, and the incremental net sales attributable to the acquisition of Intimidator, partially offset by lower shipments of Residential segment products.

Net sales in international markets were \$947.7 million for fiscal 2023 compared to \$879.2 million in fiscal 2022, an increase of 7.8 percent. Changes in foreign currency exchange rates resulted in a decrease in our net sales of \$5.5 million in fiscal 2023. The international net sales increase was primarily driven by higher shipments and net price realization in the Professional segment, partially offset by lower shipments in the Residential segment.

The following table summarizes our results of operations as a percentage of our consolidated net sales:

Fiscal Years Ended October 31	2023	2022
Net sales	100.0 %	100.0 %
Cost of sales	(65.4)	(66.7)
Gross margin	34.6	33.3
SG&A expense	(21.8)	(20.5)
Non-cash impairment charges	(3.3)	—
Operating earnings	9.5	12.8
Interest expense	(1.3)	(0.8)
Other income, net	0.6	0.2
Earnings before income taxes	8.8	12.2
Provision for income taxes	(1.6)	(2.4)
Net earnings	7.2 %	9.8 %

Gross Profit and Gross Margin

Gross profit represents net sales less cost of sales and gross margin represents gross profit as a percentage of net sales. Refer to Note 1, *Summary of Significant Accounting Policies and Related Data*, of the Notes to Consolidated Financial Statements within the section entitled "Cost of Sales," for a description of expenses included in cost of sales. Gross profit for fiscal 2023 was \$1,577.6 million, up 4.9 percent compared to gross profit of \$1,504.6 million in fiscal 2022. Gross margin was 34.6 percent in fiscal 2023 compared to 33.3 percent in fiscal 2022, an increase of 130 basis points. The increase in gross margin in fiscal 2023 as compared to fiscal 2022 was primarily due to net price realization and productivity improvements, partially offset by higher material costs.

Selling, General and Administrative ("SG&A") Expense

SG&A expense increased \$66.7 million, or 7.2 percent, in fiscal 2023 compared to fiscal 2022. Refer to Note 1, *Summary of Significant Accounting Policies and Related Data*, of the Notes to Consolidated Financial Statements within the section entitled "Selling, General and Administrative Expense" for a description of expenses included in SG&A expense. As a percentage of net sales, SG&A expense was 21.8 percent in fiscal 2023 compared to 20.5 percent in fiscal 2022, an increase of 130 basis points. The increase in SG&A expense as a percentage of net sales was primarily driven by higher corporate expenses, higher marketing and warranty costs, and increased investment in research and engineering.

Non-Cash Impairment Charges

We recorded non-cash impairment charges of \$151.3 million within our Professional segment related to Intimidator in fiscal 2023. No impairment charges were recognized in fiscal 2022.

Interest Expense

Interest expense primarily consists of interest costs incurred on outstanding borrowings related to our fixed and variable interest rate debt arrangements, as well as amortization of the debt issuance costs associated with our debt arrangements. Interest expense for fiscal 2023 increased \$23.0 million compared to fiscal 2022. This increase was driven by higher average interest rates in fiscal 2023 compared to fiscal 2022.

Other Income, Net

Other income, net for fiscal 2023 was \$28.5 million compared to \$12.5 million in fiscal 2022, an increase of \$16.0 million. This increase in other income, net was primarily due to higher income from our Red Iron joint venture and the favorable impact from derivative instruments in fiscal 2023 as compared to fiscal 2022.

Provision for Income Taxes

The effective tax rate for fiscal 2023 was 17.7 percent compared to 19.8 percent in fiscal 2022. The decrease in the effective tax rate for fiscal 2023 was primarily due to the impact of non-cash impairment charges and higher tax benefits recorded as excess tax deductions for stock compensation during fiscal 2023.

The adjusted effective tax rate for fiscal 2023 was 20.4 percent, compared to an adjusted effective tax rate of 20.2 percent in fiscal 2022. Reconciliations of non-GAAP financial measures to the most directly comparable reported U.S. GAAP financial measures are included in the section titled "Non-GAAP Financial Measures."

Net Earnings and Net Earnings Per Diluted Share

Fiscal 2023 net earnings were \$329.7 million compared to \$443.3 million in fiscal 2022, a decrease of 25.6 percent. Fiscal 2023 diluted net earnings per share were \$3.13, a decrease of 25.5 percent from \$4.20 per diluted share in fiscal 2022. The decrease in net earnings per diluted share for fiscal 2023 was primarily driven by the non-cash impairment charges, higher interest expense, and lower Residential segment earnings, partially offset by strong Professional segment earnings excluding the non-cash impairment charges and higher income from our Red Iron joint venture.

Adjusted net earnings for fiscal 2023 were \$443.5 million, or \$4.21 per diluted share, compared to \$444.2 million, or \$4.20 per diluted share, in fiscal 2022. Reconciliations of non-GAAP financial measures to the most directly comparable reported U.S. GAAP financial measures are included in the section titled "Non-GAAP Financial Measures."

BUSINESS SEGMENTS

As more fully described in Note 3, *Segment Data*, of the Notes to Consolidated Financial Statements, we operate in two reportable business segments: Professional and Residential. Segment earnings for our Professional and Residential reportable segments are defined as earnings from operations plus other income, net. Our remaining activities consisting of a wholly-owned domestic distribution company, Red Iron joint venture, certain corporate activities, and the elimination of intersegment revenues and expenses, are presented as "Other" due to their insignificance. Corporate activities include general corporate expenditures, such as finance, human resources, legal, information technology, public relations, business development, and similar activities, as well as other unallocated corporate assets and liabilities, such as corporate facilities and deferred tax assets and liabilities. The following information provides perspective on the net sales and operating results of our reportable business segments and Other activities.

Professional Segment

Professional segment net sales represented 80.7 percent and 76.0 percent of consolidated net sales for fiscal 2023 and 2022, respectively. The following table presents our Professional segment's net sales, earnings, and earnings as a percentage of net sales (dollars in millions):

Fiscal Years Ended October 31	2023	2022
Net sales	\$ 3,674.6	\$ 3,429.6
Percentage change from prior year	7.1 %	17.1 %
Segment earnings	\$ 509.1	\$ 584.0
Segment earnings as a percentage of segment net sales	13.9 %	17.0 %

Professional Segment Net Sales

Net sales for our Professional segment in fiscal 2023 increased 7.1 percent compared to fiscal 2022. This increase was primarily driven by higher shipments of underground and specialty construction, and golf and grounds products, net price realization, and the incremental net sales attributable to the acquisition of Intimidator, partially offset by lower shipments of contractor-grade lawn care equipment.

Professional Segment Earnings

Professional segment earnings decreased 12.8 percent in fiscal 2023 compared to fiscal 2022, and when expressed as a percentage of Professional segment net sales, decreased to 13.9 percent from 17.0 percent. The decrease in Professional segment earnings as a percentage of Professional segment net sales for fiscal 2023 was primarily driven by the non-cash impairment charges and higher material costs, partially offset by net price realization and productivity improvements.

Residential Segment

Residential segment net sales represented 18.8 percent and 23.7 percent of consolidated net sales for fiscal 2023 and 2022, respectively. The following table presents our Residential segment's net sales, earnings, and earnings as a percentage of net sales (dollars in millions):

Fiscal Years Ended October 31	2023		2022	
Net sales	\$	854.2	\$	1,068.6
Percentage change from prior year		(20.1)%		5.8 %
Segment earnings	\$	68.9	\$	112.7
Segment earnings as a percentage of segment net sales		8.1 %		10.5 %

Residential Segment Net Sales

Net sales for our Residential segment in fiscal 2023 decreased by 20.1 percent compared to fiscal 2022. This decrease was primarily driven by lower shipments of products broadly across the segment, partially offset by net price realization.

Residential Segment Earnings

Residential segment earnings decreased 38.9 percent in fiscal 2023 compared to fiscal 2022, and when expressed as a percentage of Residential segment net sales, decreased to 8.1 percent from 10.5 percent. This Residential segment earnings decrease as a percentage of Residential segment net sales was primarily driven by lower sales volume and unfavorable product mix, partially offset by net price realization.

Other Activities

Net sales for our Other activities consist of sales from a wholly-owned domestic distribution company less intercompany sales from our Professional and Residential business segments to the wholly-owned domestic distribution company. Net sales for our Other activities represented 0.5 percent and 0.3 percent of consolidated net sales for fiscal 2023 and 2022, respectively.

The following table presents net sales and operating loss for our Other activities (dollars in millions):

Fiscal Years Ended October 31	2023		2022	
Net sales	\$	24.4	\$	16.5
Percentage change from prior year		47.9 %		(17.2)%
Operating loss	\$	(177.5)	\$	(144.2)

Other Net Sales

Net sales for our Other activities includes sales from our wholly-owned domestic distribution company net of intersegment sales from the Professional and Residential segments to the distribution company. Net sales for our Other activities in fiscal 2023 increased \$7.9 million compared to fiscal 2022.

Other Operating Loss

Operating loss for our Other activities increased \$33.3 million in fiscal 2023 compared to fiscal 2022. This year-over-year operating loss increase was primarily driven by higher interest expense, higher corporate expenses, and restructuring charges, partially offset by higher income from our Red Iron joint venture and the favorable impact from derivative instruments.

FINANCIAL POSITION**Working Capital**

The macroeconomic environment remains challenging, but our supply chain is beginning to stabilize. Our continued goal is to maintain requisite inventory levels to meet our anticipated production requirements, avoid manufacturing delays, and meet the demand for our products, as well as ensure service parts availability for our customers. The following table highlights several key measures of our working capital performance (dollars in millions):

Fiscal Years Ended October 31	2023		2022	
Average receivables, net	\$	379.2	\$	351.7
Average inventories, net	\$	1,134.5	\$	914.4
Average accounts payable	\$	450.9	\$	494.6
Average days outstanding for receivables		30.4		28.4
Average inventory turnover (times per fiscal year)		2.6		3.3

As of the end of fiscal 2023, our average net working capital was 23.3 percent compared to 17.1 percent as of the end of fiscal 2022. We calculate our average net working capital as average net accounts receivable plus average net inventory, less average accounts payable as a percentage of net sales for a twelve month period.

The following factors impacted our average net working capital during fiscal 2023 as compared to fiscal 2022:

- Average net receivables increased by 7.8 percent, primarily driven by payment terms. Our average days outstanding for receivables increased to 30.4 days in fiscal 2023 compared to 28.4 days in fiscal 2022.
- Average net inventories increased by 24.1 percent, primarily due to higher finished goods resulting from decreased demand for solutions sold to homeowners.
- Average accounts payable decreased by 8.8 percent, primarily driven by a reduction in purchases year-over-year.

Capital Expenditures

We make ongoing capital investments in our property, plant, and equipment and believe that in periods of normalized supply chain conditions our historical capital investments in our manufacturing facilities and other capital assets will increase the production capacity and efficiencies of our operations to better enable us to meet the needs of our customers. Fiscal 2023 capital expenditures of \$149.5 million were \$6.0 million higher than our fiscal 2022 capital expenditures of \$143.5 million.

Cash Flows

Cash flows provided by/(used in) operating, investing, and financing activities during the past two fiscal years are shown in the following table (dollars in millions):

Fiscal Years Ended October 31	Cash Provided by/ (Used in)			
	2023		2022	
Operating activities	\$	306.8	\$	297.2
Investing activities		(157.7)		(548.3)
Financing activities		(147.5)		42.2
Effect of exchange rates on cash		3.3		(8.5)
Net increase (decrease) in cash and cash equivalents		4.9		(217.4)
Cash and cash equivalents as of the end of the fiscal period	\$	193.1	\$	188.2

Cash Flows from Operating Activities

Our primary source of funds is cash generated from operations. In fiscal 2023, cash provided by operating activities increased by \$9.6 million, or 3.2 percent, from fiscal 2022.

Cash Flows from Investing Activities

Acquisitions and capital expenditures are a significant use of our capital resources. These investments are intended to enable sales growth in new, existing, and expanding markets, help us meet product demand, and increase our manufacturing efficiencies and capacity. Cash used in investing activities in fiscal 2023 decreased by \$390.6 million from fiscal 2022. This decrease was primarily due to cash used to acquire Intimidator in fiscal 2022 that was not repeated.

Cash Flows from Financing Activities

Cash used in financing activities in fiscal 2023 was \$147.5 million compared to cash provided by financing activities of \$42.2 million in fiscal 2022. This change in cash flows from financing activities was mainly due to lower net borrowings, partially offset by lower share repurchases, in each case during fiscal 2023 compared to fiscal 2022. The net borrowings incurred during fiscal 2022 were used in part to acquire Intimidator.

Liquidity and Capital Resources

As of October 31, 2023, we had available liquidity of \$750.5 million, consisting of cash and cash equivalents of \$193.1 million, of which \$91.1 million was held by our foreign subsidiaries, and availability under our revolving credit facility of \$557.4 million.

We expect that \$32.8 million of cash and cash equivalents held by our foreign subsidiaries will be indefinitely reinvested. Should these cash and cash equivalents be distributed in the future in the form of dividends or otherwise, we may be subject to foreign withholding taxes, state income taxes, and/or additional federal taxes for currency fluctuations. As of October 31, 2023, the unrecognized deferred tax liabilities for temporary differences related to our investment in non-U.S. subsidiaries, and any withholding, state, or additional federal taxes upon any future repatriation, are not material and have not been recorded.

We believe our current liquidity position, including the funds available through existing, and potential future, financing arrangements and projected cash flows from operations will be sufficient to provide the necessary capital resources for our anticipated working capital needs, payroll, and other administrative costs, capital expenditures, lease payments, purchase commitments, contractual obligations, acquisitions, investments, establishment of new facilities, expansion and renovation of existing facilities, financing receivables from customers that are not financed with Red Iron or other third-party financial institutions, contingent consideration payments, debt repayments, interest payments, quarterly cash dividend payments, and common stock repurchases, all as applicable, for at least the next twelve months.

Indebtedness

The following is a summary of our indebtedness (dollars in millions):

October 31	2023	2022
Revolving credit facility, due October 2026	\$ 40.0	\$ —
\$270 million term loan, due October 2026	270.0	270.0
\$200 million term loan, due April 2027	200.0	200.0
3.81% series A senior notes, due June 2029	100.0	100.0
3.91% series B senior notes, due June 2031	100.0	100.0
3.97% senior notes, due June 2032	100.0	100.0
7.8% debentures, due June 2027	100.0	100.0
6.625% senior notes, due May 2037	124.2	124.1
Less: unamortized debt issuance costs	2.7	3.3
Long-term debt	\$ 1,031.5	\$ 990.8

Principal payments required on our outstanding indebtedness, based on the maturity dates defined within our debt arrangements, for each of the succeeding fiscal years is as follows (dollars in millions):

Succeeding fiscal year	Principal payments
2024	\$ —
2025	37.0
2026	303.0
2027	270.0
2028	—
Thereafter	425.0
Total principal payments	\$ 1,035.0

Interest payments required on our outstanding indebtedness, assuming no prepayments of indebtedness, for each of the succeeding fiscal years is as follows (dollars in millions):

Succeeding fiscal year	Interest payments
2024	\$ 57.3
2025	56.6
2026	53.7
2027	30.1
2028	20.0
Thereafter	97.6

Interest on variable rate debt was calculated using the interest rate as of October 31, 2023.

Our revolving credit facility has a borrowing capacity of up to \$600.0 million that matures on October 5, 2026. Included in the revolving credit facility is a \$10.0 million sublimit for standby letters of credit and a \$30.0 million sublimit for swingline loans. At our election, and with the approval of the named borrowers on the revolving credit facility and the election of the lenders to fund such increase, the aggregate maximum principal amount available under the revolving credit facility may be increased by an amount of up to \$300.0 million. As of October 31, 2023 we had \$40.0 million outstanding under the revolving credit facility

and \$2.6 million outstanding under the sublimit for standby letters of credit, resulting in \$557.4 million of unutilized availability under our revolving credit facility. As of October 31, 2022 we had no outstanding borrowings under the revolving credit facility and \$3.1 million outstanding under the sublimit for standby letters of credit, resulting in \$596.9 million of unutilized availability under our revolving credit facility. As of October 31, 2023, our debt ratings for long-term unsecured senior, non-credit enhanced debt by Standard and Poor's Ratings Group and by Moody's Investors Service were BBB and Baa1, respectively, and in both cases with a stable outlook.

The agreements governing our outstanding indebtedness are described in Note 6, *Indebtedness*, of the Notes to Consolidated Financial Statements. We are in compliance with our debt covenants and other requirements of our revolving credit facility and term loan credit agreements, indentures and private placement note purchase agreements.

Capital Structure

The following table details the components of our capital structure and debt-to-capitalization ratio (dollars in millions, except percentage data):

October 31	2023		2022	
Long-term debt	\$	1,031.5	\$	990.8
Stockholders' equity	\$	1,510.9	\$	1,351.7
Debt-to-capitalization ratio		40.6 %		42.3 %

Our debt-to-capitalization ratio decreased in fiscal 2023 compared to fiscal 2022 primarily due to our continued profitability.

Cash Dividends

In each quarter of fiscal 2023, our Board of Directors declared a common stock cash dividend of \$0.34 per share, which was a 13.3 percent increase over our common stock cash dividend of \$0.30 per share paid each quarter in fiscal 2022. On December 12, 2023, our Board of Directors increased our fiscal 2024 first quarter common stock cash dividend by 5.9 percent to \$0.36 per share. Future common stock cash dividends will depend upon our financial condition, results of operations, capital requirements, and other factors deemed relevant by our Board of Directors.

Share Repurchases

Our Board authorized stock repurchase program provides shares for use in connection with our stock-based compensation plans, among other uses, and has no expiration. The following table provides information with respect to repurchases of our common stock during the past two fiscal years (dollars in millions, except share and per share data):

Fiscal Years Ended October 31	2023		2022	
Shares of Board authorized common stock purchased		577,115		1,525,856
Cost to repurchase common stock	\$	60.0	\$	140.0
Average price paid per share	\$	103.97	\$	91.75

As of October 31, 2023, 6,949,491 shares remained available for repurchase under our Board authorized stock repurchase program. We currently expect to continue share repurchases in fiscal 2024, depending on our cash balance, debt repayments, common stock price and other market conditions, our anticipated working capital needs, and/or other factors.

Customer Financing

Inventory Financing Arrangements

We are party to inventory financing arrangements with Red Iron, HCFC, and other third-party financial institutions (collectively, the "financial institutions") which provide inventory financing to certain dealers and distributors of certain of our products in the U.S. and internationally. These financing arrangements are structured as an advance in the form of a payment by the financial institutions to us on behalf of a distributor or dealer with respect to invoices financed by the financial institution. These payments extinguish the obligation of the dealer or distributor to make payment to us under the terms of the applicable invoice.

Under separate agreements between the financial institutions and the dealers and distributors, the financial institutions provide loans to the dealers and distributors for the advances paid by the financial institutions to us. Under these financing arrangements, down payments are not required, and depending on the finance program for each product line, finance charges are incurred by us, shared between us and the distributor and/or the dealer, or paid by the distributor or dealer. The financial institutions retain a security interest in the distributors' and dealers' financed inventories and such inventories are monitored regularly through audits. Financing terms to the distributors and dealers require payment as the inventory, which secures the indebtedness, is sold to end-users or when payment otherwise become due under the agreements between the financial institutions and the distributors and dealers, whichever occurs first. Rates are generally indexed to the Secured Overnight

Financing Rate ("SOFR"), or an alternative variable rate, plus a fixed percentage that differs based on whether the financing is for a distributor or dealer. Rates may also vary based on the product that is financed.

The net amount of receivables financed for dealers and distributors under the arrangement with Red Iron during fiscal 2023 and 2022 was \$2,789.5 million and \$2,627.5 million, respectively. The total amount of net receivables outstanding under the arrangement with Red Iron as of October 31, 2023 and 2022 was \$1,019.0 million and \$776.1 million, respectively. The total amount of receivables due from Red Iron to us as of October 31, 2023 and 2022 were \$34.4 million and \$17.7 million, respectively.

The net amount of receivables financed for dealers and distributors under the arrangements with HCFC and the other third-party financial institutions during fiscal 2023 and 2022 was \$545.4 million and \$633.5 million, respectively. As of October 31, 2023 and 2022, \$234.7 million and \$220.0 million, respectively, of receivables financed by HCFC and the other third-party financial institutions were outstanding.

Inventory Repurchase Agreements

We have entered into a limited inventory repurchase agreement with Red Iron and HCFC under which we have agreed to repurchase certain repossessed products, up to a maximum aggregate amount of \$7.5 million in a calendar year.

We have also entered into inventory repurchase agreements with the other third-party financial institutions under which we have agreed to repurchase certain repossessed products. As of October 31, 2023 and 2022, we were contingently liable to repurchase up to a maximum amount of \$32.2 million and \$80.0 million of repossessed inventory, respectively.

Our financial exposure under these inventory repurchase agreements is limited to the difference between the amount paid to Red Iron, HCFC or other third-party financing institutions for repurchases of inventory and the amount received upon subsequent resale of the repossessed product. We have repurchased immaterial amounts of inventory pursuant to such arrangements over the past three fiscal years. However, a decline in retail sales or financial difficulties of our distributors or dealers could cause this situation to change and thereby require us to repurchase financed product, which could have an adverse effect on our results of operations, financial position, or cash flows.

End-User Financing

We have agreements with third-party financing companies to provide financing options to end-customers throughout the world. The purpose of these agreements is to provide end-users of our products alternative financing options when purchasing our products. We have no material contingent liabilities for residual value or credit collection risk under these agreements with third-party financing companies.

From time to time, we enter into agreements where we provide recourse to third-party finance companies in the event of default by the customer for financing payments to the third-party finance company. We may recover a portion of any required recourse payments incurred under these agreements from repossession and resale of the equipment collateralizing the receivables. Our maximum exposure for credit collection under those arrangements as of October 31, 2023 and 2022 was \$5.2 million and \$8.6 million, respectively.

Termination or any material change to the terms of our end-user financing arrangements, availability of credit for our customers, including any delay in securing replacement credit sources, or significant financed product repurchase requirements could have a material adverse impact on our future operating results.

Open Account Terms

We continue to provide financing in the form of open account terms directly to home centers and mass retailers, general line irrigation dealers, certain domestic and international distributors and dealers, ag-irrigation dealers and distributors, government customers, and rental companies.

NON-GAAP FINANCIAL MEASURES

We have provided in this Annual Report on Form 10-K certain non-GAAP financial measures, which are not calculated or presented in accordance with U.S. GAAP, as information supplemental and in addition to the most directly comparable financial measures that are calculated and presented in accordance with U.S. GAAP. We use these non-GAAP financial measures in making operating decisions and assessing liquidity because we believe they provide meaningful supplemental information regarding our core operational performance and cash flows, as a measure of our liquidity, and provide us with a better understanding of how to allocate resources to both ongoing and prospective business initiatives. Additionally, these non-GAAP financial measures facilitate our internal comparisons to both our historical operating results and to our competitors' operating results by factoring out potential differences caused by charges and benefits not related to our regular, ongoing business, including, without limitation, certain non-cash, large, and/or unpredictable charges and benefits; acquisitions and dispositions; legal judgments, settlements, or other matters; and tax positions.

We believe that these non-GAAP financial measures, when considered in conjunction with our Consolidated Financial Statements prepared in accordance with U.S. GAAP, provide investors with useful supplemental financial information to better understand our core operational performance and cash flows. These non-GAAP financial measures should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with, the most directly comparable U.S. GAAP financial measures. The non-GAAP financial measures may differ from similar measures used by other companies.

Reconciliation of Non-GAAP Financial Measures

The following table provides a reconciliation of financial performance measures calculated and reported in accordance with U.S. GAAP to the most directly comparable non-GAAP financial performance measures for the fiscal years ended October 31, 2023 and 2022 (dollars in millions, except per share and percentage data):

Fiscal Years Ended	October 31, 2023		October 31, 2022	
Gross profit	\$	1,577.6	\$	1,504.6
Acquisition-related costs ¹		0.2		1.6
Restructuring charges ²		1.2		—
Adjusted gross profit	\$	1,579.0	\$	1,506.2
Gross margin		34.6 %		33.3 %
Acquisition-related costs ¹		— %		0.1 %
Restructuring charges ²		0.1 %		— %
Adjusted gross margin		34.7 %		33.4 %
Operating earnings	\$	430.7	\$	575.7
Acquisition-related costs ¹		0.4		4.0
Restructuring charges ²		5.0		—
Non-cash impairment charges ³		151.3		—
Adjusted operating earnings	\$	587.4	\$	579.7
Operating earnings margin		9.5 %		12.8 %
Restructuring charges ²		0.1 %		— %
Non-cash impairment charges ³		3.3 %		— %
Adjusted operating earnings margin		12.9 %		12.8 %
Earnings before income taxes	\$	400.5	\$	552.5
Acquisition-related costs ¹		0.4		4.0
Restructuring charges ²		5.0		—
Non-cash impairment charges ³		151.3		—
Adjusted earnings before income taxes	\$	557.2	\$	556.5
Income tax provision	\$	70.8	\$	109.2
Acquisition-related costs ¹		—		0.8
Restructuring charges ²		1.1		—
Non-cash impairment charges ³		36.7		—
Tax impact of stock-based compensation ⁴		5.1		2.3
Adjusted income tax provision	\$	113.7	\$	112.3
Net earnings	\$	329.7	\$	443.3
Acquisition-related costs ¹		0.4		3.2
Restructuring charges ²		3.9		—
Non-cash impairment charges ³		114.6		—
Tax impact of stock-based compensation ⁴		(5.1)		(2.3)
Adjusted net earnings	\$	443.5	\$	444.2
Net earnings per diluted share	\$	3.13	\$	4.20
Acquisition-related costs ¹		—		0.03
Restructuring charges ²		0.04		—
Non-cash impairment charges ³		1.09		—
Tax impact of stock-based compensation ⁴		(0.05)		(0.03)
Adjusted net earnings per diluted share	\$	4.21	\$	4.20
Effective tax rate		17.7 %		19.8 %
Non-cash impairment charges ³		1.5 %		— %
Tax impact of stock-based compensation ⁴		1.2 %		0.4 %
Adjusted effective tax rate		20.4 %		20.2 %

¹ On January 13, 2022, we completed our acquisition of Intimidator. Acquisition-related costs for the fiscal year ended October 31, 2023 represent integration costs incurred in connection with the acquisition. Acquisition-related costs for the fiscal year ended October 31, 2022 represent transaction and integration costs incurred in connection with the acquisition. For additional information regarding this acquisition, refer to Note 2, *Business Combinations and Asset Acquisitions*, of the Notes to Consolidated Financial Statements.

² In October of fiscal 2023, we initiated a restructuring program expected to be completed by the end of the first quarter of fiscal 2024. The anticipated costs associated with the program include severance, termination benefits, and other exit-related expenses. Restructuring charges for the fiscal year ended October 31, 2023 represent accrued severance costs.

³ At the end of the third quarter of fiscal 2023, we recorded non-cash impairment charges within our Professional reportable segment related to the Intimidator operating segment, as discussed in more detail under the heading "Company Overview-Impairment" in this section.

⁴ The accounting standards codification guidance governing employee stock-based compensation requires that any excess tax deduction for stock-based compensation be immediately recorded within income tax expense. Employee stock-based compensation activity, including the exercise of stock options, can be unpredictable and can significantly impact our net earnings, net earnings per diluted share, and effective tax rate. These amounts represent the discrete tax benefits recorded as excess tax deductions for stock-based compensation during the fiscal years ended October 31, 2023 and 2022.

Reconciliation of Non-GAAP Liquidity Measures

We define free cash flow as net cash provided by operating activities less purchases of property, plant, and equipment, net of proceeds from insurance claim. Free cash flow conversion percentage represents free cash flow as a percentage of net earnings. We consider free cash flow and free cash flow conversion percentage to be non-GAAP liquidity measures that provide useful information to management and investors about our ability to convert net earnings into cash resources that can be used to pursue opportunities to enhance shareholder value, fund ongoing and prospective business initiatives, and strengthen our Consolidated Balance Sheets, after reinvesting in necessary capital expenditures required to maintain and grow our business.

The following table provides a reconciliation of free cash flow and free cash flow conversion percentage to net cash provided by operating activities, which is the most directly comparable financial measure calculated and reported in accordance with U.S. GAAP for the fiscal years ended October 31, 2023 and October 31, 2022 (dollars in millions, except percentage data):

Fiscal Years Ended	October 31, 2023	October 31, 2022
Net cash provided by operating activities	\$ 306.8	\$ 297.2
Less: Purchases of property, plant and equipment, net of proceeds from insurance claim	142.4	143.5
Free cash flow	164.4	153.7
Net earnings	\$ 329.7	\$ 443.3
Free cash flow conversion percentage	49.9 %	34.7 %

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our Consolidated Financial Statements in conformity with U.S. GAAP, we must make decisions that impact the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, historical experience, and actuarial and other independent external third-party specialist valuations, when applicable. As a result, actual amounts could differ from those estimated at the time the Consolidated Financial Statements are prepared.

Our significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements. Some of those significant accounting policies require us to make difficult, subjective, or complex judgments or estimates. An accounting estimate is considered to be critical if it meets both of the following criteria: (i) the estimate requires assumptions about matters that are highly uncertain and susceptible to change at the time the accounting estimate is made and different estimates reasonably could have been used and (ii) changes in the estimate may have a material impact on the presentation of our financial condition or results of operations. Our critical accounting policies and estimates include the following:

Sales Promotions and Incentives

We recognize revenues based on the transaction price of the good or service sold to our customers, which is measured as the amount of consideration we expect to receive in exchange for transferring product or rendering services pursuant to the terms of the contract with a customer. The amount of consideration we receive and the revenue we recognize varies with changes in the variable consideration associated with the estimated expense of certain of our sales promotions and incentives programs offered to customers that are determined to represent price concessions. The estimated expense of each sales promotion and incentive program is classified and recorded as a reduction from gross sales or as a component of SG&A expense within the Consolidated Statements of Earnings when revenue is recognized, depending on the nature of the respective program. Generally, the cost of a program is recorded as a reduction from gross sales when revenue is recognized and thus is considered to be variable consideration if the expense is determined to represent a price concession because the program either: (i) results in an immediate reduction of the transaction price with no anticipated future costs or consideration to be provided to the customer or (ii) we anticipate a future cost based on historical or expected future business practice for which we do not receive a distinct good or service in exchange for the future consideration provided to the customer under the program. In other circumstances, the anticipated future cost of a program based on historical or expected future business practice is recorded as SG&A expense because we receive a distinct good or service in exchange for the future consideration provided to the customer under the program.

Examples of significant sales promotions and incentive programs that are considered to be variable consideration because the cost of the program is classified as a reduction from gross sales are as follows:

- **Off-Invoice Discounts:** Our off-invoice discounts represent an immediate reduction in the selling price of our products that is realized at the time of sale with no anticipated future cost or consideration provided to the customer.
- **Rebate Programs:** Our rebate programs are generally based on claims submitted from either our direct customers or end-users of our products or are based on our purchase or retail sales goals for our direct customers of certain quantities or mixes of product during a specified time period, depending upon the program. The amount of the rebate varies based on the specific program and is either a dollar amount or a percentage of the purchase price and can also be based on actual retail price as compared to our selling price. Consideration is typically provided to our customers for our rebate programs after the initial sale of our products to our direct customers and thus, there is generally an anticipated future cost at the time revenue is recognized based on historical and expected future business practice.
- **Financing Programs:** Our financing programs consist of wholesale floor plan financing with Red Iron and separate third-party financial institutions and end-user retail financing. Costs incurred for wholesale floor plan financing programs represent financing costs associated with programs under which we share the expense of financing distributor and dealer inventories through third-party financing arrangements for a specific period of time. This charge represents interest for a pre-established length of time based on a predefined rate from the contract between the company and Red Iron or the separate third-party financial institution to finance distributor and dealer inventory purchases. End-user retail financing is similar to floor planning with the difference being that retail financing programs are offered to end-user customers under which we, at our discretion, may pay a portion of interest costs on behalf of end-users for financing purchases of our equipment.

Examples of significant sales promotions and incentive programs that are not considered to be variable consideration because the cost of the program is classified as a component of SG&A expense are as follows:

- **Commissions Paid to Distributors and Dealers:** For certain products, we use a distribution network of distributors and dealers that purchase and take possession of products for sale to the end customer. We also have dealers and distributors that act as sales agents for us on certain products using a direct-selling type model. Under this direct-selling type model, our network of distributors and dealers facilitates a sale directly to the dealer or end-user customer on our behalf. Commissions to distributors and dealers in these instances represent commission payments to sales agents that are also our customers. In addition, TTC dealers are often paid a commission to set up and deliver riding product purchased at certain mass retailers and home centers.
- **Cooperative Advertising:** Cooperative advertising programs are based on advertising costs incurred by distributors and dealers for promoting our products. We support a portion of those advertising costs in which claims are submitted by the distributor or dealer along with evidence of the advertising material procured/produced and evidence of the cost incurred in the form of third-party invoices or receipts.

Regardless of classification of the cost of the sales promotion and incentive program within the Consolidated Statements of Earnings, we record an accrual within the Consolidated Balance Sheets for the estimated future expense of certain of our sales promotion and incentive programs for which we anticipate a future cost based on historical or expected future business practice by using the expected value method and applying the portfolio approach practical expedient under the accounting standards codification guidance for revenue from contracts with customers. Under such approach, our determination of variable consideration associated with the estimated expense of certain of our sales promotions and incentives programs is primarily based on the terms of the sales arrangements and sales promotion and incentive programs with customers, historical payment and rebate claims experience, field inventory levels, quantity or mix of products purchased, projected sales volumes, types of programs offered, and expectations for the acceptance of sales promotion and incentive programs offered in the future or changes in other relevant trends.

Of our sales promotion and incentive programs that are considered to be variable consideration, our off-invoice discounts and financing programs are less subject to complex judgment or estimates as compared to our rebate programs, which are subject to a more significant level of estimation uncertainty as they require inputs and assumptions that are more susceptible to change or subjectivity. Specifically, our rebate programs are primarily sensitive to fluctuations in historical payment and rebate claims experience as compared to actual realized payment and rebate claims, field inventory levels, and projected wholesale and retail sales volumes and the quantity or mix of products.

Adjustments to sales promotions and incentive accruals are made from time to time as actual usage becomes known in order to properly estimate the amounts necessary to generate consumer demand based on market conditions as of the balance sheet date. As of October 31, 2023, we had recorded an accrual for sales promotion and incentive programs of \$163.0 million within the Consolidated Balance Sheets. We believe that our accrual for sales promotion and incentive programs is adequate as of October 31, 2023 and historically has been adequate; however, due to the inherent uncertainty in the accrual estimation process,

actual results may differ from these estimates if competitive factors dictate the need to enhance or modify sales promotion and incentive programs or if customer usage, product mix, or field inventory levels vary from historical trends.

Impairment

Goodwill

Goodwill is initially recognized as a result of the excess of purchase consideration transferred over the estimated fair value of the net assets acquired in a business combination. As of October 31, 2023, our goodwill balance was \$450.8 million. Goodwill is not amortized, but is assessed for impairment at least annually during the fourth quarter of each fiscal year unless events or changes in circumstances indicate that impairment may have occurred prior to the annual assessment. We assess goodwill for impairment at the reporting unit level and our 12 reporting units are the same as our 12 operating segments as defined in Note 3, *Segment Data*, of the Notes to Consolidated Financial Statements. Nine of our reporting units contained goodwill on their respective balance sheets as of October 31, 2023.

During the preparation of the financial statements for the third quarter of fiscal 2023, we concluded that impairment indicators existed for our Intimidator reporting unit goodwill. Based on the resulting impairment assessment performed, we recorded an impairment charge of \$133.3 million related to goodwill of the Intimidator reporting unit in the third quarter of fiscal 2023. For additional information regarding the impairment charge, refer to Note 5, *Goodwill and Other Intangible Assets*.

During the fourth quarter of fiscal 2023, consistent with prior fiscal years, we performed our annual quantitative goodwill impairment assessment, which is a one-step process. In performing the quantitative analysis, we compare the carrying value of a reporting unit, including goodwill, to its fair value. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not impaired. If the carrying value of a reporting unit exceeds its fair value, an impairment charge would be recognized for the amount by which the carrying value of the reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Based on the fourth quarter annual quantitative goodwill impairment analysis, we determined there was no impairment of goodwill for any of our reporting units as the fair value of each reporting unit exceeded its respective carrying value, including goodwill. Further, excluding Intimidator, the fair value of each reporting unit exceeded its respective carrying value, including goodwill, in excess of 100 percent. Given the proximity of our annual impairment analysis to the third quarter analysis which resulted in Impairment for the Intimidator reporting unit goodwill, we would not expect significant excess of fair value over carrying value. The marginal positive excess is indicative of improved performance and a favorable business outlook due to management actions to prioritize and allocate sufficient resources to the Intimidator business, as well as accelerated release of new product offerings which will have a favorable impact to results in fiscal 2024 and beyond.

The fair value of each reporting unit under the quantitative goodwill impairment test was determined using a discounted cash flow model under the income approach which requires the use of significant judgment regarding the selection of various inputs and assumptions, including projected operating results and growth rates from the company's projection process, applicable tax rates, estimated capital expenditures and depreciation, estimated changes in working capital, terminal growth rates applied to projected operating results in the terminal period, and a weighted-average cost of capital ("WACC") rate. Actual future results may differ significantly from the assumptions used in our valuations resulting in future impairment losses and such losses could be material. As such estimates are sensitive to changes in the underlying inputs and assumptions, we performed sensitivity analyses to address this risk. Excluding Intimidator, the WACC rate could be increased by over 500 basis points with no impairment indicated for any of our reporting units. Excluding Intimidator, the terminal growth rate could be decreased by 300 basis points with no impairment indicated for any of our reporting units.

These inputs and assumptions, which are independently determined and vary for each reporting unit, are based on historical experience, our projections of future operating results and contemplate current and future business, industry, and economic conditions, as well as relevant observable market inputs and consideration of risk regarding future performance for purposes of determining the WACC and terminal growth rates. The WACC rate selected is commensurate with the risks and uncertainty inherent in the respective reporting unit and in our projected operating results and is calculated based on weighted average returns on debt and equity from guideline public companies. Therefore, changes in the market that are beyond our control and that impact our guideline public companies may have an adverse effect on our future calculations of the estimated fair values of our reporting units. Terminal growth rates are generally determined based on economic and industry growth expectations, while also considering the lifecycle stage of each respective reporting unit. Where available, and as appropriate, comparable EBITDA and revenue multiples are derived from the market prices of stocks of guideline public companies and are used to assist in developing an estimated business enterprise value of our reporting units under the market approach to corroborate our determination of the estimated fair values of our reporting units under the income approach. Identifying appropriate guideline public companies for purposes of computing estimated market multiples and selecting an appropriate WACC rate is subjective. We select guideline public companies that are engaged in the same or similar lines of business and that have reasonably similar qualitative factors as our reporting units, while also considering relevant quantitative factors such as profitability and market

capitalization, where applicable. As a final corroboratory step, we reconcile the aggregate estimated fair value of our reporting units resulting from the income approach to our company's market capitalization.

Indefinite-Lived Intangible Assets

Indefinite-lived intangible assets are initially recognized at their estimated fair values as a result of a business combination or asset acquisition. As of October 31, 2023, our indefinite-lived intangible asset balances, which consist of certain trade names, were \$271.5 million. Indefinite-lived intangible assets are not amortized, but are assessed for impairment at least annually during the fourth quarter of each fiscal year unless events or changes in circumstances indicate that impairment may have occurred prior to the annual assessment. We assess indefinite-lived intangible assets for impairment at the individual indefinite-lived intangible asset or asset group level, as appropriate.

During the preparation of the financial statements for the third quarter of fiscal 2023, we concluded that impairment indicators existed for our indefinite-lived Spartan trade name intangible asset. Based on the resulting impairment assessment performed, we recorded an impairment charge of \$18.0 million related to the indefinite-lived Spartan trade name intangible asset in the third quarter of fiscal 2023. For additional information regarding the impairment charge, refer to Note 5, *Goodwill and Other Intangible Assets*.

During the fourth quarter of fiscal 2023, consistent with prior fiscal years, we performed our annual quantitative impairment assessment for indefinite-lived intangible assets by comparing the carrying amounts of each respective asset, or asset group, to its estimated fair value. If the fair value of the indefinite-lived intangible asset, or asset group, is less than its carrying value, an impairment loss is recognized in an amount equal to the excess. Based on our fourth quarter quantitative impairment analysis, we determined that our indefinite-lived intangible assets were not impaired as the estimated fair value of each of our indefinite-lived intangible assets exceeded its carrying value. Further, excluding the Intimidator Spartan trade name, the fair value of each of our indefinite-lived intangible assets exceeded its carrying value in excess of 20 percent. Given the proximity of our annual impairment analysis to the third quarter analysis which resulted in Impairment for the Intimidator Spartan trade name, we would not expect significant excess of fair value over carrying value. The marginal positive excess is indicative of improved performance and a favorable business outlook due to management actions to prioritize and allocate sufficient resources to the Intimidator business, as well as accelerate the release of new product offerings which will have a favorable impact to results in fiscal 2024 and beyond.

Fair value was determined using the relief-from-royalty method under the income approach which requires the use of significant judgment regarding the selection of various inputs and assumptions, including projected revenues from the company's projection process, assumed royalty rates that could be payable if the company did not own the intangible asset, terminal growth rates applied to projected revenues, applicable tax rates, and a discount rate. These inputs and assumptions contemplate business, industry, and overall economic conditions, as well as relevant market data for royalty rates of similar intangible assets. Actual future results may differ significantly from the assumptions used in our valuations resulting in future impairment losses and such losses could be material. As such estimates are sensitive to changes in the underlying inputs and assumptions, we performed sensitivity analyses to address this risk. Excluding the Intimidator Spartan trade name, the discount rate could be increased by 170 basis points with no impairment indicated for any of our indefinite-lived intangible assets. Excluding the Intimidator Spartan trade name, the royalty rate could be decreased by 40 basis points with no impairment indicated for any of our indefinite-lived intangible assets.

Determining the estimated fair values of our reporting units and indefinite-lived intangible assets, or asset groups, requires considerable judgment and such estimates are sensitive to changes in the underlying inputs and assumptions. As a result, there can be no assurance that the inputs and assumptions made for purposes of our annual impairment assessments will prove to be an accurate prediction of the future. Certain events or circumstances that could reasonably be expected may negatively affect the underlying key inputs and assumptions and ultimately affect the estimated fair values of our reporting units and indefinite-lived intangible assets. Such events or circumstances could include a decrease in expected future operating results and the related cash flows; adverse economic, market, and industry conditions, including unfavorable impacts on our guideline public companies used in determining our WACC rate and the business enterprise value of our reporting units under the market approach; prolonged periods of unfavorable weather conditions; changes in regulatory conditions impacting our products and industries; a continued volatile supply chain environment and/or additional increases in the costs of commodities, component parts, and labor; lack of customer acceptance of new or innovative technologies; increased competition; and other factors. While our annual impairment assessment performed in the fourth quarter of fiscal 2023 supported the carrying amount of our goodwill and indefinite-lived intangible assets, we may be required to re-evaluate the carrying amount in future periods utilizing different inputs and assumptions that reflect the then current market conditions and expectations regarding our operating performance, which may result in a future impairment that could be material.

Product Warranty Guarantees

Our products are warranted to provide assurance that the product will function as expected and to ensure customer confidence in design, workmanship, and overall quality. Warranty coverage on our products is generally provided for specified periods of time and on select products' hours of usage, and generally covers parts, labor, and other expenses for non-maintenance repairs. Warranty coverage generally does not cover operator abuse or improper use. In addition to the standard warranties offered on our products, we also sell separately priced extended warranty coverage on select products for a prescribed period after the original warranty period expires.

At the time of sale, we recognize expense and record a warranty accrual by product line for estimated costs in connection with projected future warranty claims. Our estimate of the cost of future warranty claims is based primarily on the estimated number of products under warranty, historical average costs incurred to service warranty claims, the trend in the historical ratio of warranty claims to sales, and the historical length of time between the sale and resulting warranty claim. If applicable, historical claims experience may be adjusted for known product design improvements or for the impact of unusual product quality issues. We periodically assess the adequacy of our warranty accruals based on changes in our estimates and assumptions and record any necessary adjustments if the cost of actual claim experience differs from our estimate and indicates that adjustments to our warranty accrual are necessary. Factors that could have an impact on actual future claims and our warranty accrual include, but are not limited to, items such as performance of new products; product failure rates; factors impacting product usage, such as weather; changes in sales volumes and shifts in product mix; manufacturing quality and product design issues, including significant manufacturing or design defects not discovered until after the product is delivered to customers; the extent of customers affected by the product failure; higher or lower than expected service and component part costs to satisfactorily address the repair, and upon rare occasion, changes to the warranty coverage periods. Additionally, from time to time, we also establish warranty accruals for our estimate of the costs necessary to settle major rework campaigns on a product-specific basis during the period in which the circumstances giving rise to the major rework campaign become known and when the costs to satisfactorily address the situation are both probable and estimable. The warranty accrual for the cost of a major rework campaign is primarily based on an estimate of the cost to repair each affected unit and the number of affected units expected to be repaired.

We believe that our analysis of historical warranty claim trends and knowledge of potential manufacturing and/or product design improvements or issues provide sufficient information to establish a reasonable estimate for the cost of future warranty claims at the time of sale and our warranty accruals as of the date of our Consolidated Balance Sheets. We believe that our \$143.9 million warranty accrual as of October 31, 2023 is adequate and historically has been adequate; however, due to the inherent uncertainty in the accrual estimation process, including projecting future warranty claims, costs associated with servicing future warranty claims, and unexpected major rework campaigns that may arise in the future, our actual warranty costs incurred may differ from our warranty accrual estimate. An unexpected increase in warranty claims and/or in the costs associated with servicing those claims would result in an increase in our warranty accruals and a decrease in our net earnings.

Inventory Valuation

Approximately half of our inventories are valued at the lower of the cost of inventory or net realizable value, with cost determined by either the first-in, first-out or average cost method. Other inventories are valued at the lower of cost or market, with cost determined under the last-in, first-out method. As needed, we record an inventory valuation adjustment for excess, slow moving, and obsolete inventory that is equal to the excess of the cost of the inventory over the estimated net realizable value or market value for the inventory depending on inventory costing method. The inventory valuation adjustment to net realizable value or market value establishes a new cost basis of the inventory that cannot be subsequently reversed. Such inventory valuation adjustments for excess, obsolete, and slow moving inventory are not reduced or removed until the product is sold or disposed of.

In developing inventory valuation adjustments for excess, slow moving, and obsolete inventory, we are required to use judgment and make estimates of future sales demand and production requirements compared with current inventory levels. Our estimate of projected sales demand and production requirements is primarily based on actual orders received, historical demand, technological and product life cycle changes, product pricing, economic trends, and competitive factors, such as market and pricing trends for similar products. Although we believe our inventory valuation reserve for excess, slow-moving, and obsolete inventory is adequate at \$43.9 million as of October 31, 2023, projecting sales demand and production requirements involves significant management judgment regarding future events. Future events that could significantly influence our judgments and related estimates include general economic conditions within the specific markets in which we operate, changes in demand for our products and customer preference, price fluctuations, and actions of our competitors, including the introduction of new products, technological advances, and pricing changes. Projected sales demand and production requirements can also be affected by the significant redesign of our existing products or the replacement of an existing product by an entirely new generation of product. It is possible that an unfavorable adjustment to our inventory valuation reserve for excess, slow moving, and obsolete inventory may be required in the future if there is a change in any of the aforementioned factors that adversely

impacts our estimates of future demand for our products and we do not modify our purchases or production schedule accordingly.

Business Combinations

When applicable, we account for the acquisition of a business in accordance with the accounting standards codification guidance for business combinations, whereby the total consideration transferred is allocated to the assets acquired and liabilities assumed, including amounts attributable to non-controlling interests, when applicable, based on their respective estimated fair values as of the date of acquisition. Goodwill represents the excess of consideration transferred over the estimated fair value of the net assets acquired in a business combination.

Assigning estimated fair values to the net assets acquired requires the use of significant estimates, judgments, inputs, and assumptions regarding the fair value of intangible assets that are separately identifiable from goodwill, inventory, and property, plant, and equipment. While the ultimate responsibility for determining estimated fair values of the acquired net assets resides with management, for material acquisitions we may retain the services of certified valuation specialists to assist with assigning estimated fair values to certain acquired assets and assumed liabilities, including intangible assets that are separately identifiable from goodwill, inventory, and property, plant, and equipment. Estimated fair values of acquired intangible assets that are separately identifiable from goodwill, inventory, and property, plant, and equipment are generally based on available historical information, future expectations, available market data, and assumptions determined to be reasonable but are inherently uncertain with respect to future events, including economic conditions, competition, technological obsolescence, the useful life of the acquired assets, and other factors. These significant estimates, judgments, inputs, and assumptions include, when applicable, the selection of an appropriate valuation method depending on the nature of the respective asset, such as the income approach, the market or sales comparison approach, or the cost approach; estimating future cash flows based on projected revenues and/or margins that we expect to generate subsequent to the acquisition; applying an appropriate discount rate to estimate the present value of those projected cash flows we expect to generate; selecting an appropriate terminal growth rate and/or royalty rate or estimating a customer attrition or technological obsolescence factor where necessary and appropriate given the nature of the respective asset; assigning an appropriate contributory asset charge where needed; determining an appropriate useful life and the related depreciation or amortization method for the respective asset; and assessing the accuracy and completeness of other historical financial metrics of the acquiree used as standalone inputs or as the basis for determining estimated projected inputs such as margins, customer attrition, and costs to hold and sell product.

In determining the estimated fair value of intangible assets that are separately identifiable from goodwill, we typically utilize the income approach, which discounts the projected future cash flows using a discount rate that appropriately reflects the risks associated with the projected cash flows. Generally, we estimate the fair value of acquired trade names using the relief from royalty method under the income approach, which is based on the hypothetical royalty stream that would be received if we were to license the acquired trade name. For most other acquired intangible assets, we estimate fair value using the excess earnings method under the income approach, which is typically applied when cash flows are not directly generated by the asset, but rather, by an operating group that includes the particular asset. In certain instances, particularly in relation to developed technology or patents, we may utilize the cost approach depending on the nature of the respective intangible asset and the recency of the development or procurement of such technology. The useful lives and amortization methods for the acquired intangible assets that are separately identifiable from goodwill are generally determined based on the period of expected cash flows used to measure the fair value of the acquired intangible assets and the nature of the use of the respective acquired intangible asset, adjusted as appropriate for entity-specific factors including legal, regulatory, contractual, competitive, economic, and/or other factors such as customer attrition rates and product or order lifecycles that may limit the useful life of the respective acquired intangible asset. In determining the estimated fair value of acquired inventory, we typically utilize the cost approach for raw materials and the sales comparison approach for work in process, finished goods, and service parts. In determining the estimated fair value of acquired property, plant, and equipment, we typically utilize the sales comparison approach or the cost approach depending on the nature of the respective asset and the recency of the construction or procurement of such asset.

We may refine the estimated fair values of assets acquired and liabilities assumed, if necessary, over a period not to exceed one year from the date of acquisition by taking into consideration new information about facts and circumstances that existed as of the acquisition date that, if known as of the date of acquisition, would have affected the estimated fair values ascribed to the assets acquired and liabilities assumed. The judgments made in determining the estimated fair value assigned to assets acquired and liabilities assumed, as well as the estimated useful life and depreciation or amortization method of each asset, can materially impact the net earnings of the periods subsequent to an acquisition through depreciation and amortization, and in certain instances through impairment charges, if the asset becomes impaired in the future. During the measurement period, any purchase price allocation changes that impact the carrying value of goodwill will affect any measurement of goodwill impairment taken during the measurement period, if applicable. If necessary, purchase price allocation revisions that occur outside of the measurement period are recorded within cost of sales or selling, general and administrative expense within the Consolidated Statements of Earnings depending on the nature of the adjustment.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note 1, *Summary of Significant Accounting Policies and Related Data*, in our Notes to Consolidated Financial Statements under the section entitled "New Accounting Pronouncements."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss arising from adverse changes in market rates and prices. We are exposed to market risk stemming from changes in foreign currency exchange rates, interest rates, and commodity costs. We are also exposed to equity market risk pertaining to the trading price of our common stock. Changes in these factors could cause fluctuations in our earnings and cash flows. See further discussion on these market risks below.

Foreign Currency Exchange Rate Risk

We are exposed to foreign currency exchange rate risk arising from transactions in the normal course of business, such as sales to third-party customers, sales and loans to wholly-owned foreign subsidiaries, costs associated with foreign plant operations, and purchases from suppliers. Our primary foreign currency exchange rate exposures are with the Euro, the Australian dollar, the Canadian dollar, the British pound, the Mexican peso, the Japanese yen, the Chinese renminbi, and the Romanian new leu against the U.S. dollar, as well as the Romanian new leu against the Euro. Because our products are manufactured or sourced primarily from the U.S. and Mexico, a stronger U.S. dollar and Mexican peso generally have a negative impact on our results from operations, while a weaker U.S. dollar and Mexican peso generally have a positive effect.

To reduce our exposure to foreign currency exchange rate risk, we actively manage the exposure of our foreign currency exchange rate risk by entering into various derivative instruments to hedge against such risk, authorized under a company policy that places controls on these hedging activities, with counterparties that are highly rated financial institutions. Decisions on whether to use such derivative instruments are primarily based on the amount of exposure to the currency involved and an assessment of the near-term market value for each currency. Our worldwide foreign currency exchange rate exposures are reviewed monthly. The gains and losses on our derivative instruments offset the changes in values of the related underlying exposures. Therefore, changes in the values of our derivative instruments are highly correlated with changes in the market values of underlying hedged items both at inception and over the life of the derivative instrument. For additional information regarding our derivative instruments, refer to Note 13, *Derivative Instruments and Hedging Activities*, in the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

The foreign currency exchange contracts in the table below have maturity dates in fiscal 2023 through fiscal 2026. All items are non-trading and stated in U.S. dollars. As of October 31, 2023, the average contracted rate, notional amount, fair value, and the gain at fair value of outstanding derivative instruments were as follows (dollars in millions, except average contracted rate):

	Average Contracted Rate	Notional Amount	Fair Value	Gain at Fair Value
Buy U.S. dollar/Sell Australian dollar	0.6796	\$ 105.6	\$ 112.2	\$ 6.6
Buy U.S. dollar/Sell Canadian dollar	1.3317	42.4	43.9	1.5
Buy U.S. dollar/Sell Euro	1.1051	146.6	150.4	3.8
Buy U.S. dollar/Sell British pound	1.2352	43.5	44.1	0.6
Buy Mexican peso/Sell U.S. dollar	20.9278	\$ 42.6	\$ 46.8	\$ 4.2

Our net investment in foreign subsidiaries translated into U.S. dollars is not hedged. Any changes in foreign currency exchange rates would be reflected as a foreign currency translation adjustment, a component of accumulated other comprehensive loss in stockholders' equity on the Consolidated Balance Sheets, and would not impact net earnings.

Interest Rate Risk

Our interest rate risk relates primarily to fluctuations in variable interest rates on our revolving credit facility and term loan credit agreements, as well as the potential increase in the fair value of our fixed-rate long-term debt resulting from a potential decrease in interest rates. We generally do not use interest rate swaps to mitigate the impact of fluctuations in interest rates. We have no earnings or cash flow exposure due to interest rate risks on our fixed-rate long-term debt obligations.

Our indebtedness as of October 31, 2023 included \$524.2 million of gross fixed rate debt that is not subject to variable interest rate fluctuations and \$510.0 million of gross variable rate debt under our term loan credit agreements and revolving credit

facility. As of October 31, 2023, the estimated fair value of gross long-term debt with fixed interest rates was \$478.2 million compared to its carrying amount of \$524.2 million. Interest rate risk for fixed-rate, long-term debt is estimated as the potential increase in the fair value of gross fixed rate debt, resulting from a hypothetical 10 percent decrease in interest rates, and amounts to \$20.3 million. The estimated fair value of gross fixed rate debt is estimated by discounting the projected cash flows of our gross fixed rate debt using the current interest rate that could be obtained for similar amounts of debt and a similar financing term.

Commodity Cost Risk

Most of the commodities, components, parts, and accessories used in our manufacturing process and end-products, or to be sold as standalone end-products, are exposed to commodity cost changes. These changes may be affected by several factors, including, for example, demand; inflation; deflation; changing prices; foreign currency fluctuations; tariffs; duties; trade regulatory actions; industry actions; the inability of suppliers to absorb incremental costs related to inefficiencies, continue operations or otherwise remain in business; financial difficulties; changes to international trade policies, agreements, and/or regulation; and competitor activity, including antidumping and countervailing duties on certain products imported from foreign countries, such as certain engines imported into the U.S. from China.

Our primary cost exposures for commodities, components, parts, and accessories used in our products are with steel, aluminum, petroleum and natural gas-based resins, linerboard, copper, lead, rubber, engines, transmissions, transaxles, hydraulics, electrification components, and others. Our largest spend categories for commodities, components, parts, and accessories are generally steel, engines, hydraulic components, transmissions, resin, aluminum, and electrification components, all of which we purchase from several suppliers around the world. We generally purchase commodities, components, parts, and accessories based upon market prices that are established with suppliers as part of the purchase process and generally attempt to obtain firm pricing from most of our suppliers for volumes consistent with planned production and estimates of wholesale and retail demand for our products.

In any given period, we strategically attempt to mitigate potential unfavorable impact as a result of changes to the cost of commodities, components, parts, and accessories that affect our product lines through our productivity initiatives; however, our productivity initiatives may not be as effective as anticipated depending on macroeconomic cost trends for commodities, components, parts, and accessories costs and/or other factors. Our productivity initiatives include, but are not limited to, collaborating with suppliers, reviewing alternative sourcing options, substituting materials, SKU rationalization, utilizing Lean methods, engaging in internal cost reduction efforts, and utilizing tariff exclusions and duty drawback mechanisms, all as appropriate. When appropriate, we may also increase prices on some of our products to offset changes in the cost of commodities, components, parts, and accessories. To the extent that commodity and component costs increase and we do not have firm pricing from our suppliers, or our suppliers are not able to honor such prices, and/or our productivity initiatives and/or product price increases are less effective than anticipated and/or do not fully offset cost increases, we may experience a decline in our gross margins.

Equity Market Risk

Volatility in the trading price of our common stock impacts the compensation costs associated with our stock-based compensation awards. Additionally, when applicable, declines in the trading price of our common stock can adversely impact our reconciliation of our market capitalization to the aggregate estimated fair value of our reporting units as a component of our goodwill impairment analysis and can also represent an interim period impairment indicator requiring the need to quantitatively assess goodwill for impairment during an interim period, which could result in impairment charges. Refer to Note 9, *Stock-Based Compensation*, and Note 1, *Summary of Significant Accounting Policies and Related Data*, in the Notes to Consolidated Financial Statements for additional information regarding our stock-based compensation awards and our goodwill impairment analysis, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, for The Toro Company and its subsidiaries. This system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

The company's system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. In addition, projection of any evaluation of the effectiveness of internal control over financial reporting to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, with the participation of the company's Chairman of the Board, President and Chief Executive Officer and Vice President, Chief Financial Officer, evaluated the effectiveness of the company's internal control over financial reporting as of October 31, 2023. In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)*. Based on this assessment, management concluded that the company's internal control over financial reporting was effective as of October 31, 2023. The company's internal control over financial reporting as of October 31, 2023 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

/s/ Richard M. Olson

Chairman of the Board, President and Chief Executive Officer

/s/ Angela C. Drake

Vice President, Chief Financial Officer

December 20, 2023

Further discussion of the company's internal controls and procedures is included in Part II, Item 9A, "Controls and Procedures" of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

The Toro Company:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Toro Company and subsidiaries (the Company) as of October 31, 2023 and 2022, the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2023, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of October 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2023, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2023 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accrued sales promotions and incentives

As discussed in Note 1 to the consolidated financial statements, at the time of sale, the Company records an estimate for sales promotion and incentive costs, a portion of which relates to rebate programs. As of October 31, 2023, the Company recorded an accrual of \$163.0 million for sales promotions and incentives. The Company's estimates for sales promotion and incentive costs are primarily based on the terms of the sales arrangements and sales promotion and incentive programs with customers, historical payment and rebate claims experience, field inventory levels, quantity or mix of products purchased, types of programs offered, and expectations for the acceptance of sales promotion and incentive programs offered in the future or changes in other relevant trends.

We identified the evaluation of the accrued sales promotions and incentives as a critical audit matter. To evaluate the Company's expectations for changes in other relevant trends that were used to develop the estimate, a high degree of auditor judgment was required. Historical experience was an input used to develop expectations for changes in other relevant trends. Changes in other relevant trends could have an impact to the accrual for sales promotions and incentives.

The following are the primary procedures performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's sales promotions and incentives process. This included controls related to the evaluation of the input described above. We evaluated the Company's ability to estimate the sales promotions and incentives accruals by comparing the prior year's accrual with subsequent payments. We developed an expectation of the Company's accrual considering historical experience and current year field inventory levels. We tested sales promotions and incentives paid throughout the year by tracing a sample of payments to underlying documentation supporting the program terms to evaluate whether there have been any changes in other relevant trends. Additionally, we tested sales promotions and incentives paid subsequent to the balance sheet date by tracing a sample of payments to underlying documentation supporting the program terms to evaluate the accrual estimate.

Fair value of the Intimidator Group reporting unit and indefinite-lived Spartan trade name intangible asset

As discussed in Notes 1 and 5 to the consolidated financial statements, the Company recorded an impairment charge of \$18.0 million related to the indefinite-lived Spartan trade name intangible asset reported under the Professional segment. Further, during the same period, the Company recorded an impairment charge of \$133.3 million related to goodwill of the Intimidator reporting unit also reported under the Professional segment. In assessing goodwill for impairment, the Company estimates the fair value of the reporting unit using a discounted cash flow model. In assessing indefinite-lived intangible assets for impairment, the Company estimates the fair value of the intangible assets using the relief-from-royalty method. Impairment charges are recorded for any goodwill or indefinite-lived intangible assets with carrying values in excess of their respective estimated fair values.

We identified the evaluation of the fair values of the Intimidator reporting unit and indefinite-lived Spartan trade name intangible asset as a critical audit matter. Testing certain assumptions used to determine the fair values, specifically, projected revenue growth rates, projected earnings before interest and taxes (EBIT) margins, and the discount rate, involved a high degree of subjectivity. Specifically, there was limited observable market information for the projected revenue growth rates and EBIT margins and evaluation of the discount rate assumption required valuation professionals with specialized skills and knowledge. In addition, the fair values of the reporting unit and indefinite-lived trade name intangible asset were challenging to evaluate due to their sensitivity to changes in these assumptions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's determination of the fair value of the Intimidator reporting unit and indefinite-lived Spartan trade name intangible asset. This included certain controls related to the development of the relevant assumptions as listed above. We performed sensitivity analyses over the relevant assumptions to assess the impact of changes in those assumptions on the Company's determination of the projected values of the Intimidator reporting unit and indefinite-lived Spartan trade name intangible asset. We evaluated the Company's projected revenue growth rates and projected EBIT margins by comparing them to historical actual results of the Company, considering market and industry conditions. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's discount rate by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities; and
- developing fair value estimates of the Intimidator reporting unit and indefinite-lived Spartan trade name intangible asset using the Company's cash flow projections and discount rate and comparing them to the Company's estimates.

/s/ KPMG LLP

We have served as the Company's auditor since 1928.

Minneapolis, Minnesota

December 20, 2023

THE TORO COMPANY AND SUBSIDIARIES**Consolidated Statements of Earnings**

(Dollars and shares in millions, except per share data)

Fiscal Years Ended October 31	2023		2022		2021	
Net sales	\$	4,553.2	\$	4,514.7	\$	3,959.6
Cost of sales		2,975.6		3,010.1		2,621.1
Gross profit		1,577.6		1,504.6		1,338.5
Selling, general and administrative expense		995.6		928.9		820.2
Non-cash impairment charges		151.3		—		—
Operating earnings		430.7		575.7		518.3
Interest expense		(58.7)		(35.7)		(28.7)
Other income, net		28.5		12.5		10.2
Earnings before income taxes		400.5		552.5		499.8
Provision for income taxes		70.8		109.2		89.9
Net earnings	\$	329.7	\$	443.3	\$	409.9
Basic net earnings per share of common stock	\$	3.16	\$	4.23	\$	3.82
Diluted net earnings per share of common stock	\$	3.13	\$	4.20	\$	3.78
Weighted-average number of shares of common stock outstanding – Basic		104.4		104.8		107.3
Weighted-average number of shares of common stock outstanding – Diluted		105.3		105.6		108.5

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE TORO COMPANY AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income**

(Dollars in millions)

Fiscal Years Ended October 31	2023		2022		2021	
Net earnings	\$	329.7	\$	443.3	\$	409.9
Other comprehensive (loss) income, net of tax:						
Foreign currency translation adjustments		9.6		(31.8)		5.0
Derivative instruments, net of tax of \$(4.1), \$7.2, and \$0.7, respectively		(12.8)		24.4		2.1
Pension benefits, net of tax of \$(0.5), \$0.2, and \$0.0, respectively		(0.7)		0.3		1.2
Other comprehensive (loss) income, net of tax		(3.9)		(7.1)		8.3
Comprehensive income	\$	325.8	\$	436.2	\$	418.2

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE TORO COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollars in millions, except per share data)

October 31	2023	2022
ASSETS		
Cash and cash equivalents	\$ 193.1	\$ 188.2
Receivables, net:		
Customers, net of allowances (2023 - \$3.0; 2022 - \$3.3)	349.5	290.0
Receivables from finance affiliate	34.4	17.7
Other	23.5	25.0
Total receivables, net	407.4	332.7
Inventories, net	1,087.8	1,051.1
Prepaid expenses and other current assets	110.5	103.4
Total current assets	1,798.8	1,675.4
Property, plant and equipment, net	641.7	571.7
Goodwill	450.8	583.3
Other intangible assets, net	540.1	585.8
Right-of-use assets	125.3	76.1
Investment in finance affiliate	50.6	39.3
Deferred income taxes	14.2	5.3
Other assets	22.8	19.1
Total assets	\$ 3,644.3	\$ 3,556.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 430.0	\$ 578.7
Short-term lease liabilities	19.5	15.7
Accrued liabilities:		
Warranty	143.9	134.5
Advertising and sales promotions and incentives programs	163.0	124.0
Compensation and benefit costs	98.7	101.4
Insurance	16.2	16.2
Interest	11.6	11.4
Other	65.7	81.7
Total accrued liabilities	499.1	469.2
Total current liabilities	948.6	1,063.6
Long-term debt	1,031.5	990.8
Long-term lease liabilities	112.1	63.6
Deferred income taxes	0.4	44.3
Other long-term liabilities	40.8	42.0
Stockholders' equity:		
Preferred stock, par value \$1.00 per share, authorized 1,000,000 voting and 850,000 non-voting shares, none issued and outstanding	—	—
Common stock, par value \$1.00 per share, authorized 175,000,000 shares; issued and outstanding 103,843,485 shares as of October 31, 2023 and 103,969,805 shares as of October 31, 2022	103.8	104.0
Retained earnings	1,444.1	1,280.8
Accumulated other comprehensive loss	(37.0)	(33.1)
Total stockholders' equity	1,510.9	1,351.7
Total liabilities and stockholders' equity	\$ 3,644.3	\$ 3,556.0

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE TORO COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Dollars in millions)

Fiscal Years Ended October 31	2023	2022	2021
Cash flows from operating activities:			
Net earnings	\$ 329.7	\$ 443.3	\$ 409.9
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Non-cash income from finance affiliate	(19.2)	(8.8)	(5.7)
Distributions from (contributions to) finance affiliate, net	7.9	(9.9)	4.8
Depreciation of property, plant, and equipment	83.5	74.9	75.5
Amortization of other intangible assets	35.7	33.9	23.8
Stock-based compensation expense	19.4	22.1	21.8
Deferred income taxes	(47.9)	(12.3)	(22.9)
Non-cash impairment charges	151.3	—	—
Other	(0.2)	(0.1)	0.5
Changes in operating assets and liabilities, net of the effect of acquisitions:			
Receivables, net	(71.6)	(19.3)	(52.3)
Inventories, net	(26.7)	(285.9)	(98.3)
Other assets	17.8	(30.2)	3.0
Accounts payable	(149.9)	66.3	139.3
Other liabilities	(23.0)	23.2	56.1
Net cash provided by operating activities	306.8	297.2	555.5
Cash flows from investing activities:			
Purchases of property, plant and equipment	(149.5)	(143.5)	(104.0)
Proceeds from insurance claim	7.1	—	—
Business combinations, net of cash acquired	(21.0)	(402.4)	(24.9)
Asset acquisitions, net of cash acquired	—	(7.2)	(27.2)
Proceeds from asset disposals	0.4	0.2	1.0
Proceeds from sale of a business	5.3	4.6	26.6
Net cash used in investing activities	(157.7)	(548.3)	(128.5)
Cash flows from financing activities:			
Net borrowings under the revolving credit facility ¹	40.0	—	—
Long-term debt borrowings ¹	—	300.0	270.0
Long-term debt repayments ¹	—	—	(370.0)
Proceeds from exercise of stock options	19.7	10.3	13.1
Payments of withholding taxes for stock awards	(3.8)	(2.4)	(2.1)
Purchases of TTC common stock	(60.0)	(140.0)	(302.3)
Dividends paid on TTC common stock	(141.9)	(125.7)	(112.4)
Other	(1.5)	—	—
Net cash (used in) provided by financing activities	(147.5)	42.2	(503.7)
Effect of exchange rates on cash and cash equivalents	3.3	(8.5)	2.4
Net increase (decrease) in cash and cash equivalents	4.9	(217.4)	(74.3)
Cash and cash equivalents as of the beginning of the fiscal period	188.2	405.6	479.9
Cash and cash equivalents as of the end of the fiscal period	\$ 193.1	\$ 188.2	\$ 405.6
Supplemental disclosures of cash flow information:			
Cash paid during the fiscal year for:			
Interest	\$ 61.1	\$ 30.5	\$ 31.6
Income taxes	\$ 165.2	\$ 120.5	\$ 101.8

¹ Presentation of prior year revolving credit facility and long-term debt activity has been conformed to the current year presentation. There was no change to net cash (used in) provided by financing activities.

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE TORO COMPANY AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(Dollars in millions, except per share data)

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of October 31, 2020	\$ 107.6	\$ 1,041.5	\$ (34.3)	\$ 1,114.8
Cash dividends paid on common stock - \$1.05 per share	—	(112.4)	—	(112.4)
Issuance of 610,788 shares of common stock under stock-based compensation plans, less contribution of 22,700 shares of common stock to a deferred compensation trust	0.6	12.5	—	13.1
Stock-based compensation expense	—	21.8	—	21.8
Purchase of 3,010,424 shares of common stock	(3.0)	(301.4)	—	(304.4)
Other comprehensive income	—	—	8.3	8.3
Net earnings	—	409.9	—	409.9
Balance as of October 31, 2021	105.2	1,071.9	(26.0)	1,151.1
Cash dividends paid on common stock - \$1.20 per share	—	(125.7)	—	(125.7)
Issuance of 349,219 shares of common stock under stock-based compensation plans, less contribution of 33,162 shares of common stock to a deferred compensation trust	0.4	10.0	—	10.4
Stock-based compensation expense	—	22.1	—	22.1
Purchase of 1,551,986 shares of common stock	(1.6)	(140.8)	—	(142.4)
Other comprehensive loss	—	—	(7.1)	(7.1)
Net earnings	—	443.3	—	443.3
Balance as of October 31, 2022	104.0	1,280.8	(33.1)	1,351.7
Cash dividends paid on common stock - \$1.36 per share	—	(141.9)	—	(141.9)
Issuance of 499,145 shares of common stock under stock-based compensation plans, less contribution of 14,270 shares of common stock to a deferred compensation trust	0.4	19.3	—	19.7
Stock-based compensation expense	—	19.4	—	19.4
Purchase of 611,195 shares of common stock	(0.6)	(63.2)	—	(63.8)
Other comprehensive loss	—	—	(3.9)	(3.9)
Net earnings	—	329.7	—	329.7
Balance as of October 31, 2023	\$ 103.8	\$ 1,444.1	\$ (37.0)	\$ 1,510.9

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

• THE TORO COMPANY AND SUBSIDIARIES •

1 Summary of Significant Accounting Policies and Related Data

The Toro Company is in the business of designing, manufacturing, marketing, and selling professional turf maintenance equipment and services; turf irrigation systems; landscaping equipment and lighting products; snow and ice management products; agricultural irrigation ("ag-irrigation") systems; rental, specialty, and underground construction equipment; and residential yard and snow thrower products. The company sells its products worldwide through a network of distributors, dealers, mass retailers, hardware retailers, equipment rental centers, and home centers, as well as online and direct to end-users. The company strives to provide innovative, well-built, and dependable products supported by an extensive service network.

The following are the company's significant accounting policies in addition to those included in the other Notes to Consolidated Financial Statements included within this Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

Basis of Presentation and Consolidation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted ("GAAP") in the United States ("U.S.") and include the accounts of the company and its wholly-owned subsidiaries. In the opinion of management, the Consolidated Financial Statements include all adjustments, consisting primarily of recurring accruals, considered necessary for the fair presentation of the company's consolidated financial position, results of operations, and cash flows for the periods presented.

The company's businesses are organized, managed, and internally grouped into segments based on similarities in products and services. The company classifies its operations into two reportable business segments: Professional and Residential. The company's remaining activities are presented as "Other" due to their insignificance. For additional information regarding the company's reportable business segments refer to Note 3, *Segment Data*.

The company uses the equity method to account for equity investments in unconsolidated entities over which it has the ability to exercise significant influence over operating and financial policies. The company's share of the net earnings or losses of these equity method investments are recorded within other income, net on the Consolidated Statements of Earnings. Equity investments in unconsolidated entities that the company does not control and for which it does not have the ability to exercise significant influence over operating and financial policies are recorded at cost, less impairment, as applicable, within the Consolidated Balance Sheets. All intercompany accounts and transactions have been eliminated from the Consolidated Financial Statements.

Accounting Estimates

In preparing the Consolidated Financial Statements in conformity with U.S. GAAP, management must make decisions that impact the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures, including disclosures of contingent assets and liabilities. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. Estimates are used in determining, among other items, sales promotion and incentive accruals; incentive compensation accruals; income tax accruals; inventory valuation; warranty accruals; allowance for expected credit losses; pension accruals; self-insurance accruals; legal accruals; right-of-use assets and lease liabilities; useful lives for tangible and finite-lived intangible assets; future cash flows associated with impairment testing for goodwill, indefinite-lived intangible assets, and other long-lived assets; and valuations of the assets acquired and liabilities assumed in a business combination or asset acquisition, when applicable. These estimates and assumptions are based on management's best estimates and judgments at the time they are made and are generally derived from management's understanding and analysis of the relevant and current circumstances, historical experience, and actuarial and other independent external third-party specialist valuations, when applicable. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances, including the current economic environment and other relevant factors, as applicable. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with certainty, actual amounts could differ significantly from those estimated at the time the Consolidated Financial Statements are prepared. Changes in those estimates will be reflected in the Consolidated Financial Statements in future periods.

Business Combinations and Asset Acquisitions

When applicable, the company accounts for the acquisition of a business in accordance with the accounting standards codification ("ASC") guidance for business combinations, whereby the total purchase consideration transferred is allocated to

the assets acquired and liabilities assumed, including amounts attributable to non-controlling interests, when applicable, based on their respective estimated fair values as of the date of acquisition. Goodwill represents the excess of purchase consideration transferred over the estimated fair value of the identifiable net assets acquired in a business combination.

Assigning estimated fair values to the net assets acquired requires the use of significant estimates, judgments, inputs, and assumptions regarding the fair value of the assets acquired and liabilities assumed. Estimated fair values of assets acquired and liabilities assumed are generally based on available historical information, independent valuations or appraisals, future expectations, and assumptions determined to be reasonable but are inherently uncertain with respect to future events, including economic conditions, competition, the useful life of the acquired assets, and other factors. The company may refine the estimated fair values of assets acquired and liabilities assumed, if necessary, over a period not to exceed one year from the date of acquisition by taking into consideration new information about facts and circumstances that existed as of the acquisition date that, if known at the date of acquisition, would have affected the estimated fair values ascribed to the assets acquired and liabilities assumed. The judgments made in determining the estimated fair value assigned to assets acquired and liabilities assumed, as well as the estimated useful life and depreciation or amortization method of each asset, can materially impact the net earnings of the periods subsequent to the acquisition through depreciation and amortization, and in certain instances through impairment charges, if the asset becomes impaired in the future. During the measurement period, any purchase price allocation changes that impact the carrying value of goodwill would also affect the amount of goodwill impairment taken, if applicable. If necessary, purchase price allocation revisions that occur outside of the measurement period are recorded within cost of sales or selling, general and administrative expense within the Consolidated Statements of Earnings depending on the nature of the adjustment.

When an acquisition does not meet the definition of a business combination because either: (i) substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset, or group of similar identified assets, or (ii) the acquired entity does not have an input and a substantive process that together significantly contribute to the ability to create outputs, the company accounts for the acquisition as an asset acquisition. In an asset acquisition, goodwill is not recognized, but rather, any excess purchase consideration over the fair value of the net assets acquired is allocated on a relative fair value basis to the identifiable net assets as of the acquisition date and any direct acquisition-related transaction costs are capitalized as part of the purchase consideration.

Refer to Note 2, *Business Combinations and Asset Acquisitions*, for additional information regarding the company's accounting for recent business combinations and asset acquisitions.

Cash and Cash Equivalents

The company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value. As of October 31, 2023 and 2022, cash and cash equivalents held by the company's foreign subsidiaries were \$91.1 million and \$93.4 million, respectively.

Receivables, Net

Receivables are recorded at original carrying amount less an estimated allowance for expected credit losses. The allowance for expected credit losses is based on the company's assessment of losses that will result from its customers inability or unwillingness to pay amounts owed to the company. The allowance for expected credit losses is estimated using a combination of factors, including the age of receivable balances and historical credit loss experience, supplemented by the company's knowledge of customer-specific information, current market conditions, and reasonable and supportable projections of future events and economic conditions, when applicable. Receivables are written-off against the allowance for expected credit losses when all collection efforts have been exhausted.

The company's financial exposure related to the collection of accounts receivable is reduced due to its inventory financing arrangements, as further discussed in Note 11, *Commitments and Contingencies*.

For receivables not serviced through inventory financing agreements, the company provides financing in the form of open account terms in the normal course of business and performs on-going credit evaluations of customers.

Concentrations of Credit Risk

Financial instruments, which potentially subject the company to concentrations of credit risk, consist principally of accounts receivable and derivative instruments. Accounts receivable balances are generally concentrated in the Professional and Residential business segments. The credit risk associated with these business segments is limited because of the large number of customers in the company's customer base and their geographic dispersion. The credit risk associated with the company's derivative instruments is limited as the company enters into derivative instruments with multiple counterparties that are highly rated financial institutions.

Inventories, Net

The company uses a combination of inventory valuation methods. Inventories are valued at the lower of cost or net realizable value, with cost determined by the first-in, first-out ("FIFO") and average cost methods for approximately 58.5 percent and 50.8 percent of total net inventories as of October 31, 2023 and 2022, respectively. Other inventories are valued at the lower of cost or market, with cost determined under the last-in, first-out ("LIFO") method. During fiscal 2023 and fiscal 2022, LIFO layers were not materially reduced. As needed, the company records an inventory valuation adjustment for excess, slow-moving, and obsolete inventory that is equal to the excess of the cost of the inventory over the estimated net realizable value or market value for the inventory depending on the inventory costing method. Such inventory valuation adjustment is based on a review and comparison of current inventory levels to planned production, as well as planned and historical sales of the inventory. The inventory valuation adjustment to net realizable value or market value establishes a new cost basis of the inventory that cannot be subsequently reversed. Such inventory valuation adjustments for excess, obsolete, and slow moving inventory are not reduced or removed until the product is sold or disposed of. As of October 31, 2023 and 2022, the company's inventory valuation adjustment for excess, slow-moving, and obsolete inventory was \$43.9 million and \$38.7 million, respectively.

Inventories, net were as follows (dollars in millions):

October 31	2023		2022	
Raw materials and work in process	\$	400.3	\$	482.9
Finished goods and service parts		844.2		738.1
Total FIFO value		1,244.5		1,221.0
Less: adjustment to LIFO value		156.7		169.9
Total inventories, net	\$	1,087.8	\$	1,051.1

Property, Plant and Equipment, Net

Property, plant and equipment assets are carried at cost less accumulated depreciation. The company generally accounts for depreciation of property, plant and equipment utilizing the straight-line method over the estimated useful lives of the assets. Buildings and leasehold improvements are generally depreciated over 10 to 40 years, machinery and equipment are generally depreciated over three to 15 years, tooling is generally depreciated over three to five years, and computer hardware and software and website development costs are generally depreciated over two to five years. Expenditures for major renewals and improvements, which substantially increase the useful lives of existing assets, are capitalized. Costs associated with general maintenance and repairs are expenses as incurred within cost of sales or selling, general and administrative expense in the Consolidated Statements of Earnings depending on the nature and use of the related asset. Interest is capitalized during the construction period for significant capital projects. During the fiscal years ended October 31, 2023, 2022, and 2021, the company capitalized \$4.2 million, \$2.5 million, and \$0.8 million of interest, respectively.

Property, plant and equipment, net was as follows (dollars in millions):

October 31	2023		2022	
Land and land improvements	\$	69.0	\$	59.6
Buildings and leasehold improvements		355.8		324.3
Machinery and equipment		624.6		557.6
Tooling		260.4		225.9
Computer hardware and software		98.0		104.7
Construction in process		133.2		144.4
Property, plant and equipment, gross		1,541.0		1,416.5
Less: accumulated depreciation		899.3		844.8
Property, plant and equipment, net	\$	641.7	\$	571.7

During fiscal 2023, 2022, and 2021, the company recorded depreciation expense of \$83.5 million, \$74.9 million, and \$75.5 million, respectively.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill is initially recognized as a result of the excess of purchase consideration transferred over the estimated fair value of the net assets acquired in a business combination and indefinite-lived intangible assets are initially recognized at their estimated fair values as a result of a business combination or asset acquisition. Goodwill is assigned to a reporting unit based upon the expected benefit of the synergies of the acquisition. Goodwill and certain trade names, which are considered to have indefinite lives, are not amortized; however, the company reviews them for impairment annually during the fourth quarter of each fiscal year or more frequently if changes in circumstances or the occurrence of events indicate that impairment may have occurred prior to the annual assessment. The company tests goodwill for impairment at the reporting unit level and tests indefinite-lived

intangible assets for impairment at the individual indefinite-lived intangible asset or asset group level, as appropriate. At the end of the third quarter of fiscal 2023, the company recorded an impairment charge of \$18.0 million related to the indefinite-lived Spartan trade name intangible asset reported under the Professional segment. Further, during the same period, the company recorded an impairment charge of \$133.3 million related to goodwill of the Intimidator reporting unit also reported under the Professional segment, Refer to Note 5, *Goodwill and Other Intangible Assets* for further information.

During the fourth quarter of fiscal 2023, the company performed its annual goodwill impairment test. In performing the annual goodwill impairment test, the company first reviewed its reporting units and determined that it has twelve reporting units, which are the same as its twelve operating segments as defined in Note 3, *Segment Data*. Nine reporting units contained goodwill on their respective balance sheets as of October 31, 2023. Next, the company elected to bypass the qualitative assessment and move directly to the quantitative goodwill impairment analysis. In performing the quantitative goodwill impairment analysis, the company compared the carrying value of each reporting unit, including goodwill, to its respective fair value. The carrying value of each reporting unit was determined based on the amount of equity required for the reporting unit's activities, considering the specific assets and liabilities of the reporting unit. The company did not assign corporate assets and liabilities that do not relate to the operations of the reporting unit, or are not considered in determining the fair value of the reporting unit, to the reporting units. The company's estimate of the respective fair values of its reporting units was determined based on a discounted cash flow model under the income approach, which utilized various inputs and assumptions, including projected operating results and growth rates from the company's projection process, applicable tax rates, estimated capital expenditures and depreciation, estimated changes in working capital, terminal growth rates applied to projected operating results in the terminal period, and a weighted-average cost of capital rate. Where available, and as appropriate, comparable market multiples and the company's market capitalization were also utilized to corroborate the results of the discounted cash flow models under the income approach. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not impaired. If the carrying value of a reporting unit exceeds its fair value, an impairment charge would be recognized for the amount by which the carrying value of the reporting unit exceeds the its fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Based on the quantitative annual goodwill impairment analysis performed in the fourth quarter of fiscal 2023, the company determined there was no impairment of goodwill for any of its reporting units. Further, no impairment of goodwill was recorded during fiscal 2022 and 2021.

During the fourth quarter of fiscal 2023, the company also performed a quantitative impairment analysis for its indefinite-lived intangible assets, which consist of certain trade names. The company's estimate of the fair values of its trade names are based on the relief from royalty method under the income approach and utilizes various inputs and assumptions, including projected revenues from the company's projection process, assumed royalty rates that could be payable if the company did not own the intangible asset, terminal growth rates applied to projected revenues, applicable tax rates, and a discount rate. If the fair value of the indefinite-lived intangible asset, or asset group, is less than its carrying value, an impairment loss is recognized in an amount equal to the excess. Based on this quantitative impairment analysis performed in the fourth quarter of fiscal 2023, the company concluded its indefinite-lived intangible assets were not impaired. Further, the company concluded its indefinite-lived intangible assets were not impaired during fiscal 2022 and 2021 based on the same quantitative impairment analysis performed in each respective prior fiscal year.

Other Long-Lived Assets

Other long-lived assets primarily consist of property, plant and equipment; right-of-use assets associated with operating lease agreements; capitalized implementation costs for hosted cloud-computing arrangements; finite-lived intangible assets; and other assets, as applicable. The company's finite-lived intangible assets are identifiable assets that were acquired as a result of business combinations or asset acquisitions and primarily consist of customer relationships and lists, developed technology, patents, trade names, non-compete agreements, and order backlog and are generally amortized on a straight-line basis over their expected useful lives, which typically range from several months to 20 years depending on the nature of the finite-lived intangible asset.

The company reviews other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or asset group, may not be recoverable. Asset groups have identifiable cash flows and are largely independent of other asset groups. An impairment loss is recognized when estimated undiscounted future cash flows from the operation or disposition of the asset group are less than the carrying amount of the asset group. Measurement of an impairment loss is based on the excess of the carrying amount of the asset group over its fair value. Fair value is generally measured using a discounted cash flow model or independent appraisals, as appropriate. The company did not record an impairment loss for fiscal 2023, 2022, and 2021 as the company's long-lived assets were determined to not be at risk for impairment as no events or changes in circumstances were identified that would indicate that the carrying amount of an asset, or asset group, may not be recoverable.

For other long-lived assets to be abandoned, the company tests for potential impairment. If the company commits to a plan to abandon or dispose of an other long-lived asset, or asset group, before the end of its previously estimated useful life, depreciation or amortization expense is recognized over the revised estimated useful life.

Leases

The company enters into contracts that are, or contain, operating lease agreements that convey the company's right to direct the use of, and obtain substantially all of the economic benefits from, an identified asset for a defined period of time in exchange for consideration. The lease term begins and is determined upon lease commencement, which is the point in time when the company takes possession of the identified asset, and includes all non-cancelable periods.

Lease liabilities represent the company's obligation to make lease payments arising from the lease agreement. The company accounts for operating lease liabilities at lease commencement and on an ongoing basis as the present value of the minimum remaining lease payments under the respective lease term. Lease payments are determined at lease commencement and represent fixed lease payments as defined within the respective lease agreement or, in the case of certain lease agreements, variable lease payments that are measured as of the lease commencement date based on the prevailing index or market rate. Future adjustments to variable lease payments are defined and scheduled within the respective lease agreement and are determined based upon the prevailing market or index rate at the time of the adjustment relative to the market or index rate determined at lease commencement. Certain other lease agreements contain variable lease payments that are determined based upon actual utilization of the identified asset. Such future adjustments to variable lease payments and variable lease payments based upon actual utilization of the identified asset are not included within the determination of lease payments at commencement but rather, are recorded as variable lease expense in the period in which the variable lease cost is incurred. The company has operating leases with both lease components and non-lease components. For purposes of determining lease payments, the company accounts for lease components separately from non-lease components based on the relative market value of each component. Non-lease components typically consist of common area maintenance, utilities, and/or other repairs and maintenance services. The costs related to non-lease components are not included within the determination of lease payments at commencement. Minimum remaining lease payments are discounted to present value based on the rate implicit in the operating lease agreement or the estimated incremental borrowing rate at lease commencement if the rate implicit in the lease is not readily determinable. Minimum remaining lease payments are generally discounted to present value based the estimated incremental borrowing rate at lease commencement as the rate implicit in the lease is generally not readily determinable.

Right-of-use assets represent the company's right to use an underlying asset throughout the lease term and are measured as the amount of the corresponding operating lease liability for the respective operating lease agreement, adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs, and impairment of the operating lease right-of-use asset, as applicable.

Lease expense for the company's operating leases is recognized on a straight-line basis over the lease term and is recorded within either cost of sales or selling, general and administrative expense in the Consolidated Statements of Earnings depending on the nature and use of the identified asset underlying the respective operating lease arrangement. The company does not recognize right-of-use assets and lease liabilities, but does recognize lease expense on a straight-line basis, for short-term operating leases which have a lease term of 12 months or less and do not include an option to purchase the underlying asset.

Accounts Payable

The company has a supply chain finance service agreement with a third-party financial institution to provide a web-based platform that facilitates the ability of participating suppliers to finance payment obligations from the company with the third-party financial institution. Participating suppliers may, at their sole discretion, make offers to finance one or more payment obligations of the company prior to their scheduled due dates at a discounted price to the third-party financial institution. The company's obligations to its suppliers, including amounts due and scheduled payment dates, are not affected by suppliers' decisions to finance amounts under this supply chain finance arrangement. As of October 31, 2023 and 2022, \$99.6 million and \$133.7 million, respectively, of the company's outstanding payment obligations were financed by participating suppliers through the third-party financial institution's supply chain finance web-based platform.

Insurance

The company is self-insured for certain losses relating to employee medical, dental, workers' compensation, and certain product liability claims. Specific stop loss coverages are provided for catastrophic claims in order to limit exposure to significant claims. Losses and claims are charged to net earnings when it is probable a loss has been incurred and the amount can be reasonably estimated. Self-insured liabilities are based on a number of factors, including historical claims experience, an estimate of claims incurred but not reported, demographic and severity factors, and utilizing valuations provided by independent third-party actuaries, as applicable.

Product Warranty Guarantees

The company's products are warranted to provide assurance that the product will function as expected and to ensure customer confidence in design, workmanship, and overall quality. Standard warranty coverage is generally provided for specified periods of time and on select products' hours of usage, and generally covers parts, labor, and other expenses for non-maintenance repairs. The company also sells separately priced extended warranty coverage on select products for a prescribed period after the original warranty period expires. For additional information on the contract liabilities associated with the company's separately priced extended warranties, refer to Note 4, *Revenue*.

At the time of sale, the company recognizes expense and records an accrual by product line for estimated costs in connection with projected future warranty claims. The company's estimate of the cost of future warranty claims is based primarily on the estimated number of products under warranty, historical average costs incurred to service warranty claims, the trend in the historical ratio of claims to sales, and the historical length of time between the sale and resulting warranty claim. The company periodically assesses the adequacy of its warranty accruals based on changes in these factors and records any necessary adjustments if the cost of actual claims experience indicates that adjustments to the company's warranty accrual are necessary. Additionally, from time to time, the company may also establish warranty accruals for its estimate of the costs necessary to settle major rework campaigns on a product-specific basis during the period in which the circumstances giving rise to the major rework campaign become known and when the costs to satisfactorily address the situation are both probable and estimable. The warranty accrual for the cost of a major rework campaign is primarily based on an estimate of the cost to repair each affected unit and the number of affected units expected to be repaired.

The changes in accrued warranties were as follows (dollars in millions):

Fiscal Years Ended October 31	2023		2022		2021	
Beginning balance	\$	134.5	\$	116.8	\$	107.1
Changes in accrual related to warranties issued during the period ¹		90.1		81.5		73.5
Acquisitions		—		5.7		—
Payments made during the period ¹		(84.5)		(74.6)		(71.3)
Changes in accrual related to pre-existing warranties ¹		3.8		5.1		7.5
Ending balance	\$	143.9	\$	134.5	\$	116.8

¹ Presentation of prior period changes in accrued warranties has been conformed to the current year presentation. There was no impact to the balance of accrued warranties in any period.

Derivative Instruments and Hedging Activities

Derivative instruments, consisting primarily of forward currency contracts, are used to hedge most foreign currency transactions, including projected sales and purchases denominated in foreign currencies. All derivative instruments are recognized on the Consolidated Balance Sheets at fair value as either assets or liabilities. If the derivative instrument is designated as a cash flow hedging instrument, changes in the fair values of the spot rate component of outstanding, highly effective cash flow hedging instruments included in the assessment of hedge effectiveness are recorded in other comprehensive income within accumulated other comprehensive loss ("AOCL") on the Consolidated Balance Sheets and are subsequently reclassified to net earnings within the Consolidated Statements of Earnings during the same period in which the cash flows of the underlying hedged transaction affect net earnings. Changes in the fair values of hedge components excluded from the assessment of effectiveness are recognized immediately in net earnings under the mark-to-market approach. Derivatives that are not designated as cash flow hedging instruments are adjusted to fair value through other income, net, on the Consolidated Statements of Earnings.

Foreign Currency Translation and Transactions

The functional currency of the company's foreign operations is generally the applicable local currency. The functional currency is translated into U.S. dollars using the respective current exchange rate in effect as of the balance sheet date for balance sheet accounts and the respective weighted-average exchange rate during the fiscal year for revenue and expense accounts. The resulting translation adjustments are deferred as a component of other comprehensive income within the Consolidated Statements of Comprehensive Income and the Consolidated Statements of Stockholders' Equity. Gains or losses resulting from transactions denominated in foreign currencies are included in other income, net in the Consolidated Statements of Earnings.

Debt Issuance Costs

Debt issuance costs incurred in connection with securing the company's financing arrangements are capitalized and amortized over the term of the respective financing arrangement under the straight-line method as the results obtained are not materially different from those that would result from the use of the effective interest method. Debt issuance costs are generally presented in the Consolidated Balance Sheets as a direct deduction from the carrying amount of the outstanding borrowings, consistent with debt discounts. However, the company classifies the debt issuance costs related to its \$600.0 million five-year senior

unsecured revolving credit facility ("revolving credit facility") within other assets on the Consolidated Balance Sheets, regardless of whether the company has any outstanding borrowings on the revolving credit facility. Debt issuance costs related to borrowings that are fully extinguished in advance of the maturity date are charged to expense at the time of retirement of the borrowings. Debt issuance costs, net of accumulated amortization, were \$3.8 million and \$4.8 million as of October 31, 2023 and 2022, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years that those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date. A valuation allowance is provided when, in management's judgment, it is more likely than not that some portion or all of the deferred tax asset will not be realized. The company believes it has reflected the necessary deferred tax assets and liabilities in the accompanying Consolidated Balance Sheets. Management believes the future tax deductions will be realized principally through future taxable income, future reversals of existing taxable temporary differences, and carryback to taxable income in prior years.

The company recognizes the effect of income tax positions only if it is more likely than not that those positions will be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50.0 percent likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The company also records interest and penalties related to unrecognized tax benefits within income tax expense.

Revenue Recognition

The company's primary source of revenue is generated through the sale of equipment and irrigation products, as well as rendering of services to its customers. As a result, the company enters into contracts with its customers for the sale of products or rendering of services in the ordinary course of business, which generally occurs at the time the company receives and accepts a purchase or sales order under a sales contract with a customer. The company recognizes revenue when, or as, performance obligations under the terms of a contract with its customer are satisfied, which generally occurs with the transfer of control of product or services at the time a product is shipped, or in the case of certain agreements, when a product is delivered or as services are rendered. Revenue is recognized based on the transaction price, which is measured as the amount of consideration the company expects to receive in exchange for transferring product or rendering services pursuant to the terms of the contract with a customer. The amount of consideration the company receives and the revenue the company recognizes varies as a result of variable consideration. Variable consideration is recorded at the time revenue is recognized as a reduction of the transaction price and typically occurs as a result of certain of the company's sales promotion and incentive programs offered to customers that are determined to represent price concessions, as well as anticipated product returns, when applicable. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on the relative standalone selling price of the respective promised good or service. The company does not recognize revenue in situations where collectability from the customer is not probable, and defers the recognition of revenue until collection is probable or payment is received and performance obligations are satisfied.

Sales Promotions and Incentives

At the time revenue is recognized, the company records a reduction of the transaction price for the variable consideration associated with certain of the company's sales promotions and incentives programs offered to customers that are determined to represent price concessions. The expense of each sales promotion and incentive program is classified as a reduction from gross sales or as a component of selling, general and administrative expense within the Consolidated Statements of Earnings when revenue is recognized, depending on the nature of the program. Generally, the cost of a program is recorded as a reduction from gross sales when revenue is recognized and thus, is considered to be variable consideration, if the expense is determined to represent a price concession because the program either (i) results in an immediate reduction of the transaction price with no anticipated future costs or consideration provided to the customer or (ii) the company anticipates future costs based on historical or expected future business practice for which the company does not receive a distinct good or service in exchange for the future consideration provided to the customer under the program. In other circumstances, the anticipated future cost of a program based on historical or expected future business practice is recorded as selling, general and administrative expense because the company receives a distinct good or service in exchange for the future consideration provided to the customer under the program.

Examples of significant sales promotions and incentive programs that are considered to be variable consideration because the cost of the program is classified as a reduction from gross sales are as follows:

- **Off-Invoice Discounts:** The company's off-invoice discounts represent an immediate reduction in the selling price of the company's products that is realized at the time of sale with no anticipated future cost or consideration provided to the customer.
- **Rebate Programs:** The company's rebate programs are generally based on claims submitted from either the company's direct customers or end-users of the company's products or are based on purchase or retail sales goals for the company's direct customers of certain quantities or mixes of product during a specified time period, depending upon the program. The amount of the rebate varies based on the specific program and is either a dollar amount or a percentage of the purchase price and can also be based on actual retail price as compared to the company's selling price. Consideration is typically provided to the company's customers for the company's rebate programs after the initial sale of the company's products to the company's direct customers and thus, there is generally an anticipated future cost at the time revenue is recognized based on historical and expected future business practice.
- **Financing Programs:** The company's financing programs consist of floor plan financing programs with Red Iron and separate third-party financial institutions and end-user retail financing. Costs incurred for floor plan financing programs represent financing costs associated with programs under which the company shares the expense of financing distributor and dealer inventories through third-party financing arrangements for a specific period of time. This charge represents interest for a pre-established length of time based on a predefined rate from the contract between the company and Red Iron or the separate third-party financial institution to finance distributor and dealer inventory purchase. The floor plan financing costs for distributor and dealer inventories were \$114.7 million, \$46.3 million, and \$20.8 million for the fiscal years ended October 31, 2023, 2022 and 2021, respectively. End-user retail financing is similar to floor planning with the difference being that retail financing programs are offered to end-user customers under which the company, at its discretion, may pay a portion of interest costs on behalf of end-users for financing purchases of the company's equipment.

Examples of significant sales promotions and incentive programs that are not considered to be variable consideration because the cost of the program is classified as a component of selling, general, and administrative expense are as follows:

- **Commissions Paid to Distributors and Dealers:** For certain products, the company uses a distribution network of dealers and distributors that purchase and take possession of products for sale to the end customer. The company also has dealers and distributors that act as sales agents for it on certain products using a direct-selling type model. Under this direct-selling type model, the company's network of distributors and dealers facilitates a sale directly to the dealer or end-user customer on its behalf. Commissions to distributors and dealers in these instances represent commission payments to sales agents that are also its customers. In addition, TTC dealers are often paid a commission to set up and deliver riding product purchased at certain mass retail and home centers.
- **Cooperative Advertising:** Cooperative advertising programs are based on advertising costs incurred by distributors and dealers for promoting the company's products. The company supports a portion of those advertising costs in which claims are submitted by the distributor or dealer along with evidence of the advertising material procured/produced and evidence of the cost incurred in the form of third-party invoices or receipts.

Regardless of classification of the cost of the sales promotion and incentive program within the Consolidated Statements of Earnings, the company records an accrual within the Consolidated Balance Sheets for the estimated future expense of certain of its sales promotion and incentive programs for which the company anticipates a future cost based on historical or expected future business practice by using the expected value method and applying the portfolio approach practical expedient under the accounting standards codification guidance for revenue from contracts with customers. Under such approach, the company's determination of variable consideration and the related accrual associated with the estimated expense of certain of the company's sales promotions and incentives programs is primarily based on the terms of the sales arrangements and sales promotion and incentive programs with customers, historical payment and rebate claims experience, field inventory levels, quantity or mix of products purchased, projected sales volumes, types of programs offered, and expectations for the acceptance of sales promotion and incentive programs offered in the future or changes in other relevant trends.

Cost of Sales

Cost of sales is primarily comprised of direct materials and supplies consumed to manufacture the company's products, as well as compensations costs for manufacturing labor and direct overhead expense necessary to convert direct materials and supplies into finished product. Cost of sales also includes freight costs for the procurement of direct materials and supplies and shipping products to customers; charges associated with inventory valuation adjustments for excess, slow-moving, and obsolete inventory; depreciation and amortization expense on manufacturing-related tangible and intangible assets; operating lease expense related to leased manufacturing assets; cost of services provided; cash discounts on payments to vendors, and other manufacturing-related costs.

Selling, General and Administrative Expense

Selling, general and administrative expense is primarily comprised of compensation costs for non-manufacturing labor, occupancy and operating costs of distribution and corporate facilities, warranty expense, depreciation and amortization expense on non-manufacturing tangible and intangible assets, operating lease expense related to leased non-manufacturing assets; advertising, marketing, and selling expenses, engineering and research costs, information systems costs, and other miscellaneous administrative costs, such as legal costs for internal and outside services that are expensed as incurred.

Advertising Expense

General advertising costs are expensed in the period incurred. Cooperative advertising represents expenditures for shared advertising costs that the company reimburses to customers and is classified as a component of selling, general and administrative expense within the Consolidated Statements of Earnings. These obligations are accrued and expensed when the related revenues are recognized in accordance with the sales promotion and incentive programs established for certain product lines. Advertising costs were \$77.6 million, \$58.3 million, and \$50.5 million for the fiscal years ended October 31, 2023, 2022, and 2021, respectively.

Engineering and Research Expense

The company's engineering and research costs are expensed as incurred as a component of selling, general and administrative expense within the Consolidated Statements of Earnings and are primarily incurred in connection with the development of new products that may have additional applications or represent extensions of existing product lines, improvements or enhancements to existing products, and cost reduction efforts. Costs incurred for engineering and research activities were \$173.9 million, \$155.6 million, and \$141.0 million for the fiscal years ended October 31, 2023, 2022, and 2021, respectively.

Stock-Based Compensation Expense

The company's stock-based compensation awards are generally granted to executive officers, other employees, and non-employee members of the company's Board of Directors ("Board"), and include unrestricted common stock awards, performance share awards that are contingent on the achievement of performance goals of the company, non-qualified stock options, and restricted stock units. Generally, compensation expense equal to the grant date fair value determined under the Black-Scholes valuation method is recognized for these awards over the vesting period and is classified in selling, general and administrative expense within the Consolidated Statements of Earnings. For stock options and restricted stock units, expense recognized for other employees not considered executive officers and non-employee Board members is net of estimated forfeitures, which is based on historical forfeiture experience. Stock options granted to executive officers and other employees are subject to accelerated expensing if the option holder meets the retirement definition set forth in the applicable equity and incentive plan document. In that case, the fair value of the options is expensed in the fiscal year of grant because generally, if the option holder is employed as of the end of the fiscal year in which the options are granted, such options will not be forfeited but continue to vest according to their schedule following retirement. For additional information on The Toro Company 2022 Equity and Incentive Plan, refer to Note 9, *Stock-Based Compensation*.

Other Income, Net

Other income, net primarily consists of the company's proportionate share of income or losses from Red Iron, realized foreign currency exchange rate gains and losses, interest and dividend income, gains or losses recognized on actuarial valuation changes for our pension and post-retirement plans, retail financing revenue, and other miscellaneous income.

Net Earnings Per Share

Basic net earnings per share is calculated as net earnings available to common stockholders divided by the weighted-average number of shares of common stock outstanding during the year plus the assumed issuance of contingent shares related to performance share awards under the company's equity and incentive plans. Diluted net earnings per share is similar to basic net earnings per share except that the weighted-average number of shares of common stock outstanding plus the assumed issuance of contingent shares is increased to include the number of additional shares of common stock that would have been outstanding assuming the issuance of all potentially dilutive shares, such as common stock to be issued upon exercise of options, contingently issuable shares, and restricted stock units.

Reconciliations of basic and diluted weighted-average shares of common stock outstanding are as follows (in millions):

Fiscal Years Ended October 31	2023	2022	2021
Basic			
Weighted-average number of shares of common stock	104.4	104.8	107.3
Assumed issuance of contingent shares	—	—	—
Weighted-average number of shares of common stock outstanding – Basic	104.4	104.8	107.3
Diluted			
Weighted-average number of shares of common stock outstanding – Basic	104.4	104.8	107.3
Effect of dilutive securities	0.9	0.8	1.1
Weighted-average number of shares of common stock outstanding – Diluted	105.3	105.6	108.5

Incremental shares from stock options and restricted stock units are computed under the treasury stock method. Stock option awards to purchase 573,662, 906,121, and 409,851 shares of common stock during fiscal 2023, 2022, and 2021, respectively, were excluded from the computation of diluted net earnings per share of common stock because they were anti-dilutive.

New Accounting Pronouncements

In November 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance. The update increases the transparency of government assistance including annual disclosure of the types of assistance, an entity's accounting for the assistance, and the effect of the assistance on an entity's financial statements. The amended guidance was adopted for the fiscal 2023 annual period and did not have a material impact on the company's Consolidated Financial Statements or annual disclosures.

The company believes that all other recently issued accounting pronouncements from the FASB that the company has not noted above will not have a material impact on its Consolidated Financial Statements or do not apply to its operations.

2 Business Combinations and Asset Acquisitions

Business Combinations

Dealer Acquisition

On May 9, 2023, during the third quarter of fiscal 2023, the company completed the acquisition of substantially all of the assets of, and assumed certain liabilities for, a U.S. based dealer of underground construction equipment. The purchase price of this acquisition was allocated to the identifiable assets acquired and liabilities assumed based on estimates of their fair value and no goodwill or indefinite-lived intangible assets were recorded. The company finalized the purchase accounting for this acquisition during the third quarter of fiscal 2023. Additional purchase accounting disclosures have been omitted due to immateriality of this acquisition in relation to the company's consolidated financial condition and results of operations.

Intimidator

On January 13, 2022 ("Intimidator closing date"), during the first quarter of fiscal 2022, the company acquired the privately-held Intimidator for net aggregate purchase consideration of \$399.8 million ("the purchase price"). Intimidator primarily designs, manufactures, markets, and sells a commercial-grade line of zero-turn mowers under the Spartan brand, which are intended to provide innovative turf management solutions to landscape contractors and other customers including homeowners who prefer professional solutions. The acquisition of Intimidator broadened the company's Professional segment and expanded its manufacturing footprint and dealer network.

Intimidator Purchase Price Allocation

The company accounted for the Intimidator acquisition in accordance with the accounting standards codification guidance for business combinations, whereby the purchase price was allocated to the acquired net tangible and intangible assets of Intimidator based on their fair values as of the closing date. During the first quarter of fiscal 2023, the company completed its valuation of income taxes to finalize the purchase price allocation. The following table summarizes the allocation of the Intimidator purchase price to the fair values assigned to the Intimidator assets acquired and liabilities assumed (dollars in millions):

	January 13, 2022	
Cash and cash equivalents	\$	1.0
Receivables		7.0
Inventories		34.6
Prepaid expenses and other current assets		0.5
Property, plant and equipment		27.4
Right-of-use assets		0.3
Goodwill		163.7
Indefinite-lived other intangible assets:		
Trade names		99.1
Finite-lived other intangible assets:		
Customer-related		80.5
Trade names		3.3
Backlog		1.3
Accounts payable		(8.5)
Accrued liabilities		(9.1)
Short-term lease liabilities		(0.1)
Long-term liabilities		(0.2)
Total fair value of net assets acquired		400.8
Less: cash and cash equivalents acquired		(1.0)
Total purchase price	\$	399.8

The goodwill recognized is primarily attributable to the expected future cash flows, the value of the workforce, and expected synergies, including customer and dealer growth opportunities, expanding existing product lines, and cost reduction initiatives. Key areas of expected cost synergies include increased purchasing power for commodities, components, parts, and accessories and supply chain consolidation. The goodwill resulting from the acquisition of Intimidator was recognized within the company's Professional segment. The acquisition was considered an asset purchase for income tax purposes and as a result, the goodwill arising from the transaction is deductible.

Other Intimidator Intangible Assets Acquired

The allocation of the Intimidator purchase price to the net assets acquired resulted in the recognition of \$184.2 million of value for other intangible assets as of the Intimidator closing date. The fair values of the acquired trade names and customer-related and backlog intangible assets were determined using the income approach whereby an intangible asset's fair value is equal to the present value of future economic benefits to be derived from ownership of the asset. The useful lives of the other intangible assets were determined based on the period of expected cash flows used to measure the fair value of the intangible assets adjusted as appropriate for entity-specific factors including legal, regulatory, contractual, competitive, economic, and/or other factors that may limit the useful life of the respective intangible asset. As of the Intimidator closing date, the acquired finite-lived intangible assets had a weighted average useful life of 9.5 years. The fair values of the trade names were determined using the relief from royalty method, which is based on the hypothetical royalty stream that would be received if the company were to license the respective trade name and were based on expected future revenues from the respective trade name. The weighted-average useful life of the finite-lived trade name intangible assets was determined to be 9.8 years as of the Intimidator closing date. The fair values of the customer-related and backlog intangible assets were determined using the excess earnings method and were based on the expected operating cash flows attributable to the respective intangible asset, which were determined by deducting expected economic costs, including operating expenses and contributory asset charges, from the revenue expected to be generated from the respective intangible asset. As of the Intimidator closing date, the weighted-average useful lives of the customer-related and backlog intangible assets were determined to be 9.6 years and nine months, respectively.

Impairment

During the preparation of the financial statements for the third quarter of fiscal 2023, the company recorded an impairment charge of \$18.0 million related to the indefinite-lived Spartan trade name intangible asset. Further, during the same period, the

company recorded an impairment charge of \$133.3 million related to goodwill of the Intimidator reporting unit. For additional information regarding these impairment charges, refer to Note 5, *Goodwill and Other Intangible Assets*.

Asset Acquisitions

On June 10, 2022, during the third quarter of fiscal 2022, the company completed the acquisition of certain assets of Voigt Smith Innovation LLC, a manufacturer of liquid deicing equipment, brine makers and applicators, related smart-connected technologies, and hydroseeding products. On June 20, 2022, during the third quarter of fiscal 2022, the company completed the acquisition of certain assets of Tornado Global Hydrovac Ltd. ("Tornado"), a designer and manufacturer of hydrovac trucks. On June 21, 2022, during the third quarter of fiscal 2022, the company completed the acquisition of certain assets of River City Manufacturing, Inc., a manufacturer of custom rock saws. These asset acquisitions pertain to the company's Professional segment.

On November 4, 2020, during the first quarter of fiscal 2021, the company completed the acquisition of Turflynx, Lda, a developer of innovative autonomous solutions for turf management. On March 1, 2021, during the second quarter of fiscal 2021, the company completed the acquisition of Left Hand Robotics, Inc., a developer of innovative autonomous solutions for turf and snow management. These acquisitions complement and support the development of alternative power, smart-connected, and autonomous products within the company's Professional and Residential segments.

None of these acquisitions met the definition of business combinations as substantially all of the fair value of the gross assets acquired in each acquisition was concentrated in the respective finite-lived developed technology intangible assets. As a result, the company accounted for each of these transactions as an asset acquisition. In an asset acquisition, goodwill is not recognized, but rather, any excess purchase consideration over the fair value of the net assets acquired is allocated on a relative fair value basis to the identifiable net assets as of the acquisition date and any direct acquisition-related transaction costs are capitalized as part of the purchase consideration. These asset acquisitions were immaterial in relation to the company's consolidated financial condition and results of operations and as a result, additional purchase accounting disclosures have been omitted.

3 Segment Data

The company's businesses are organized, managed, and internally grouped into segments based on similarities in products and services. Segment selection is based on the manner in which the company's chief operating decision maker organizes segments for making operating and investment decisions and assessing performance. The company has identified twelve operating segments and has aggregated certain of those operating segments into two reportable segments: Professional and Residential. The aggregation of the company's segments is based on the segments having the following similarities: economic characteristics, types of products and services, types of production processes, type or class of customers, and method of distribution. The company's remaining activities are presented as "Other" due to their insignificance.

The Professional reportable business segment consists of turf and landscape equipment; rental, specialty, and underground construction equipment; snow and ice management equipment; and irrigation and lighting products. Turf and landscape equipment products include sports fields and grounds mowing and maintenance equipment, golf course mowing and maintenance equipment, landscape contractor mowing equipment, landscape creation and renovation equipment, and other maintenance equipment. Rental, specialty, and underground construction equipment products include horizontal directional drills, walk and ride trenchers, stand-on skid steers, vacuum excavators, stump grinders, turf renovation products, asset locators, pipe rehabilitation solutions, materials handling equipment, and other after-market tools. Snow and ice management equipment products primarily include snowplows; stand-on snow and ice removal equipment, including the related snowplow, snow brush, and snow thrower attachments; salt and sand spreaders; brine ice control products; and related parts and accessories for light and medium duty trucks, utility task vehicles, skid steers, and front-end loaders. Irrigation and lighting products consist of sprinkler heads, electric and hydraulic valves, controllers, computer irrigation central control systems, coupling systems, and ag-irrigation drip tape and hose products, as well as professionally installed landscape lighting products offered through distributors and landscape contractors that also purchase irrigation products. Professional reportable business segment products are marketed and sold mainly through a network of distributors and dealers to professional and other users, including homeowners, engaged in maintaining golf courses, sports fields, municipal properties, agricultural fields, residential and commercial landscapes, and removing snow and ice, as well as directly to government customers, rental companies, and large retailers.

The Residential reportable business segment primarily consists of walk power mowers, zero-turn riding mowers, snow throwers, replacement parts, and home solutions products, including grass trimmers, hedge trimmers, leaf blowers, blower-vacuums, chainsaws, string trimmers, and underground, hose, and hose-end retail irrigation products. Residential reportable business segment products are marketed and sold to homeowners through a network of distributors and dealers and through a broad array of home centers, hardware retailers, and mass retailers, as well as online.

The company's Other activities consists of the company's wholly-owned domestic distribution company, certain corporate activities, and the elimination of intersegment revenues and expenses. Corporate activities include general corporate expenditures (finance, human resources, legal, information technology, public relations, business development, and similar activities) and other unallocated corporate assets and liabilities, such as corporate facilities and deferred tax assets and liabilities.

The accounting policies of the reportable business segments are the same as those described in the summary of significant accounting policies in Note 1, *Summary of Significant Accounting Policies and Related Data*. The company evaluates the performance of its Professional and Residential reportable business segment results based on earnings from operations plus other income, net. The reportable business segment's operating profits or losses include direct costs incurred at the reportable business segment's operating level plus allocated expenses, such as profit sharing and manufacturing expenses. The allocated expenses represent costs that these operations would have incurred otherwise, but do not include general corporate expenses, interest expense, and income taxes. Operating loss for the company's Other activities includes earnings (loss) from the company's domestic wholly-owned distribution company, certain corporate activities, other income, and interest expense. The company accounts for intersegment gross sales at current market prices.

The following tables present summarized financial information concerning the company's reportable business segments and Other activities (dollars in millions):

Fiscal Year Ended October 31, 2023	Professional	Residential	Other	Total
Net sales	\$ 3,674.6	\$ 854.2	\$ 24.4	\$ 4,553.2
Intersegment gross sales (eliminations)	45.8	0.2	(46.0)	—
Earnings (loss) before income taxes ¹	509.1	68.9	(177.5)	400.5
Total assets	2,679.6	565.1	399.6	3,644.3
Capital expenditures	79.9	45.6	24.0	149.5
Depreciation and amortization	\$ 89.3	\$ 14.9	\$ 15.0	\$ 119.2
Fiscal Year Ended October 31, 2022	Professional	Residential	Other	Total
Net sales	\$ 3,429.6	\$ 1,068.6	\$ 16.5	\$ 4,514.7
Intersegment gross sales (eliminations)	33.5	0.1	(33.6)	—
Earnings (loss) before income taxes	584.0	112.7	(144.2)	552.5
Total assets	2,702.8	501.6	351.6	3,556.0
Capital expenditures	94.3	31.0	18.2	143.5
Depreciation and amortization	\$ 82.7	\$ 13.0	\$ 13.1	\$ 108.8
Fiscal Year Ended October 31, 2021	Professional	Residential	Other	Total
Net sales	\$ 2,929.6	\$ 1,010.1	\$ 19.9	\$ 3,959.6
Intersegment gross sales (eliminations)	30.5	—	(30.5)	—
Earnings (loss) before income taxes	507.3	121.5	(129.0)	499.8
Total assets	2,032.4	388.2	515.5	2,936.1
Capital expenditures	79.5	16.7	7.8	104.0
Depreciation and amortization	\$ 73.7	\$ 13.5	\$ 12.1	\$ 99.3

¹ The Professional reportable segment earnings (loss) before income taxes includes \$151.3 million of non-cash impairment charges recorded during the preparation of the financial statements for the third quarter of fiscal 2023 related to the Intimidator operating segment. For additional information regarding the impairment charges, refer to Note 5, *Goodwill and Other Intangible Assets*.

During fiscal 2023 and 2022, no customers accounted for 10.0 percent or more of total consolidated gross sales. During fiscal 2021, sales to one customer in the Residential segment accounted for 10.6 percent of total consolidated gross sales.

The following table presents the details of operating loss before income taxes for the company's Other activities (dollars in millions):

Fiscal Years Ended October 31	2023	2022	2021
Corporate expenses	\$ (151.8)	\$ (126.3)	\$ (112.4)
Interest expense	(58.7)	(35.7)	(28.7)
Earnings from the company's wholly-owned domestic distribution company and other income, net	33.0	17.8	12.1
Total operating loss	\$ (177.5)	\$ (144.2)	\$ (129.0)

The following geographic area data includes net sales based on product shipment destination and long-lived assets, which consist of property, plant and equipment, net, and is based on physical location in addition to allocated capital tooling from U.S. plant facilities (dollars in millions):

Fiscal Years Ended October 31	United States		International Countries		Total
2023					
Net sales	\$	3,605.5	\$	947.7	\$ 4,553.2
Long-lived assets	\$	540.4	\$	101.3	\$ 641.7
2022					
Net sales	\$	3,635.5	\$	879.2	\$ 4,514.7
Long-lived assets	\$	505.9	\$	65.8	\$ 571.7
2021					
Net sales	\$	3,132.0	\$	827.6	\$ 3,959.6
Long-lived assets	\$	440.5	\$	47.2	\$ 487.7

4 Revenue

The company enters into contracts with its customers for the sale of products or rendering of services in the ordinary course of business. A contract with commercial substance exists at the time the company receives and accepts a purchase or sales order under a sales contract with a customer. The company recognizes revenue when, or as, performance obligations under the terms of a contract with its customer are satisfied, which generally occurs with the transfer of control of product or services. Control is typically transferred to the customer at the time a product is shipped, or in the case of certain agreements, when a product is delivered or as services are rendered. Revenue is recognized based on the transaction price, which is measured as the amount of consideration the company expects to receive in exchange for transferring product or rendering services pursuant to the terms of the contract with a customer. The amount of consideration the company receives and the revenue the company recognizes varies with changes in the variable consideration associated with the estimated expense of certain of the company's sales promotions and incentives programs offered to customers, as well as anticipated product returns, when applicable. The company recognizes a provision for estimated variable consideration at the time revenue is recognized as a reduction of the transaction price. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on the relative standalone selling price of the respective promised good or service. The company does not recognize revenue in situations where collectability from the customer is not probable and defers the recognition of revenue until collection is probable or payment is received and performance obligations are satisfied.

Freight and shipping revenue billed to customers concurrent with revenue producing activities is included within revenue and the cost for freight and shipping is recognized as an expense within cost of sales when control has transferred to the customer. Shipping and handling activities that occur after control of the related products is transferred are treated as a fulfillment activity rather than a promised service and therefore are not considered a performance obligation. Sales, use, value-added, and other excise taxes the company collects concurrent with revenue producing activities are excluded from revenue. Incremental costs of obtaining a contract for which the performance obligations will be satisfied within the next twelve months are expensed as incurred. Incidental items, including goods or services, that are immaterial in the context of the contract are recognized as expense when incurred. Additionally, the company has elected not to disclose the balance of unfulfilled performance obligations for contracts with a contractual term of twelve months or less.

The following tables disaggregate the company's reportable segment net sales by similar product type and geographic market (dollars in millions):

Fiscal Year Ended October 31, 2023	Professional		Residential		Other		Total
Revenue by product type:							
Equipment	\$	3,236.9	\$	819.2	\$	13.1	\$ 4,069.2
Irrigation		437.7		35.0		11.3	484.0
Total net sales	\$	3,674.6	\$	854.2	\$	24.4	\$ 4,553.2
Revenue by geographic market:							
United States	\$	2,898.5	\$	682.6	\$	24.4	\$ 3,605.5
International Countries		776.1		171.6		—	947.7
Total net sales	\$	3,674.6	\$	854.2	\$	24.4	\$ 4,553.2

Fiscal Year Ended October 31, 2022	Professional		Residential		Other		Total	
Revenue by product type:								
Equipment	\$	3,003.0	\$	1,039.2	\$	6.4	\$	4,048.6
Irrigation		426.6		29.4		10.1		466.1
Total net sales	\$	3,429.6	\$	1,068.6	\$	16.5	\$	4,514.7
Revenue by geographic market:								
United States	\$	2,737.9	\$	881.1	\$	16.5	\$	3,635.5
International Countries		691.7		187.5		—		879.2
Total net sales	\$	3,429.6	\$	1,068.6	\$	16.5	\$	4,514.7

Fiscal Year Ended October 31, 2021	Professional		Residential		Other		Total	
Revenue by product type:								
Equipment	\$	2,530.8	\$	975.8	\$	11.7	\$	3,518.3
Irrigation		398.8		34.3		8.2		441.3
Total net sales	\$	2,929.6	\$	1,010.1	\$	19.9	\$	3,959.6
Revenue by geographic market:								
United States	\$	2,268.9	\$	843.2	\$	19.9	\$	3,132.0
International Countries		660.7		166.9		—		827.6
Total net sales	\$	2,929.6	\$	1,010.1	\$	19.9	\$	3,959.6

Product Revenue

The company's product revenues are generated through sales of manufactured equipment and irrigation products, including related replacement parts and accessories. For the majority of the company's products, control is transferred and revenue is recognized when the product is shipped from the company's manufacturing facilities or distribution centers to the company's customers, which primarily consist of distributors, dealers, and mass retailers. In certain situations, the company transfers control and recognizes revenue when delivery to the customer has occurred. In limited circumstances, the company ships some of its products on a consignment basis to a customer distribution center or warehouse whereby the company retains control of the product stored at the customer's distribution center or warehouse. As the company's products are removed from the distribution center or warehouse by the customer and shipped to the retail sale location, control is transferred from the company to the customer. At that time, the company invoices the customer and recognizes revenue for these consignment transactions. The company does not offer a right of return for products shipped to the customer's retail sale location from the distribution center or warehouse. The total value of consignment inventory as of October 31, 2023 and 2022 was \$38.3 million and \$28.3 million, respectively.

Product revenue is recognized based on the transaction price, which is measured as the amount of consideration the company expects to receive in exchange for transferring control of a product to a customer. The company recognizes variable consideration as a reduction of the transaction price at the time of the initial product sale by applying the portfolio approach practical expedient under the accounting standards codification guidance for revenue from contracts with customers. Variable consideration typically occurs as a result of certain of the company's sales promotions and incentive programs that are determined to represent price concessions because the program either: (i) results in an immediate reduction of the transaction price with no anticipated future costs or consideration provided to the customer, or (ii) the company anticipates a future cost based on historical or expected future business practice for which the company does not receive a distinct good or service in exchange for the future consideration provided to the customer under the program. Such programs primarily consist of off-invoice discounts, rebates, and floor plan and retail financing. The cost of off-invoice discounts are incurred at the time of sale as a reduction of the transaction price and as a result, have no future cost. For all other sales promotion and incentive programs recorded as a reduction of the transaction price at the time of the initial product sale, the company estimates variable consideration using the expected value method because the company anticipates providing a future price concession based on historical or expected future business practice or other factors. Estimates of variable consideration under the expected value method are primarily based on the terms of the sales arrangements and sales promotion and incentive programs with customers, historical payment and rebate claims experience, field inventory levels, quantity or mix of products sold, projected sales volumes, types of programs offered, and expectations for the acceptance of sales promotion and incentive programs offered in the future or changes in other relevant trends. When revenue is recognized, the estimated expense of these sales promotions and incentives programs is recorded as a reduction from gross sales within the Consolidated Statements of Earnings with a corresponding accrual recorded within sales promotions and incentives programs in the Consolidated Balance Sheets. Additionally, from time to time, the company may offer its customers the right to return eligible equipment and irrigation products, replacement parts, and accessories. Such right of return offered on the company's products is also considered to be variable consideration that is estimated and recorded as a reduction of revenue based primarily on historical experience, anticipated sales returns estimated from sales terms, trend analysis, and other factors. The company records the obligation for

product returns within accrued liabilities in the Consolidated Balance Sheets and the right-of-return asset in prepaid expenses and other current assets in the Consolidated Balance Sheets. The refund liability and right-of-return asset are remeasured for changes in the estimate at each reporting date with a corresponding adjustment to net sales and cost of sales within the Consolidated Statements of Earnings. There are no material instances where variable consideration is constrained and not recorded at the initial time of sale.

Collectability from the customer for product revenue is generally assumed to be probable because the company's financial exposure related to accounts receivable is reduced due to its dealer and distributor inventory financing programs. For additional information regarding these programs, refer to Note 11, *Commitments and Contingencies*. The company's product sales to customers that do not elect to finance product purchases are generally on open account with terms that generally approximate 30 to 120 days. The resulting receivables are included within receivables, net on the Consolidated Balance Sheets. The company performs ongoing credit evaluations of customers on open account terms in order to assess collectability.

Service and Extended Warranty Revenue

In certain cases, the company renders service contracts to customers, which typically range from 12 to 60 months. The company also sells separately priced extended warranty coverage on select products for a prescribed period after the standard warranty period expires, which typically range from 12 to 24 months. Under both types of contracts, the company receives payment at the inception of the contract and recognizes revenue over the term of the agreement in proportion to the costs expected to be incurred in satisfying the performance obligations under the contract.

Contract Liabilities

Contract liabilities relate to deferred revenue recognized for cash consideration received at contract inception in advance of the company's performance under the respective contract and generally relate to the sale of separately priced extended warranty contracts, service contracts, and non-refundable customer deposits. The company recognizes revenue over the term of the contract in proportion to the costs expected to be incurred in satisfying the performance obligations under the separately priced extended warranty and service contracts. For non-refundable customer deposits, the company recognizes revenue as of the point in time in which the performance obligation has been satisfied under the contract with the customer, which typically occurs upon change in control at the time a product is shipped. As of October 31, 2023 and October 31, 2022, \$25.6 million and \$28.0 million, respectively, of deferred revenue associated with outstanding separately priced extended warranty contracts, service contracts, and non-refundable customer deposits was reported within accrued liabilities and other long-term liabilities in the Consolidated Balance Sheets. For the fiscal year ended October 31, 2023, the company recognized \$14.7 million of the October 31, 2022 deferred revenue balance. The company expects to recognize approximately \$12.0 million of the October 31, 2023 deferred revenue balance within net sales in the Consolidated Statements of Earnings in fiscal 2024 and \$13.6 million thereafter.

5 Goodwill and Other Intangible Assets

Impairment

Goodwill and indefinite-lived intangible assets are assessed for impairment at least annually during the fourth quarter of each fiscal year unless events or changes in circumstances indicate that impairment may have occurred prior to the annual assessment. Goodwill is assessed for impairment at the reporting unit level and the company's reporting units are its 12 operating segments. Indefinite-lived intangible assets are assessed for impairment at the individual indefinite-lived intangible asset or asset group level, as appropriate. Through the second quarter of fiscal 2023, the company previously assessed qualitative factors, including overall financial performance such as actual and projected cash flows, revenues, and earnings, and concluded it was not more likely than not that the indefinite-lived Spartan trade name intangible asset was impaired nor that the fair value of the Intimidator reporting unit was less than its carrying amount.

During the preparation of the financial statements for the third quarter of fiscal 2023, the company identified deterioration in year-to-date fiscal 2023 results of Intimidator compared to previous expectations and resulting downward revisions to the company's projected future results of Intimidator made during the third quarter of fiscal 2023 as part of the company's annual long range strategic planning process, including future expected cash flows, which were significantly lower than previously expected. The underperformance was attributable to summer seasonality trends that did not materialize primarily due to reduced retail demand from homeowners who prefer professional solutions. This reduced retail demand from homeowners who prefer professional solutions was driven by persistent hot and dry weather patterns across key regions, coupled with a number of macro factors, including higher interest rates, economic uncertainty, and consumer spending preferences following the exceptional demand during the pandemic. Additionally, the company had previously replenished the Intimidator customer channel, which, combined with the reduced retail demand, caused a significant reduction in shipments and customer reorders during the third quarter of fiscal 2023, as well as a material reduction in projected future financial results for Intimidator.

Based on the above factors, the company concluded it was more likely than not that the indefinite-lived Spartan trade name intangible asset was impaired and that the fair value of the Intimidator reporting unit was less than its carrying amount. As such, the company performed quantitative impairment analyses to compare the fair value of the Spartan trade name intangible asset and the Intimidator reporting unit with their respective carrying amounts. Prior to the end of the third quarter of fiscal 2023, the company did not have a material uncertainty associated with the assets of the Intimidator reporting unit, and therefore, did not previously report an early warning disclosure.

The fair value of the Spartan trade name was determined using the relief-from-royalty method under the income approach which utilized various inputs and assumptions, including projected revenues from the company's projection process, assumed royalty rates that could be payable if the company did not own the intangible asset, terminal growth rates applied to projected revenues, applicable tax rates, and a discount rate. The fair value of the Intimidator reporting unit under the quantitative goodwill impairment test was determined using a discounted cash flow model under the income approach which utilized various inputs and assumptions, including projected operating results and growth rates from the company's projection process, applicable tax rates, estimated capital expenditures and depreciation, estimated changes in working capital, terminal growth rates applied to projected operating results in the terminal period, and a weighted-average cost of capital rate. Inputs used to estimate these fair values included significant unobservable inputs that reflect the company's assumptions about the inputs that market participants would use and, therefore, the fair value assessments are classified within Level 3 of the fair value hierarchy.

As a result of these analyses, at the end of the third quarter of fiscal 2023, the company recorded an impairment charge of \$18.0 million related to the indefinite-lived Spartan trade name intangible asset reported under the Professional segment. Further, during the same period, the company recorded an impairment charge of \$133.3 million related to goodwill of the Intimidator reporting unit also reported under the Professional segment. Subsequent to these impairment charges, the remaining balance of the indefinite-lived Spartan trade name intangible asset was \$81.1 million and the remaining balance of goodwill for the Intimidator reporting unit was \$30.5 million. The charges are included in the Non-cash impairment charges caption on the Consolidated Statements of Earnings. These impairment charges resulted in a \$36.7 million income tax benefit (deferred tax asset) associated with the remaining tax deductible basis in goodwill and other intangible assets.

Goodwill

The changes in the carrying amount of goodwill by reportable segment for fiscal 2023 and 2022 were as follows (dollars in millions):

	Professional	Residential	Other	Total
Balance as of October 31, 2021	\$ 411.1	\$ 10.6	\$ —	\$ 421.7
Goodwill acquired	163.7	—	—	163.7
Translation adjustments	(1.8)	(0.3)	—	(2.1)
Balance as of October 31, 2022	573.0	10.3	—	583.3
Non-cash impairment charge	(133.3)	—	—	(133.3)
Translation adjustments	0.8	—	—	0.8
Balance as of October 31, 2023	\$ 440.5	\$ 10.3	\$ —	\$ 450.8

Other Intangible Assets

The components of other intangible assets were as follows (dollars in millions, except weighted-average useful life in years):

October 31, 2023	Weighted-Average Useful Life in Years	Gross Carrying Amount	Accumulated Amortization	Net
Patents	9.9	\$ 18.2	\$ (16.0)	\$ 2.2
Non-compete agreements	5.5	6.9	(6.9)	—
Customer-related	15.8	327.5	(106.7)	220.8
Developed technology	7.1	102.0	(63.1)	38.9
Trade names	13.7	10.7	(4.0)	6.7
Backlog and other	0.6	5.7	(5.7)	—
Total finite-lived	13.3	471.0	(202.4)	268.6
Indefinite-lived - trade names		271.5	—	271.5
Total other intangible assets, net		\$ 742.5	\$ (202.4)	\$ 540.1

October 31, 2022	Weighted-Average Useful Life in Years	Gross Carrying Amount	Accumulated Amortization	Net
Patents	9.9	\$ 18.2	\$ (15.3)	\$ 2.9
Non-compete agreements	5.5	6.8	(6.8)	—
Customer-related	16.0	321.0	(83.8)	237.2
Developed technology	7.1	101.9	(53.0)	48.9
Trade names	13.8	10.7	(3.4)	7.3
Backlog and other	0.6	5.7	(5.5)	0.2
Total finite-lived	13.4	464.3	(167.8)	296.5
Indefinite-lived - trade names		289.3	—	289.3
Total other intangible assets, net		\$ 753.6	\$ (167.8)	\$ 585.8

Amortization expense for finite-lived intangible assets for the fiscal years ended October 31, 2023, 2022, and 2021 was \$35.7 million, \$33.9 million, and \$23.8 million, respectively. Estimated amortization expense for the succeeding fiscal years is as follows (dollars in millions):

Succeeding fiscal year	Estimated amortization expense
2024	\$ 34.5
2025	31.7
2026	30.5
2027	25.6
2028	22.3
Thereafter	124.0
Total estimated amortization expense	\$ 268.6

6 Indebtedness

The following is a summary of the company's indebtedness (dollars in millions):

October 31	2023	2022
\$600 million revolving credit facility, due October 2026	\$ 40.0	\$ —
\$270 million term loan, due October 2026	270.0	270.0
\$200 million term loan, due April 2027	200.0	200.0
3.81% series A senior notes, due June 2029	100.0	100.0
3.91% series B senior notes, due June 2031	100.0	100.0
3.97% senior notes, due June 2032	100.0	100.0
7.8% debentures, due June 2027	100.0	100.0
6.625% senior notes, due May 2037	124.2	124.1
Less: unamortized debt issuance costs	2.7	3.3
Long-term debt	\$ 1,031.5	\$ 990.8

Principal payments required on the company's outstanding indebtedness, based on the maturity dates defined within the company's debt arrangements, for the succeeding fiscal years is as follows (dollars in millions):

Succeeding fiscal year	Principal payments
2024	\$ —
2025	37.0
2026	303.0
2027	270.0
2028	—
Thereafter	425.0
Total principal payments	\$ 1,035.0

Revolving Credit Facility

On October 5, 2021, the company entered into an amended and restated credit agreement ("amended credit agreement") that provided for, among other things, a five-year unsecured revolving credit facility with a borrowing capacity of up to \$600.0 million ("revolving credit facility") that matures on October 5, 2026 and replaced the company's prior \$600.0 million unsecured senior revolving credit facility scheduled to mature on June 19, 2023. Included in the revolving credit facility is a \$10.0 million sublimit for standby letters of credit and a \$30.0 million sublimit for swingline loans. At the company's election, and with the approval of the named borrowers on the revolving credit facility and the election of the lenders to fund such increase, the aggregate maximum principal amount available under the revolving credit facility may be increased by an amount of up to \$300.0 million. Funds are available under the revolving credit facility for working capital, capital expenditures, and other lawful corporate purposes, including, but not limited to, acquisitions and common stock repurchases, subject in each case to compliance with certain financial covenants as defined in the amended credit agreement. As of October 31, 2023, the company had \$40.0 million outstanding under the revolving credit facility and \$2.6 million outstanding under the sublimit for standby letters of credit, resulting in \$557.4 million of unutilized availability under the revolving credit facility. As of October 31, 2022, the company had no outstanding borrowings under the revolving credit facility and \$3.1 million outstanding under the sublimit for standby letters of credit, resulting in \$596.9 million of unutilized availability under the revolving credit facility.

On April 27, 2022, the company further amended the amended credit agreement to transition the reference rate from LIBOR to term SOFR. As of October 31, 2023, SOFR is the reference rate in effect for all outstanding variable interest borrowings of the company.

On September 22, 2023, the company further amended the amended credit agreement to permit non-cash charges in its "Consolidated EBIT" calculation among other administrative amendments.

Outstanding loans under the revolving credit facility (other than swingline loans), if applicable, bear interest at a variable rate generally based on SOFR or an alternative variable rate based on the highest of the Bank of America prime rate, the federal funds rate or a rate generally based on SOFR, in each case subject to an additional basis point spread as defined in the amended credit agreement. Swingline loans under the revolving credit facility bear interest at a rate determined by the swingline lender or an alternative variable rate based on the highest of the Bank of America prime rate, the federal funds rate or a rate generally based on SOFR, in each case subject to an additional basis point spread as defined in the amended credit agreement. Interest is payable quarterly in arrears. The interest rate on outstanding borrowings as of October 31, 2023 was 6.34%. During fiscal 2023, 2022 and 2021, the company incurred interest expense of \$5.7 million, \$2.4 million and \$0.0 million, respectively, on the outstanding borrowings under the current and prior revolving credit facilities.

The company's revolving credit facility contains customary covenants, including, without limitation, financial covenants, such as the maintenance of a maximum leverage ratio; and negative covenants, which among other things, limit cash dividends, disposition of assets, consolidations and mergers, liens, and other matters customarily restricted in such agreements. Most of these restrictions are subject to certain minimum thresholds and exceptions. The company was in compliance with all covenants related to the amended credit agreement for the company's revolving credit facility as of October 31, 2023.

\$270.0 Million Term Loan Credit Agreement

The amended credit agreement executed on October 5, 2021, as further amended on April 27, 2022 and September 22, 2023, also provided for a five-year unsecured term loan in an aggregate principal amount of \$270.0 million, the entire amount of which was funded on October 5, 2021 and matures on October 5, 2026 ("270.0 million term loan"). Under the amended credit agreement, incremental term loan commitments may be established at the company's election and the approval of the borrowers on the \$270.0 million term loan by an amount of up to \$100.0 million.

Beginning December 31, 2024, the company is required to make quarterly principal amortization payments on the \$270.0 million term loan equal to 2.5% of the original aggregate principal amount reduced by any applicable prepayments. On October 5, 2026, the aggregate principal amount of any remaining outstanding borrowings under the \$270.0 million term loan is required to be repaid. The \$270.0 million term loan may be prepaid and terminated at the company's election at any time without penalty or premium. Amounts repaid or prepaid may not be reborrowed. As of October 31, 2023, there was \$270.0 million of outstanding borrowings under the \$270.0 million term loan.

Outstanding borrowings under the \$270.0 million term loan bear interest on the outstanding principal amount thereof for each interest period at a variable rate generally based on Term SOFR or an alternative variable rate based on the highest of the Bank of America prime rate, the federal funds rate or a rate generally based on Term SOFR, in each case subject to an additional basis point spread as defined in the amended credit agreement. Interest is payable quarterly in arrears. The interest rate on outstanding borrowings as of October 31, 2023 was 6.30%. For the fiscal years ended October 31, 2023, 2022, and 2021, the company incurred interest expense of \$15.9 million, \$5.7 million and \$0.2 million, respectively, on the outstanding borrowings under the \$270.0 million term loan.

The \$270.0 million term loan contains customary covenants, including, without limitation, financial covenants generally consistent with those applicable under the company's revolving credit facility and the company was in compliance with all covenants as of October 31, 2023.

\$200.0 Million Term Loan Credit Agreement

On April 27, 2022, the company entered into a term loan credit agreement ("200.0 million term loan") with certain financial institutions for the purpose of paying down certain of its outstanding borrowings incurred in connection with the company's acquisition of Intimidator on January 13, 2022 and borrowed under its revolving credit facility provided under the amended credit agreement. On September 22, 2023, the company amended the 200.0 million term loan credit agreement to permit non-cash charges in its "Consolidated EBIT" calculation among other administrative amendments. The entire 200.0 million available under the agreement was funded on April 27, 2022, and matures on April 27, 2027. In connection with the company's entry into the 200.0 million term loan, the company incurred immaterial debt issuance costs, which are being deferred and amortized over the life of the 200.0 million term loan and are netted against the outstanding borrowings under the 200.0 million term loan within the long-term debt line item on the company's Consolidated Balance Sheets.

Beginning with the last business day of June 2025, the company is required to make quarterly amortization payments on the 200.0 million term loan equal to 2.5% of the original aggregate principal amount reduced by any applicable prepayments. The 200.0 million term loan may be prepaid and terminated at the company's election at any time without penalty or premium. Amounts repaid or prepaid may not be reborrowed.

Outstanding borrowings under the 200.0 million term loan bear interest on the outstanding principal amount thereof for each interest period at a variable rate generally based on Term SOFR or an alternative variable rate based on the highest of the Bank of America prime rate, the federal funds rate or a rate generally based on Term SOFR, in each case subject to an additional basis point spread as defined in the amended credit agreement. Interest is payable quarterly in arrears. The interest rate on outstanding borrowings as of October 31, 2023 was 6.30%. For the fiscal years ended October 31, 2023 and 2022, the company incurred interest expense of \$11.7 million and \$3.1 million, respectively, on the outstanding borrowings under the 200.0 million term loan.

The 200.0 million term loan contains customary covenants, including, without limitation, financial covenants generally consistent with those applicable under the company's revolving credit facility. The company was in compliance with all covenants as of October 31, 2023.

3.81% Series A and 3.91% Series B Senior Notes

On April 30, 2019, the company entered into a private placement note purchase agreement with certain purchasers pursuant to which the company agreed to issue and sell an aggregate principal amount of \$100.0 million of 3.81% Series A Senior Notes due June 15, 2029 ("Series A Senior Notes") and \$100.0 million of 3.91% Series B Senior Notes due June 15, 2031 ("Series B Senior Notes" and together with the Series A Senior Notes, the "Senior Notes"). On June 27, 2019, the company issued \$100.0 million of the Series A Senior Notes and \$100.0 million of the Series B Senior Notes pursuant to the private placement note purchase agreement. The Senior Notes are unsecured senior obligations of the company.

No principal is due on the Senior Notes prior to their stated due dates. The company has the right to prepay all or a portion of either series of the Senior Notes in amounts not less than 10% of the then outstanding principal amount of the series of Senior Notes being prepaid upon notice to the holders of such series for 100% of the principal amount prepaid, plus a make-whole premium, as set forth in the private placement note purchase agreement, plus accrued and unpaid interest, if any, to the date of prepayment. In addition, at any time on or after the date that is 90 days prior to the maturity date of the respective series, the company has the right to prepay all of the outstanding Senior Notes of such series for 100% of the principal amount so prepaid, plus accrued and unpaid interest, if any, to the date of prepayment. Upon the occurrence of certain change of control events, the company is required to offer to prepay all Senior Notes for 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of prepayment.

Interest on the Senior Notes is payable semiannually on the 15th day of June and December in each year. For each of the fiscal years ended October 31, 2023, 2022, and 2021, the company incurred interest expense of \$7.7 million, respectively.

The private placement note purchase agreement contains customary representations and warranties of the company, as well as certain customary covenants, including, without limitation, financial covenants generally consistent with those applicable under the company's revolving credit facility. The company was in compliance with all covenants as of October 31, 2023.

3.97% Senior Notes

On June 30, 2022, the company issued \$100.0 million of 3.97% Senior Notes due June 30, 2032 ("3.97% Senior Notes") pursuant to a private placement note purchase agreement ("2022 Note Purchase Agreement") with certain purchasers. The proceeds were used pay down certain of its outstanding borrowings incurred in connection with the company's acquisition of

Intimidator on January 13, 2022 and borrowed under its revolving credit facility provided under the amended credit agreement. In connection with the 2022 Note Purchase Agreement, the company incurred immaterial debt issuance costs, which were capitalized as contra-debt on the company's Consolidated Balance Sheets and will be amortized over the life of the 3.97% Senior Notes. The 3.97% Senior Notes are unsecured senior obligations of the company and mature on June 30, 2032.

The company has the right to prepay all or a portion of the 3.97% Senior Notes in an amount not less than 10% of the then outstanding principal amount upon notice to the holders for 100% of the prepaid principal amount plus a make-whole premium, as set forth in the 2022 Note Purchase Agreement, plus accrued and unpaid interest, if any, to the date of prepayment. In addition, at any time during the 90 day period ending on the maturity date of the 3.97% Senior Notes, the company will have the right to prepay all of the 3.97% Senior Notes for 100% of the principal amount prepaid, plus accrued and unpaid interest, if any, to the date of prepayment. Upon the occurrence of certain change of control events, the company is required to offer to prepay all of the 3.97% Senior Notes for 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of prepayment.

Interest on the 3.97% Senior Notes is payable semiannually on the 30th day of June and December in each year. For the fiscal years ended October 31, 2023 and 2022, the company incurred interest expense of \$4.0 million and \$1.3 million, respectively, on the outstanding borrowings under the 3.97% Senior Notes.

The 2022 Note Purchase Agreement contains customary representations and warranties of the company, as well as certain customary covenants, including, without limitation, financial covenants generally consistent with those applicable under the company's revolving credit facility. The company was in compliance with all covenants as of October 31, 2023.

7.8% Debentures

In June 1997, the company issued \$175.0 million of debt securities consisting of \$75.0 million of 7.125% coupon 10-year notes and \$100.0 million of 7.8% coupon 30-year debentures. The \$75.0 million of 7.125% coupon 10-year notes were repaid at maturity during fiscal 2007. In connection with the issuance of \$175.0 million in long-term debt securities, the company paid \$23.7 million to terminate three forward-starting interest rate swap agreements with notional amounts totaling \$125.0 million. These swap agreements had been entered into to reduce exposure to interest rate risk prior to the issuance of the new long-term debt securities. As of the inception of one of the swap agreements, the company had received payments that were recorded as deferred income to be recognized as an adjustment to interest expense over the term of the new debt securities. As of the date the swaps were terminated, this deferred income totaled \$18.7 million. The excess termination fees over the deferred income recorded was deferred and is being recognized as an adjustment to interest expense over the term of the debt securities issued.

Interest on the debentures is payable semiannually on the 15th day of June and December in each year. For each of the fiscal years ended October 31, 2023, 2022, and 2021, the company incurred interest expense of \$8.0 million, respectively.

6.625% Senior Notes

On April 26, 2007, the company issued \$125.0 million in aggregate principal amount of 6.625% senior notes due May 1, 2037 and priced at 98.513% of par value. The resulting discount of \$1.9 million is being amortized over the term of the notes using the straight-line method as the results obtained are not materially different from those that would result from the use of the effective interest method. Although the coupon rate of the senior notes is 6.625%, the effective interest rate is 6.741% after taking into account the issuance discount. The senior notes are unsecured senior obligations of the company and rank equally with the company's other unsecured and unsubordinated indebtedness. The indentures under which the senior notes were issued contain customary covenants and event of default provisions. The company may redeem some or all of the senior notes at any time at the greater of the full principal amount of the senior notes being redeemed or the present value of the remaining scheduled payments of principal and interest discounted to the redemption date on a semi-annual basis at the treasury rate plus 30 basis points, plus, in both cases, accrued and unpaid interest. In the event of the occurrence of both (i) a change of control of the company, and (ii) a downgrade of the notes below an investment grade rating by both Moody's Investors Service, Inc. and Standard & Poor's Ratings Services within a specified period, the company would be required to make an offer to purchase the senior notes at a price equal to 101% of the principal amount of the senior notes plus accrued and unpaid interest to the date of repurchase.

Interest on the senior notes is payable semiannually on the 1st day of May and November in each year. For each of the fiscal years ended October 31, 2023, 2022, and 2021, the company incurred interest expense of \$8.4 million, respectively.

7

Investment in Joint Venture

The company is party to a joint venture with HDF, a subsidiary of The Huntington National Bank, established as Red Iron, the primary purpose of which is to provide customer inventory financing to certain distributors and dealers of certain of the company's products in the U.S. The company has also entered into a limited inventory repurchase agreement with Red Iron. For

additional information regarding the customer financing aspect of the arrangement, as well as the limited inventory purchase agreement, refer to Note 11, *Commitments and Contingencies*.

The company owns 45 percent of Red Iron and HDF owns 55 percent of Red Iron. The company accounts for its investment in Red Iron under the equity method of accounting. The company and HDF each contributed a specified amount of the estimated cash required to enable Red Iron to purchase the company's floor plan financing receivables and to provide financial support for Red Iron's floor plan financing programs. Red Iron borrows the remaining requisite estimated cash utilizing a \$1,350.0 million secured revolving credit facility established under a credit agreement between Red Iron and HDF. The company's total investment in Red Iron as of October 31, 2023 and 2022 was \$50.6 million and \$39.3 million, respectively. The company has not guaranteed the outstanding indebtedness of Red Iron.

8 Income Taxes

Earnings Before Income Taxes

Earnings before income taxes were as follows (dollars in millions):

Fiscal Years Ended October 31	2023	2022	2021
Earnings before income taxes:			
United States	\$ 345.0	\$ 491.3	\$ 446.2
Foreign	55.5	61.2	53.6
Total earnings before income taxes	\$ 400.5	\$ 552.5	\$ 499.8

Reconciliation of Effective Tax Rate

A reconciliation of the statutory federal income tax rate to the company's effective tax rate is summarized as follows:

Fiscal Years Ended October 31	2023	2022	2021
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Excess deduction for stock-based compensation	(1.1)	(0.4)	(1.5)
State and local income taxes, net of federal benefit	1.8	2.0	1.4
Foreign operations	(0.7)	(0.7)	(0.5)
Federal research tax credit	(2.3)	(1.3)	(1.4)
Foreign-derived intangible income	(1.1)	(0.7)	(0.9)
Other, net	0.1	(0.1)	(0.1)
Effective tax rate	17.7 %	19.8 %	18.0 %

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law on March 27, 2020 and allowed for 100% deduction of meals expense, delayed payment of employer payroll taxes, among other items. The company has reflected the impact of the CARES Act for the fiscal years ended October 31, 2023, 2022, and 2021 within its Consolidated Financial Statements and such impact was not material to the company's Consolidated Financial Statements.

The Inflation Reduction Act ("IRA") was signed into law on August 16, 2022. Among other provisions, the IRA includes a 15% corporate minimum tax applied to large corporations, a 1% excise tax on corporate stock repurchases made after December 31, 2022 and various energy tax credits. There are no material impacts from the IRA within the Consolidated Financial Statements for the fiscal years ended October 31, 2023 and 2022.

On December 22, 2017, the U.S enacted Public Law No. 115-97 ("Tax Act"), originally introduced as the Tax Cuts and Jobs Act, which significantly modified the Internal Revenue Code. The Tax Act introduced the capitalization and amortization of research and experimentation expenditures for taxable years beginning after December 31, 2021. The company has reflected the impact for the fiscal year ended October 31, 2023.

Provision for Income Taxes

Components of the company's provision for income taxes were as follows (dollars in millions):

Fiscal Years Ended October 31	2023	2022	2021
Current provision:			
Federal	\$ 94.4	\$ 94.7	\$ 90.2
State	17.0	19.1	16.0
Foreign	7.3	7.7	9.2
Total current provision	\$ 118.7	\$ 121.5	\$ 115.4
Deferred (benefit) provision:			
Federal	\$ (37.8)	\$ (7.4)	\$ (18.4)
State	(10.3)	(4.9)	(6.5)
Foreign	0.2	—	(0.6)
Total deferred benefit	(47.9)	(12.3)	(25.5)
Total provision for income taxes	\$ 70.8	\$ 109.2	\$ 89.9

Deferred Income Taxes

The components of the company's deferred income tax assets and liabilities were as follows (dollars in millions):

Fiscal Years Ended October 31	2023	2022
Deferred income tax assets:		
Compensation and benefits	\$ 32.5	\$ 32.9
Warranty and insurance	37.6	35.4
Lease liabilities	35.3	20.2
Advertising and sales promotions and incentives	16.5	7.2
Inventory	14.4	36.4
Deferred revenue	0.3	3.3
Other	3.0	—
Net operating losses and other carryforwards	5.3	6.4
Research and Experimentation	35.4	—
Valuation allowance	(3.3)	(3.2)
Deferred income tax assets	\$ 177.0	\$ 138.6
Deferred income tax liabilities:		
Right-of-use assets	\$ (34.8)	\$ (19.5)
Depreciation	(60.0)	(51.9)
Amortization	(68.4)	(102.4)
Other	—	(3.8)
Deferred income tax liabilities	(163.2)	(177.6)
Deferred income tax assets (liabilities), net	\$ 13.8	\$ (39.0)

As of October 31, 2023, the company has domestic net operating loss carryforwards of \$4.1 million for both federal and state income tax purposes that does not expire. As of October 31, 2023, the company has net operating loss carryforwards of approximately \$5.1 million in foreign jurisdictions, which are comprised of \$5.0 million that do not expire and \$0.1 million that expires between fiscal 2035 and fiscal 2040. The company also has domestic credit carryforwards of \$1.9 million that expire between fiscal 2027 and fiscal 2043.

The net change in the total valuation allowance between the fiscal years ended October 31, 2023 and 2022 was an increase of \$0.1 million. The change in valuation allowance is related to domestic tax credits, capital loss carryforwards, and net operating losses that are expected to expire prior to utilization.

The company expects that \$41.8 million of the total undistributed earnings of its foreign operations will be indefinitely reinvested. Should these earnings be distributed in the future in the form of dividends or otherwise, the company may be subject to foreign withholding taxes, state income taxes, and/or additional federal taxes for currency fluctuations. As of October 31, 2023, the unrecognized deferred tax liabilities for temporary differences related to the company's investment in non-U.S. subsidiaries, and any withholding, state, or additional federal taxes that may be applied upon any future repatriation, are expected to be immaterial.

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (dollars in millions):

Unrecognized tax benefits as of October 31, 2022	\$	3.3
Increase as a result of tax positions taken during a prior period		0.2
Increase as a result of tax positions taken during the current period		0.6
Reductions as a result of statute of limitations lapses		(0.4)
Unrecognized tax benefits as of October 31, 2023	\$	3.7

The company recognizes interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes within the Consolidated Statements of Earnings. In addition to the unrecognized tax benefits of \$3.7 million, which have been recorded as an other accrued liability within the Consolidated Balance Sheets as of October 31, 2023, the company recorded \$1.0 million of accrued interest and penalties as an other accrued liability within the Consolidated Balance Sheets as of October 31, 2023. Included in the balance of unrecognized tax benefits as of October 31, 2023 are potential benefits of \$3.8 million that, if recognized, would affect the effective tax rate.

The company and its wholly owned subsidiaries file income tax returns in the U.S. federal jurisdiction, and numerous state and foreign jurisdictions. With few exceptions, the company is no longer subject to U.S. federal, state and local, and foreign income tax examinations by tax authorities for taxable years before fiscal 2019. The company is under audit in certain state jurisdictions and expects various statutes of limitation to expire during the next 12 months. Due to the uncertainty related to the response of taxing authorities, a range of outcomes cannot be reasonably estimated at this time.

9

Stock-Based Compensation

On March 15, 2022, the company's shareholders approved The Toro Company 2022 Equity and Incentive Plan (the "2022 plan"), which became effective immediately and replaced The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended (the "2010 plan") with respect to future grants of awards. The 2022 plan is administered by the Compensation & Human Resources Committee of the Board and permits the grant of nonqualified and incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, annual performance awards, non-employee director awards and other cash-based and stock-based awards to eligible individuals. Subject to adjustment as provided in the 2022 plan, the maximum aggregate number of shares of the company's common stock authorized for issuance under the 2022 plan is equal to the sum of: (a) 1,250,000 shares, plus (b) the number of shares remaining available for grant under the 2010 plan but not subject to outstanding awards thereunder as of March 15, 2022, and plus (c) the number of shares subject to awards outstanding under the 2010 plan as of March 15, 2022 but only to the extent that such outstanding awards are forfeited, expire or otherwise terminate without the issuance of such shares. The number of unissued shares of common stock available for future stock-based compensation award grants under the 2022 plan was 3,046,609 as of October 31, 2023. All outstanding stock-based compensation awards were granted under the 2010 plan or the 2022 plan. Shares of common stock issued upon the exercise, vesting, or settlement of stock options, restricted stock units, and performance shares are issued from treasury shares.

Compensation costs related to stock-based compensation awards were as follows (dollars in millions):

Fiscal Years Ended October 31	2023		2022		2021	
Stock option awards	\$	8.5	\$	10.0	\$	10.0
Performance share awards		2.9		5.8		6.8
Restricted stock unit awards		6.9		5.7		4.3
Unrestricted common stock awards		1.1		0.6		0.7
Total compensation cost for stock-based compensation awards	\$	19.4	\$	22.1	\$	21.8
Related tax benefit from stock-based compensation awards	\$	4.7	\$	5.3	\$	5.2

Stock Option Awards

Stock options are granted with an exercise price equal to the closing price of the company's common stock on the date of grant, as reported by the New York Stock Exchange and are generally granted to executive officers, other employees, and non-employee Board members on an annual basis in the first quarter of the company's fiscal year but may also be granted throughout the fiscal year in connection with hiring, mid-year promotions, leadership transition, or retention, as needed and applicable. Options generally vest one-third each year over a three-year period and have a ten-year term but in certain circumstances, the vesting requirement may be modified such that options granted to certain employees vest in full on the three-year anniversary of the date of grant and have a ten-year term. Compensation cost equal to the grant date fair value determined under the Black-Scholes valuation method is generally recognized for these awards over the vesting period. Compensation cost

recognized for other employees not considered executive officers or non-employee Board members is net of estimated forfeitures, which are determined at the time of grant based on historical forfeiture experience. Stock options granted to executive officers and other employees are subject to accelerated expensing if the option holder meets the retirement definition set forth in the applicable equity and incentive plan. In that case, the fair value of the options is expensed in the fiscal year of grant because generally, if the option holder is employed as of the end of the fiscal year in which the options are granted, such options will not be forfeited but continue to vest according to their schedule following retirement. Similarly, if a non-employee Board member has served on the company's Board for ten full fiscal years or more, the awards will not be forfeited but continue to vest according to their schedule following retirement. Therefore, the fair value of the options granted is fully expensed on the date of the grant.

The fair value of each stock option is estimated on the date of grant using various inputs and assumptions under the Black-Scholes valuation method. The expected life is a significant assumption as it determines the period for which the risk-free interest rate, stock price volatility, and dividend yield must be applied. The expected life is the average length of time in which executive officers, other employees, and non-employee Board members are expected to exercise their stock options, which is primarily based on historical exercise experience. The company groups executive officers and non-employee Board members for valuation purposes based on similar historical exercise behavior. Expected stock price volatility is based on the daily movement of the company's common stock over the most recent historical period equivalent to the expected life of the option. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury rate over the expected life at the time of grant. The expected dividend yield is estimated over the expected life based on the company's historical cash dividends paid, expected future cash dividends and dividend yield, and expected changes in the company's stock price.

The table below illustrates the weighted-average valuation assumptions used under the Black-Scholes valuation method for options granted in the following fiscal periods:

Fiscal Years Ended October 31	2023	2022	2021
Expected life of option in years	6.31	6.19	6.21
Expected stock price volatility	25.20 %	23.74 %	23.26 %
Risk-free interest rate	3.79 %	1.31 %	0.55 %
Expected dividend yield	0.95 %	0.94 %	0.86 %
Per share weighted-average fair value at date of grant	\$ 33.21	\$ 22.55	\$ 19.39

The table below presents stock option activity for fiscal 2023:

	Stock Option Awards	Weighted-Average Exercise Price	Weighted-Average Contractual Life (years)	Aggregate Intrinsic Value (dollars in millions)
Outstanding as of October 31, 2022	2,986,033	\$ 71.23	6.0	\$ 102.1
Granted	475,620	110.87		
Exercised	(389,923)	52.76		
Forfeited	(98,300)	107.67		
Outstanding as of October 31, 2023	2,973,430	\$ 78.80	5.4	\$ 32.0
Exercisable as of October 31, 2023	2,078,025	\$ 68.37	4.4	\$ 32.0

As of October 31, 2023, there was \$7.5 million of total unrecognized compensation cost related to unvested stock options that is expected to be recognized over a weighted-average period of 2.04 years.

The table below presents the total market value of stock options exercised and the total intrinsic value of options exercised during the following fiscal years (dollars in millions):

Fiscal Years Ended October 31	2023	2022	2021
Market value of stock options exercised	\$ 43.4	\$ 20.1	\$ 40.1
Intrinsic value of stock options exercised ¹	\$ 22.8	\$ 9.8	\$ 26.0

¹ Intrinsic value is calculated as the amount by which the stock price at exercise date exceeded the option exercise price.

Performance Share Awards

The company grants performance share awards on an annual basis in the first quarter of the company's fiscal year to executive officers and other employees under which they are entitled to receive shares of the company's common stock contingent on the achievement of performance goals of the company, which are generally measured over a three-year period. The number of shares of common stock a participant receives can be increased (up to 200 percent of target levels) or reduced (down to zero) based on the level of achievement of performance goals and will vest at the end of a three-year period. Compensation cost is

recognized for these awards on a straight-line basis over the vesting period based on the per share fair value, which is equal to the closing price of the company's common stock on the date of grant, and the probability of achieving each performance goal.

Factors related to the company's performance share awards are as follows (dollars in millions, except per award data):

Fiscal Years Ended October 31	2023	2022	2021
Weighted-average fair value per award at date of grant	\$ 112.14	\$ 98.41	\$ 90.59
Fair value of performance share awards vested	\$ 5.3	\$ 4.8	\$ 3.4

The table below presents fiscal 2023 activity for unvested performance share awards:

	Performance Shares	Weighted-Average Fair Value at Date of Grant
Unvested as of October 31, 2022	195,600	\$ 88.63
Granted	66,131	112.14
Vested	(46,831)	77.33
Forfeited	(28,140)	106.16
Unvested as of October 31, 2023	186,760	\$ 100.57

As of October 31, 2023, there was \$4.2 million of total unrecognized compensation cost related to unvested performance share awards that is expected to be recognized over a weighted-average period of 1.63 years.

Restricted Stock Unit Awards

Restricted stock unit awards are generally granted on an annual basis to certain employees that are not executive officers and occasionally may be granted, including to executive officers, in connection with hiring, mid-year promotions, leadership transition, or retention. Restricted stock unit awards generally vest one-third each year over a three-year period, or vest in full on the three-year anniversary of the date of grant. In rare circumstances, such awards may have performance-based rather than time-based vesting requirements. Compensation cost equal to the grant date fair value, net of estimated forfeitures, is recognized for these awards over the vesting period. The grant date fair value is equal to the closing price of the company's common stock on the date of grant multiplied by the number of shares subject to the restricted stock unit awards and estimated forfeitures are determined on the grant date based on historical forfeiture experience.

Factors related to the company's restricted stock unit awards are as follows (dollars in millions, except per award data):

Fiscal Years Ended October 31	2023	2022	2021
Weighted-average fair value per award at date of grant	\$ 103.40	\$ 88.90	\$ 97.87
Fair value of restricted stock units vested	\$ 6.2	\$ 5.5	\$ 4.5

The table below presents fiscal 2023 activity for unvested restricted stock units:

	Restricted Stock Units	Weighted-Average Fair Value at Date of Grant
Unvested as of October 31, 2022	150,677	\$ 90.39
Granted	99,081	103.40
Vested	(57,727)	89.16
Forfeited	(12,205)	93.26
Unvested as of October 31, 2023	179,826	\$ 97.66

As of October 31, 2023, there was \$9.3 million of total unrecognized compensation cost related to unvested restricted stock units that is expected to be recognized over a weighted-average period of 2.23 years.

Unrestricted Common Stock Awards

During fiscal 2023, 2022, and 2021, 10,329, 6,453, and 8,070 shares, respectively, of fully vested unrestricted common stock awards were granted to certain Board members as a component of their compensation for their service on the Board and were recorded within selling, general and administrative expense in the Consolidated Statements of Earnings. Additionally, our Board members may elect to convert a portion or all of their calendar year annual retainers otherwise payable in cash into shares of the company's common stock.

Deferred Compensation Plan

The company maintains a deferred compensation plan that allows executive officers and certain other employees that receive performance share awards to defer receipt of shares of the company's common stock paid out under such awards to a date in the future. Participants can defer up to 100 percent of the common stock payout and are always 100 percent vested in their accounts. Common stock payout deferrals under this plan are held in a rabbi trust and treated in a manner similar to treasury shares and are recorded at cost within stockholders' equity in the Consolidated Balance Sheets as of October 31, 2023 and 2022. The total of common stock required to settle this deferred compensation obligation is included in the denominator of the calculation of both basic and diluted net earnings per share of common stock.

10 Stockholders' Equity

Stock Repurchase Program

On December 4, 2018, the company's Board authorized the repurchase of 5,000,000 shares of common stock in open-market or in privately negotiated transactions under the authorized stock repurchase program. During fiscal 2023 and 2022, the company paid \$60.0 million and \$140.0 million to repurchase 577,115 and 1,525,856 shares, respectively, under the authorized repurchase program. As of October 31, 2023, 1,949,491 shares remained available for repurchase under the December 4, 2018 tranche of authorized shares under the company's stock repurchase program. This program has no expiration date but may be terminated by the Board at any time. Shares of the company's common stock surrendered by employees to satisfy minimum tax withholding obligations upon vesting of certain stock-based compensation awards are not a part of this program.

On December 13, 2022, the company's Board authorized the repurchase of up to an additional 5,000,000 shares of common stock in open-market or in privately negotiated transactions under the authorized stock repurchase program. As of October 31, 2023, no shares have been repurchased under this program. This program has no expiration date but may be terminated by the Board at any time.

Treasury Shares

Treasury shares generally consist of shares of the company's common stock repurchased under the company's Board authorized stock repurchase program. The company values treasury shares on an average cost basis. As of October 31, 2023, the company had a total of 23,888,294 treasury shares at a total average cost of \$1,743.6 million. As of October 31, 2022, the company had a total of 23,774,518 treasury shares at a total average cost of \$1,715.0 million.

Accumulated Other Comprehensive Loss

The components of AOCL, net of tax, within the Consolidated Statements of Stockholders' Equity were as follows (dollars in millions):

As of October 31	2023		2022	
Foreign currency translation adjustments	\$	41.7	\$	51.3
Pension benefits		4.3		3.6
Cash flow derivative instruments		(9.0)		(21.8)
Total accumulated other comprehensive loss	\$	37.0	\$	33.1

The components and activity of AOCL, net of tax, were as follows (dollars in millions):

	Foreign Currency Translation Adjustments	Pension Benefits	Cash Flow Derivative Instruments	Total
Balance as of October 31, 2022	\$ 51.3	\$ 3.6	\$ (21.8)	\$ 33.1
Other comprehensive (income) loss before reclassifications	(9.6)	0.7	(2.5)	(11.4)
Amounts reclassified from AOCL	—	—	15.3	15.3
Net current period other comprehensive (income) loss	(9.6)	0.7	12.8	3.9
Balance as of October 31, 2023	\$ 41.7	\$ 4.3	\$ (9.0)	\$ 37.0

	Foreign Currency Translation Adjustments	Pension Benefits	Cash Flow Derivative Instruments	Total
Balance as of October 31, 2021	\$ 19.5	\$ 3.9	\$ 2.6	\$ 26.0
Other comprehensive loss (income) before reclassifications	31.8	(0.3)	(19.3)	12.2
Amounts reclassified from AOCL	—	—	(5.1)	(5.1)
Net current period other comprehensive loss (income)	31.8	(0.3)	(24.4)	7.1
Balance as of October 31, 2022	\$ 51.3	\$ 3.6	\$ (21.8)	\$ 33.1

For additional information on the components reclassified from AOCL to the respective line items in net earnings for derivative instruments refer to Note 13, *Derivative Instruments and Hedging Activities*.

11 Commitments and Contingencies

Customer Financing

Inventory Financing Arrangements

The company is party to inventory financing arrangements with Red Iron, HCFC, and other third-party financial institutions (collectively, the "financial institutions") which provide inventory financing to certain dealers and distributors of certain of the company's products in the U.S. and internationally. These financing arrangements are structured as an advance in the form of a payment by the financial institutions to the company on behalf of a distributor or dealer with respect to invoices financed by the financial institution. These payments extinguish the obligation of the dealer or distributor to make payment to the company under the terms of the applicable invoice.

Under separate agreements between the financial institutions and the dealers and distributors, the financial institutions provide loans to the dealers and distributors for the advances paid by the financial institutions to the company. Under these financing arrangements, down payments are not required, and depending on the finance program for each product line, finance charges are incurred by the company, shared between the company and the distributor and/or the dealer, or paid by the distributor or dealer. The financial institutions retain a security interest in the distributors' and dealers' financed inventories and such inventories are monitored regularly through audits. Financing terms to the distributors and dealers require payment as the inventory, which secures the indebtedness, is sold to end-users or when payment otherwise become due under the agreements between the financial institutions and the distributors and dealers, whichever occurs first. Rates are generally indexed to SOFR, or an alternative variable rate, plus a fixed percentage that differs based on whether the financing is for a distributor or dealer. Rates may also vary based on the product that is financed.

The net amount of receivables financed for dealers and distributors under this arrangement with Red Iron during fiscal 2023, 2022, and 2021 was \$2,789.5 million, \$2,627.5 million, and \$2,282.6 million, respectively. The total amount of net receivables outstanding under this arrangement with Red Iron as of October 31, 2023 and 2022 was \$1,019.0 million and \$776.1 million, respectively. The total amount of receivables due from Red Iron to the company as of October 31, 2023 and 2022 were \$34.4 million and \$17.7 million, respectively.

The net amount of receivables financed for dealers and distributors under the arrangements with HCFC and the other third-party financial institutions during fiscal 2023, 2022, and 2021 was \$545.4 million, \$633.5 million, and \$460.5 million, respectively. As of October 31, 2023 and 2022, \$234.7 million and \$220.0 million, respectively, of receivables financed by HCFC and the other third-party financial institutions were outstanding.

Inventory Repurchase Agreements

The company has entered into a limited inventory repurchase agreement with Red Iron and HCFC under which the company has agreed to repurchase certain repossessed products, up to a maximum aggregate amount of \$7.5 million in a calendar year.

The company has also entered into inventory repurchase agreements with the other third-party financial institutions under which the company has agreed to repurchase certain repossessed products. Under these agreements, for the fiscal years ended October 31, 2023 and 2022, the company was contingently liable to repurchase up to \$32.2 million and \$80.0 million of repossessed inventory, respectively. The company's financial exposure under these inventory repurchase agreements is limited to the difference between the amount paid to Red Iron, HCFC or other third-party financing institutions for repurchases of inventory and the amount received upon subsequent resale of the repossessed product. The company has repurchased immaterial amounts of inventory pursuant to such arrangements during the fiscal years ended October 31, 2023, 2022, and 2021.

End-User Financing

The company has agreements with third-party financing companies to provide financing options to end-customers throughout the world. The company has no material contingent liabilities for residual value or credit collection risk under these agreements with third-party financing companies. From time to time, the company enters into agreements where it provides recourse to third-party finance companies in the event of default by the end-customer for financing payments to the third-party finance company. The company's maximum exposure for credit collection for the fiscal years ended October 31, 2023 and 2022 was \$5.2 million and \$8.6 million, respectively.

Purchase Commitments

As of October 31, 2023, the company had \$28.7 million of noncancelable purchase commitments with certain of the company's suppliers for commodities as part of the normal course of business. Additionally, associated with the Tornado asset acquisition described in Note 2, *Business Combinations and Asset Acquisitions*, the company has entered into a minimum purchase arrangement for a total of approximately \$35 million of inventory through fiscal 2025. As of October 31, 2023, the company did not have material noncancelable purchase commitments related to capital expenditures for renovation and expansion efforts at the company's facilities and other property, plant and equipment.

Litigation

From time to time, the company is party to litigation in the ordinary course of business. Such matters are generally subject to uncertainties and to outcomes that are not predictable with assurance and that may not be known for extended periods of time. Litigation occasionally involves claims for punitive, as well as compensatory, damages arising out of the use of the company's products. Although the company is self-insured to some extent, the company maintains insurance against certain product liability losses. The company is also subject to litigation and administrative and judicial proceedings with respect to claims involving asbestos and the discharge of hazardous substances into the environment. Some of these claims assert damages and liability for personal injury, remedial investigations or clean-up and other costs and damages. The company is also occasionally involved in commercial disputes, employment disputes, and patent litigation cases in which it is asserting or defending against patent infringement claims. To prevent possible infringement of the company's patents by others, the company periodically reviews competitors' products. To avoid potential liability with respect to others' patents, the company reviews certain patents issued by the U.S. Patent and Trademark Office and foreign patent offices. The company believes these activities help minimize its risk of being a defendant in patent infringement litigation.

The company records a liability in its Consolidated Financial Statements for costs related to claims, including future legal costs, settlements, and judgments, where the company has assessed that a loss is probable and an amount can be reasonably estimated. If the reasonable estimate of a probable loss is a range, the company records the most probable estimate of the loss or the minimum amount when no amount within the range is a better estimate than any other amount. The company discloses a contingent liability even if the liability is not probable or the amount is not estimable, or both, if there is a reasonable possibility that a material loss may have been incurred. In the opinion of management, the amount of liability, if any, with respect to these matters, individually or in the aggregate, will not materially affect the company's consolidated results of operations, financial position, or cash flows. In situations where the company receives, or expects to receive, a favorable ruling related to a litigation settlement, the company follows the accounting standards codification guidance for gain contingencies. The company does not allow for the recognition of a gain contingency within its Consolidated Financial Statements prior to the settlement of the underlying events or contingencies associated with the gain contingency. As a result, the consideration related to a gain contingency is recorded in the Consolidated Financial Statements during the period in which all underlying events or contingencies are resolved and the gain is realized.

Litigation Settlement

On November 19, 2020, Exmark Manufacturing Company Incorporated ("Exmark"), a wholly-owned subsidiary of the company, and Briggs & Stratton Corporation ("BGG") entered into a settlement agreement ("Settlement Agreement") relating to the decade-long patent infringement litigation that Exmark originally filed in May 2010 against Briggs & Stratton Power Products Group, LLC ("BSPPG"), a former wholly-owned subsidiary of BGG (Case No. 8:10CV187, U.S. District Court for the District of Nebraska) (the "Infringement Action"). In the Infringement Action, Exmark alleged that certain mower decks manufactured by BSPPG infringed an Exmark mower deck patent. Despite favorable judgments in the Infringement Action in favor of Exmark, including with regard to awarded damages, actions by BGG during the second half of calendar year 2020 put in jeopardy the certainty and timing of the eventual receipt of the damages awarded to Exmark in the Infringement Action, including (i) the filing by BGG and certain of its subsidiaries for bankruptcy relief under chapter 11 of title 11 of the United States Bankruptcy Code ("BGG Bankruptcy"); (ii) the sale of substantially all the assets (but not certain liabilities, including the Infringement Action) of BGG and its subsidiaries to a third-party pursuant to Section 363 of the United States Bankruptcy Code; and (iii) a petition filed by BGG for a panel rehearing of the United States Court of Appeals for the Federal Circuit's decision in the Infringement Action ("Rehearing Petition").

As a result, on November 19, 2020, Exmark entered into the Settlement Agreement with BGG which provided, among other things, that (i) upon approval by the bankruptcy court, and such approval becoming final and nonappealable, BGG agreed to pay Exmark \$33.65 million ("Settlement Amount"), (ii) BGG agreed to immediately withdraw the Rehearing Petition and otherwise not pursue additional appellate review regarding the Infringement Action, and (iii) after receipt of the Settlement Amount, Exmark agreed to release a supersedeas appeal bond that had been obtained by BGG to support payment of the damages awarded to Exmark in the Infringement Action. On November 20, 2020, BGG filed a motion to withdraw the Rehearing Petition and on December 16, 2020, the bankruptcy court approved the Settlement Agreement. During January 2021, the first quarter of fiscal 2021, the Settlement Amount was received by Exmark in connection with the settlement of the Infringement Action and at such time, the underlying events and contingencies associated with the gain contingency related to the Infringement Action were satisfied. As such, the company recognized in selling, general and administrative expense within the Consolidated Statements of Earnings during the first quarter of fiscal 2021 (i) the gain associated with the Infringement Action and (ii) a corresponding expense related to the contingent fee arrangement with the company's external legal counsel customary in patent infringement cases equal to approximately 50 percent of the Settlement Amount.

12 Leases

The company enters into contracts that are, or contain, operating lease agreements for certain property, plant, or equipment assets utilized in the normal course of business, such as buildings for manufacturing facilities, office space, distribution centers, and warehouse facilities; land for product testing sites; machinery and equipment for research and development activities, manufacturing and assembly processes, and administrative tasks; and vehicles for sales, service, marketing, and distribution activities. Contracts that explicitly or implicitly relate to property, plant, and equipment are assessed at inception to determine if the contract is, or contains, a lease. Such contracts for operating lease agreements convey the company's right to direct the use of, and obtain substantially all of the economic benefits from, an identified asset for a defined period of time in exchange for consideration.

The lease term begins and is determined upon lease commencement, which is the point in time when the company takes possession of the identified asset, and includes all non-cancelable periods. The lease term may also include options to extend or terminate the lease when it is reasonably certain that such options will be exercised after considering all relevant economic and financial factors. Options to extend or terminate a lease are generally exercisable at the company's sole discretion, subject to any required minimum notification period and/or other contractual terms as defined within the respective lease agreement, as applicable. The company's renewal options generally range from extended terms of two to ten years. Certain leases also include options to purchase the identified asset. Lease expense for the company's operating leases is recognized on a straight-line basis over the lease term and is recorded in cost of sales or selling, general and administrative expense within the Consolidated Statements of Earnings depending on the nature and use of the identified asset underlying the respective operating lease arrangement. The company does not recognize right-of-use assets and lease liabilities, but does recognize expense on a straight-line basis, for short-term operating leases which have a lease term of 12 months or less and do not include an option to purchase the underlying asset.

Lease payments are determined at lease commencement and represent fixed lease payments as defined within the respective lease agreement or, in the case of certain lease agreements, variable lease payments that are measured as of the lease commencement date based on the prevailing index or market rate. Future adjustments to variable lease payments are defined and scheduled within the respective lease agreement and are determined based upon the prevailing market or index rate at the time of the adjustment relative to the market or index rate determined at lease commencement. Certain other lease agreements contain variable lease payments that are determined based upon actual utilization of the identified asset. Such future adjustments to variable lease payments and variable lease payments based upon actual utilization of the identified asset are not included within the determination of lease payments at commencement but rather, are recorded as variable lease expense in the period in which the variable lease cost is incurred. Additionally, the company's operating leases generally do not include material residual value guarantees. The company has operating leases with both lease components and non-lease components. For all underlying asset classes, the company accounts for lease components separately from non-lease components based on the relative market value of each component. Non-lease components typically consist of common area maintenance, utilities, and/or other repairs and maintenance services. The costs related to non-lease components are not included within the determination of lease payments at commencement.

Right-of-use assets represent the company's right to use an underlying asset throughout the lease term and lease liabilities represent the company's obligation to make lease payments arising from the lease agreement. The company accounts for operating lease liabilities at lease commencement and on an ongoing basis as the present value of the minimum remaining lease payments under the respective lease term. Minimum remaining lease payments are discounted to present value based on the rate implicit in the operating lease agreement or the estimated incremental borrowing rate at lease commencement if the rate implicit in the lease is not readily determinable. Generally, the estimated incremental borrowing rate is used as the rate implicit in the

lease is not readily determinable. The estimated incremental borrowing rate represents the rate of interest that the company would have to pay to borrow on a general and unsecured collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. The company determines the estimated incremental borrowing rate at lease commencement based on available information at such time, including lease term, lease currency, and geographical market. Right-of-use assets are measured as the amount of the corresponding operating lease liability for the respective operating lease agreement, adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs, and impairment of the operating lease right-of-use asset, as applicable.

The following table presents the lease expense incurred on the company's operating, short-term, and variable leases (dollars in millions):

Fiscal Year Ended October 31	2023	2022	2021
Operating lease expense	\$ 24.0	\$ 22.6	\$ 20.4
Short-term lease expense	4.5	4.5	2.9
Variable lease expense	—	—	0.1
Total lease expense	\$ 28.5	\$ 27.1	\$ 23.4

The following table presents supplemental cash flow information related to the company's operating leases (dollars in millions):

Fiscal Year Ended October 31	2023	2022	2021
Right-of-use assets obtained in exchange for lease obligations	\$ 67.6	\$ 27.0	\$ 5.4
Operating cash flows for amounts included in the measurement of lease liabilities	\$ 20.9	\$ 19.2	\$ 18.9

The following table presents other lease information related to the company's operating leases as of October 31, 2023 and October 31, 2022:

	October 31, 2023	October 31, 2022
Weighted-average remaining lease term of operating leases in years	9.3	6.0
Weighted-average discount rate of operating leases	4.83 %	3.53 %

The following table reconciles the total undiscounted future cash flows based on the anticipated future minimum operating lease payments by fiscal year for the company's operating leases to the present value of operating lease liabilities recorded within the Consolidated Balance Sheets as of October 31, 2023 (dollars in millions):

	October 31, 2023
2024	\$ 25.1
2025	23.3
2026	17.4
2027	13.9
2028	11.8
Thereafter	69.6
Total future minimum operating lease payments	161.1
Less: imputed interest	29.5
Present value of operating lease liabilities	\$ 131.6

13 Derivative Instruments and Hedging Activities

Risk Management Objective of Using Derivatives

The company is exposed to foreign currency exchange rate risk arising from transactions in the normal course of business, such as sales to third-party customers, sales and loans to wholly-owned foreign subsidiaries, costs associated with foreign plant operations, and purchases from suppliers. The company's primary currency exchange rate exposures are with the Euro, the Australian dollar, the Canadian dollar, the British pound, the Mexican peso, the Japanese yen, the Chinese Renminbi, and the Romanian New Leu against the U.S. dollar, as well as the Romanian New Leu against the Euro.

To reduce its exposure to foreign currency exchange rate risk, the company actively manages the exposure of its foreign currency exchange rate risk by entering into various derivative instruments to hedge against such risk, authorized under a company policy that places controls on these hedging activities, with counterparties that are highly rated financial institutions.

The company's policy does not allow the use of derivative instruments for trading or speculative purposes. The company has also made an accounting policy election to use the portfolio exception with respect to measuring counterparty credit risk for derivative instruments and to measure the fair value of a portfolio of financial assets and financial liabilities on the basis of the net open risk position with each counterparty.

The company's hedging activities primarily involve the use of forward currency contracts to hedge most foreign currency transactions, including projected sales and purchases denominated in foreign currencies. The company uses derivative instruments only in an attempt to limit underlying exposure from foreign currency exchange rate fluctuations and to minimize earnings and cash flow volatility associated with foreign currency exchange rate fluctuations. Decisions on whether to use such derivative instruments are primarily based on the amount of exposure to the currency involved and an assessment of the near-term market value for each currency. The company recognizes all derivative instruments at fair value on the Consolidated Balance Sheets as either assets or liabilities. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as a cash flow hedging instrument.

Cash Flow Hedging Instruments

The company formally documents relationships between cash flow hedging instruments and the related hedged transactions, as well as its risk-management objective and strategy for undertaking cash flow hedging instruments. This process includes linking all cash flow hedging instruments to the projected transactions, such as sales to third-parties and costs associated with foreign plant operations, including purchases from suppliers. At the cash flow hedge's inception and on an ongoing basis, the company formally assesses whether the cash flow hedging instruments have been highly effective in offsetting changes in the cash flows of the hedged transactions and whether those cash flow hedging instruments may be expected to remain highly effective in future periods. Changes in the fair values of the spot rate component of outstanding, highly effective cash flow hedging instruments included in the assessment of hedge effectiveness are recorded in other comprehensive income within AOCL on the Consolidated Balance Sheets and are subsequently reclassified to net earnings within the Consolidated Statements of Earnings during the same period in which the cash flows of the underlying hedged transaction affect net earnings. Changes in the fair values of hedge components excluded from the assessment of effectiveness are recognized immediately in net earnings under the mark-to-market approach. The classification of gains or losses recognized on cash flow hedging instruments and excluded components within the Consolidated Statements of Earnings is the same as that of the underlying exposure. Results of cash flow hedging instruments, and the related excluded components, of sales and costs associated with foreign plant operations, including purchases from suppliers, are recorded in net sales and cost of sales, respectively. The maximum amount of time the company hedges its exposure to the variability in future cash flows for projected trade sales and purchases is two years.

When it is determined that a derivative instrument is not, or has ceased to be, highly effective as a cash flow hedge, the company discontinues cash flow hedge accounting prospectively. The gain or loss on the dedesignated derivative instrument remains in AOCL and is reclassified to net earnings within the same Consolidated Statements of Earnings line item as the underlying exposure when the projected transaction affects net earnings. When the company discontinues cash flow hedge accounting because it is no longer probable, but it is still reasonably possible that the projected transaction will occur by the end of the originally expected period or within an additional two-month period of time thereafter, the gain or loss on the derivative instrument remains in AOCL and is reclassified to net earnings within the same Consolidated Statements of Earnings line item as the underlying exposure when the projected transaction affects net earnings. However, if it is probable that a projected transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were in AOCL are immediately recognized in net earnings within other income, net in the Consolidated Statements of Earnings. In all situations in which cash flow hedge accounting is discontinued and the derivative instrument remains outstanding, the company carries the derivative instrument at its fair value on the Consolidated Balance Sheets, recognizing future changes in the fair value within other income, net in the Consolidated Statements of Earnings. As of October 31, 2023, the notional amount outstanding of forward currency contracts designated as cash flow hedging instruments was \$307.5 million.

Derivatives Not Designated as Cash Flow Hedging Instruments

The company also enters into foreign currency contracts that include forward currency contracts to mitigate the remeasurement of specific assets and liabilities on the Consolidated Balance Sheets. These contracts are not designated as cash flow hedging instruments. Accordingly, changes in the fair value of hedges of recorded balance sheet positions, such as cash, receivables, payables, intercompany notes, and other various contractual claims to pay or receive foreign currencies other than the functional currency, are recognized immediately in other income, net, on the Consolidated Statements of Earnings together with the transaction gain or loss from the hedged balance sheet position.

The following table presents the fair value and location of the company's derivative instruments on the Consolidated Balance Sheets (dollars in millions):

Fair Value as of October 31	2023	2022
Derivative assets:		
<i>Derivatives designated as cash flow hedging instruments:</i>		
Prepaid expenses and other current assets		
Forward currency contracts	\$ 13.7	\$ 27.7
<i>Derivatives not designated as cash flow hedging instruments:</i>		
Prepaid expenses and other current assets		
Forward currency contracts	3.1	5.5
Total derivative assets	\$ 16.8	33.2
Derivative liabilities:		
<i>Derivatives designated as cash flow hedging instruments:</i>		
Accrued liabilities		
Forward currency contracts	\$ —	\$ —
<i>Derivatives not designated as cash flow hedging instruments:</i>		
Accrued liabilities		
Forward currency contracts	—	—
Total derivative liabilities	\$ —	\$ —

The company entered into an International Swap Dealers Association ("ISDA") Master Agreement with each counterparty that permits the net settlement of amounts owed under their respective contracts. The ISDA Master Agreement is an industry standardized contract that governs all derivative contracts entered into between the company and the respective counterparty. Under these master netting agreements, net settlement generally permits the company or the counterparty to determine the net amount payable or receivable for contracts due on the same date or in the same currency for similar types of derivative transactions. The company records the fair value of its derivative instruments at the net amount on its Consolidated Balance Sheets.

The following table presents the effects of the master netting arrangements on the fair value of the company's derivative instruments that are recorded on the Consolidated Balance Sheets (dollars in millions):

Fair Value as of October 31	2023	2022
Derivative assets:		
<i>Forward currency contracts:</i>		
Gross amount of derivative assets	\$ 16.8	\$ 33.2
Derivative liabilities offsetting derivative assets	—	—
Net amount of derivative assets	\$ 16.8	\$ 33.2
Derivative liabilities:		
<i>Forward currency contracts:</i>		
Gross amount of derivative liabilities	\$ —	\$ —
Derivative assets offsetting derivative liabilities	—	—
Net amount of derivative liabilities	\$ —	\$ —

The following table presents the impact and location of the amounts reclassified from AOCL into net earnings on the Consolidated Statements of Earnings and the impact of derivative instruments on the Consolidated Statements of Comprehensive Income for the company's derivatives designated as cash flow hedging instruments (dollars in millions):

Fiscal Years Ended October 31	Gain Reclassified from AOCL into Income		(Loss) Gain Recognized in OCI on Derivatives	
	2023	2022	2023	2022
<i>Derivatives designated as cash flow hedging instruments:</i>				
<i>Forward currency contracts:</i>				
Net sales	\$ 10.8	\$ 4.5	\$ (12.9)	\$ 21.2
Cost of sales	4.5	0.6	0.1	3.2
Total derivatives designated as cash flow hedging instruments	\$ 15.3	\$ 5.1	\$ (12.8)	\$ 24.4

During fiscal 2023 and 2022, the company recognized immaterial losses and gains, respectively, within other income, net on the Consolidated Statement of Earnings due to the discontinuance of cash flow hedge accounting on certain forward currency

contracts designated as cash flow hedging instruments. As of October 31, 2023, the company expects to reclassify approximately \$8.6 million of gains from AOCL to earnings during the next twelve months.

The following tables present the impact and location of derivative instruments on the Consolidated Statements of Earnings for the company's derivatives designated as cash flow hedging instruments and the related components excluded from hedge effectiveness testing (dollars in millions):

Fiscal Year Ended October 31, 2023	Gain Recognized in Earnings on Cash Flow Hedging Instruments	
	Net Sales	Cost of Sales
Total Consolidated Statements of Earnings income (expense) amounts in which the effects of cash flow hedging instruments are recorded	\$ 4,553.2	\$ (2,975.6)
<i>Gain on derivatives designated as cash flow hedging instruments:</i>		
Forward currency contracts:		
Amount of gain reclassified from AOCL into earnings	10.8	4.5
Gain on components excluded from effectiveness testing recognized in earnings based on changes in fair value	\$ 2.2	\$ 2.6

Fiscal Year Ended October 31, 2022	(Loss) Gain Recognized in Earnings on Cash Flow Hedging Instruments	
	Net Sales	Cost of Sales
Total Consolidated Statements of Earnings income (expense) amounts in which the effects of cash flow hedging instruments are recorded	\$ 4,514.7	\$ (3,010.1)
<i>Gain (loss) on derivatives designated as cash flow hedging instruments:</i>		
Forward currency contracts:		
Amount of gain reclassified from AOCL into earnings	4.5	0.6
(Loss) gain on components excluded from effectiveness testing recognized in earnings based on changes in fair value	\$ (1.1)	\$ 1.7

The following table presents the impact and location of derivative instruments on the Consolidated Statements of Earnings for the company's derivatives not designated as cash flow hedging instruments (dollars in millions):

Fiscal Years Ended October 31	2023	2022
<i>(Loss) gain on derivative instruments not designated as cash flow hedging instruments:</i>		
Forward currency contracts:		
Other (expense) income, net	\$ (6.3)	\$ 4.2
Total (loss) gain on derivatives not designated as cash flow hedging instruments	\$ (6.3)	\$ 4.2

14 Fair Value Measurements

The company categorizes its assets and liabilities into one of three levels based on the assumptions (inputs) used in valuing the asset or liability. Estimates of fair value for financial assets and financial liabilities are based on the framework established in the accounting guidance for fair value measurements. The framework defines fair value, provides guidance for measuring fair value, and requires certain disclosures. The framework discusses valuation techniques such as the market approach (comparable market prices), the income approach (present value of future income or cash flows), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The framework utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs reflecting management's assumptions about the inputs used in pricing the asset or liability.

Recurring Fair Value Measurements

The company's derivative instruments consist of forward currency contracts that are measured at fair value on a recurring basis. The fair value of such forward currency contracts is determined based on observable market transactions of forward currency prices and spot currency rates as of the reporting date.

The following tables present, by level within the fair value hierarchy, the company's financial assets and liabilities that are measured at fair value on a recurring basis as of October 31, 2023 and 2022, according to the valuation technique utilized to determine their fair values (dollars in millions):

October 31, 2023	Fair Value	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets:				
Forward currency contracts	\$ 16.8	\$ —	\$ 16.8	\$ —
Total assets	\$ 16.8	\$ —	\$ 16.8	\$ —
Liabilities:				
Forward currency contracts	\$ —	\$ —	\$ —	\$ —
Total liabilities	\$ —	\$ —	\$ —	\$ —

October 31, 2022	Fair Value	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets:				
Forward currency contracts	\$ 33.2	\$ —	\$ 33.2	\$ —
Total assets	\$ 33.2	\$ —	\$ 33.2	\$ —
Liabilities:				
Forward currency contracts	\$ —	\$ —	\$ —	\$ —
Total liabilities	\$ —	\$ —	\$ —	\$ —

Nonrecurring Fair Value Measurements

The company measures certain assets and liabilities at fair value on a non-recurring basis. Assets and liabilities that are measured at fair value on a non-recurring basis include long-lived assets, goodwill, and indefinite-lived intangible assets, which would generally be recorded at fair value as a result of an impairment charge. For additional information regarding impairment related fair value measurements, refer to Note 5, *Goodwill and Other Intangible Assets*. Assets acquired and liabilities assumed as part of a business combination are also measured at fair value on a non-recurring basis during the measurement period allowed by the accounting standards codification guidance for business combinations when applicable. Alternatively, under a cost accumulation model, the company measures the fair values of net assets acquired as part of an asset acquisition before allocating the cost of the asset acquisition to the net assets acquired on the basis of their relative fair values. For additional information on the company's business combinations and asset acquisitions and the related non-recurring fair value measurement of the assets acquired and liabilities assumed, refer to Note 2, *Business Combinations and Asset Acquisitions*.

Other Fair Value Disclosures

The carrying values of the company's short-term financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and short-term debt, including current maturities of long-term debt, when applicable, approximate their fair values due to their short-term nature.

As of October 31, 2023 and 2022, the company's long-term debt included \$524.2 million and \$524.1 million, respectively, of gross fixed-rate debt that is not subject to variable interest rate fluctuations. The gross fair value of such long-term debt is determined using Level 2 inputs by discounting the projected cash flows based on quoted market rates at which similar amounts of debt could currently be borrowed. As of October 31, 2023, the estimated gross fair value of long-term debt with fixed interest rates was \$478.2 million compared to its gross carrying amount of \$524.2 million. As of October 31, 2022, the estimated gross fair value of long-term debt with fixed interest rates was \$489.8 million compared to its gross carrying amount of \$524.1 million. For additional information regarding long-term debt with fixed interest rates, refer to Note 6, *Indebtedness*.

15 Employee Retirement Plans

Defined Contribution Plan

The company maintains The Toro Company Retirement Plan for eligible employees. The company's expenses under this plan, which include costs related to matching contributions and discretionary retirement fund contributions, as applicable, were \$38.1 million, \$35.3 million, and \$28.5 million for the fiscal years ended October 31, 2023, 2022, and 2021, respectively.

Defined Benefit Plans

The company has a defined benefit pension plan covering certain employees in the United Kingdom ("defined benefit retirement plan"). The projected and accumulated benefit obligation of the defined benefit retirement plan was \$18.3 million and \$18.9 million as of October 31, 2023 and 2022, respectively. The fair value of the defined benefit retirement plan assets as of October 31, 2023 and 2022 was \$17.6 million and \$18.4 million, respectively. The net funded status of the defined benefit retirement plan as of October 31, 2023 and 2022 was underfunded at \$0.7 million and \$0.6 million, respectively.

Service costs of the defined benefit retirement plans are presented in selling, general and administrative expense within the Consolidated Statements of Earnings. Non-service cost components of net periodic benefit cost (income), including realized gains or losses as a result of changes in actuarial valuation assumptions, are presented in other income, net within the Consolidated Statements of Earnings. The company recognized expense of \$0.2 million for the fiscal year ended October 31, 2023, and recognized income of \$0.2 million, and \$0.1 million for the fiscal years ended October 31, 2022 and 2021, respectively.

The company has omitted the remaining disclosures for the defined benefit retirement plan as the company deems this defined benefit retirement plan to be immaterial to its Consolidated Financial Statements.

16 Subsequent Events

The company has evaluated all subsequent events and concluded that no additional subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The company maintains disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to provide reasonable assurance that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating its disclosure controls and procedures, the company recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply judgment in evaluating the cost-benefit relationship of possible internal controls.

The company's management evaluated, with the participation of the company's Chairman of the Board, President and Chief Executive Officer and Vice President, Chief Financial Officer, the effectiveness of the design and operation of the company's disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, the company's Chairman of the Board, President and Chief Executive Officer and Vice President, Chief Financial Officer concluded that the company's disclosure controls and procedures were effective as of the end of such period to provide reasonable assurance that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information relating to the company and its consolidated subsidiaries is accumulated and communicated to management, including the Chairman of the Board, President and Chief Executive Officer and Vice President, Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control over Financial Reporting

The company's management report on internal control over financial reporting is included in this Annual Report on Form 10-K within Part II, Item 8, "Financial Statements and Supplementary Data," under the caption "Management's Report on Internal Control over Financial Reporting."

Attestation Report of the Independent Registered Public Accounting Firm

The report of KPMG LLP, the company's independent registered public accounting firm, regarding the effectiveness of the company's internal control over financial reporting is included in this Annual Report on Form 10-K within Part II, Item 8, "Financial Statements and Supplementary Data," under the caption "Report of Independent Registered Public Accounting Firm."

Changes in Internal Control over Financial Reporting

On January 13, 2022, during the first quarter of fiscal 2022, the company completed the Intimidator acquisition. Prior to this acquisition, Intimidator was not subject to the Sarbanes-Oxley Act of 2002, the rules and regulations of the SEC, or other corporate governance requirements to which public companies are subject. In accordance with guidance issued by the SEC, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting during the year of acquisition. As of the end of fiscal 2023, the company has completed its integration activities related to internal control over financial reporting for Intimidator. Accordingly, the company has included Intimidator within its assessment of the effectiveness of its internal control over financial reporting as of October 31, 2023. Refer to the company's management report on internal control over financial reporting included in this Annual Report on Form 10-K within Part II, Item 8, "Financial Statements and Supplementary Data," under the caption "Management's Report on Internal Control over Financial Reporting" for additional information.

With the exception of internal control-related integration activities in connection with the company's acquisition of Intimidator, there was no change in the company's internal control over financial reporting that occurred during the fourth quarter of fiscal 2023 that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Rule 10b5-1 Plan and Non-Rule 10b5-1 Trading Arrangement Adoptions, Terminations, and Modifications

During the company's fourth quarter ended October 31, 2023, none of its directors or "officers" (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of SEC Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information on executive officers required by this item is incorporated by reference from "Information About Our Executive Officers" in Part I of this Annual Report on Form 10-K. Additional information on certain executive officers and other information required by this item is incorporated by reference to information to be contained under the captions "Proposal One — Election of Directors — Information About Director Nominees and Continuing Directors," "Corporate Governance — Code of Conduct and Code of Ethics for our CEO and Senior Financial Personnel," "Corporate Governance — Board Committees," and "Stock Ownership — Delinquent Section 16(a) Reports" in the company's proxy statement for its 2024 Annual Meeting of Shareholders to be filed with the SEC.

During the fourth quarter of fiscal 2023, the company did not make any material changes to the procedures by which shareholders may recommend nominees to the Board of Directors, as described in the company's proxy statement for its 2023 Annual Meeting of Shareholders. The company has a Code of Ethics for its CEO and Senior Financial Personnel, a copy of which is posted on the company's website at www.thetorocompany.com (select the "Investors" link, then the "Corporate Governance" link, then the "Code of Conduct and Ethics" link). The company intends to satisfy the disclosure requirements of Item 5.05 of Form 8-K and applicable NYSE rules regarding amendments to or waivers from any provision of its Code of Ethics, as applicable, by posting such information on its website at www.thetorocompany.com (select the "Investors" link, then the "Corporate Governance" link, then the "Code of Conduct and Ethics" link).

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to information to be contained under the captions "Director Compensation", "Compensation Discussion and Analysis" and "Executive Compensation" in the company's proxy statement for its 2024 Annual Meeting of Shareholders to be filed with the SEC.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference to information to be contained under the captions "Stock Ownership" and "Equity Compensation Plan Information" in the company's proxy statement for its 2024 Annual Meeting of Shareholders to be filed with the SEC.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference to information to be contained under the caption "Corporate Governance — Director Independence," "Corporate Governance — Board Committees" and "Corporate Governance — Related Person Transactions and Policies and Procedures Regarding Related Person Transactions" in the company's proxy statement for its 2024 Annual Meeting of Shareholders to be filed with the SEC.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference to information to be contained under the captions "Proposal Two — Ratification of Selection of Independent Registered Public Accounting Firm — Audit, Audit-Related, Tax and Other Fees" and "Proposal Two — Ratification of Selection of Independent Registered Public Accounting Firm — Pre-Approval Policies and Procedures" in the company's proxy statement for its 2024 Annual Meeting of Shareholders to be filed with the SEC.

PART IV**ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

The following Consolidated Financial Statements of The Toro Company and its consolidated subsidiaries are included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K:

Management's Report on Internal Control over Financial Reporting	53
Report of Independent Registered Public Accounting Firm*	54
Consolidated Statements of Earnings for the fiscal years ended October 31, 2023, 2022, and 2021	57
Consolidated Statements of Comprehensive Income for the fiscal years ended October 31, 2023, 2022, and 2021	57
Consolidated Balance Sheets as of October 31, 2023 and 2022	58
Consolidated Statements of Cash Flows for the fiscal years ended October 31, 2023, 2022, and 2021	59
Consolidated Statements of Stockholders' Equity for the fiscal years ended October 31, 2023, 2022, and 2021	60
Notes to Consolidated Financial Statements	61

*KPMG LLP, Minneapolis, MN, PCAOB Firm ID No. 185.

2. List of Financial Statement Schedules

All financial statement schedules have been omitted because the required information is either inapplicable, immaterial, or the information is presented in the Consolidated Financial Statements or related Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

3. List of Exhibits

The following exhibits are incorporated herein by reference or are filed or furnished with this Annual Report on Form 10-K as indicated below:

Exhibit Number	Description
2.1 (1)	Agreement to Form Joint Venture dated August 12, 2009 by and between The Toro Company and TCF Inventory Finance, Inc. (filed herewith).**
2.2 (1)	First Amendment to Agreement to Form Joint Venture dated June 6, 2012 by and between The Toro Company and TCF Inventory Finance, Inc. (filed herewith).**
2.3 (1)	Second Amendment to Agreement to Form Joint Venture dated November 29, 2016 by and between The Toro Company and TCF Inventory Finance, Inc. (filed herewith).**
2.4 (1)	Third Amendment to Agreement to Form Joint Venture effective as of December 20, 2019 by and between The Toro Company and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 2.2 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2020, Commission File No. 1-8649).
2.5 (1)	Fourth Amendment to Agreement to Form Joint Venture dated as of March 26, 2021 and effective as of March 2, 2020 by and between The Toro Company and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 2.2 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2021, Commission File No. 1-8649).
2.6 (1)	Fifth Amendment to Agreement to Form Joint Venture dated and effective as of June 10, 2022 by and between The Toro Company and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 2.6 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2022, Commission File No. 1-8649).
2.7 (1)	Limited Liability Company Agreement of Red Iron Acceptance, LLC dated August 12, 2009 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (filed herewith).**
2.8	Amendment No. 1 to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated May 31, 2011 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (incorporated by reference to Exhibit 2.4 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2012, Commission File No. 1-8649).**
2.9 (1)	Second Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated June 6, 2012 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (filed herewith).**
2.10 (1)	Third Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated November 29, 2016 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (filed herewith).**
2.11	Fourth Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated as of July 17, 2019 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (incorporated by reference to Exhibit 2.9 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2020, Commission File No. 1-8649).

- 2.12 [Fifth Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC effective as of December 20, 2019 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC \(incorporated by reference to Exhibit 2.3 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2020, Commission File No. 1-8649\).](#)
- 2.13 [Sixth Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC effective as of March 10, 2022 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC \(filed herewith\).](#)
- 3.1 and 4.1 [Restated Certificate of Incorporation of The Toro Company \(incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 18, 2008, Commission File No. 1-8649\).](#)
- 3.2 and 4.2 [Certificate of Amendment to Restated Certificate of Incorporation of The Toro Company \(incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 13, 2013, Commission File No. 1-8649\).](#)
- 3.3 and 4.3 [Amended and Restated Bylaws of The Toro Company \(incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on May 30, 2023, Commission File No. 1-8649\).](#)
- 4.4 [Specimen Form of Common Stock Certificate \(incorporated by reference to Exhibit 4\(c\) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended August 1, 2008, Commission File No. 1-8649\).](#)
- 4.5 [Description of Common Stock of The Toro Company \(filed herewith\).](#)
- 4.6 Indenture dated as of January 31, 1997 between Registrant and First National Trust Association, as Trustee, relating to The Toro Company's 7.80% Debentures due June 15, 2027 (incorporated by reference to Exhibit 4(a) to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 27, 1997, Commission File No. 1-8649). (Filed on paper - hyperlink not required pursuant to Rule 105 of Regulation S-T)
- 4.7 [Indenture dated as of April 20, 2007, between Registrant and The Bank of New York Trust Company, N.A., as Trustee, relating to The Toro Company's 6.625% Notes due May 1, 2037 \(incorporated by reference to Exhibit 4.3 to Registrant's Registration Statement on Form S-3 as filed with the Securities and Exchange Commission on April 23, 2007, Registration No. 333-142282\).](#)
- 4.8 [First Supplemental Indenture dated as of April 26, 2007, between Registrant and The Bank of New York Trust Company, N.A., as Trustee, relating to The Toro Company's 6.625% Notes due May 1, 2037 \(incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 26, 2007, Commission File No. 1-8649\).](#)
- 4.9 [Form of The Toro Company 6.625% Note due May 1, 2037 \(incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 26, 2007, Commission File No. 1-8649\).](#)
- 10.1 [The Toro Company 2022 Equity and Incentive Plan \(incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649\).*](#)
- 10.2 [The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated \(incorporated by reference to Exhibit 10.1 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649\).*](#)
- 10.3 [Amendment No. 1 to The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as Amended and Restated, dated as of December 3, 2019 \(incorporated by reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2019, Commission File No. 1-8649\).*](#)
- 10.4 [The Toro Company Supplemental Benefit Plan, Amended and Restated Effective January 1, 2017 \(incorporated by reference to Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended February 3, 2017, Commission File No. 1-8649\).*](#)
- 10.5 [The Toro Company Deferred Compensation Plan, Amended and Restated Effective January 1, 2017 \(incorporated by reference to Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended February 3, 2017, Commission File No. 1-8649\).*](#)
- 10.6 [The Toro Company Deferred Compensation Plan for Officers, Amended and Restated Effective January 1, 2017 \(incorporated by reference to Exhibit 10.10 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended February 3, 2017, Commission File No. 1-8649\).*](#)
- 10.7 [The Toro Company Deferred Compensation Plan for Non-Employee Directors, Amended and Restated Effective January 1, 2017 \(incorporated by reference to Exhibit 10.11 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended February 3, 2017, Commission File No. 1-8649\).*](#)
- 10.8 [Form of Nonqualified Stock Option Agreement for use with The Toro Company 2022 Equity and Incentive Plan \(incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649\).*](#)
- 10.9 [Form of Nonemployee Director Stock Option Agreement for use with The Toro Company 2022 Equity and Incentive Plan \(incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649\).*](#)
- 10.10 [Form of Restricted Stock Unit Award Agreement for use with The Toro Company 2022 Equity and Incentive Plan \(incorporated by reference to Exhibit 10.4 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649\).*](#)

- 10.11 [Form of Performance Share Award Agreement for use with The Toro Company 2022 Equity and Incentive Plan \(incorporated by reference to Exhibit 10.5 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649\).](#)*
- 10.12 [Form of Annual Performance Award Agreement for use with The Toro Company 2022 Equity and Incentive Plan \(incorporated by reference to Exhibit 10.6 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649\).](#)*
- 10.13 [Form of Nonemployee Director Stock Option Agreement between The Toro Company and its Non-Employee Directors under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated \(incorporated by reference to Exhibit 10.11 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649\).](#)*
- 10.14 [Form of Nonqualified Stock Option Agreement between The Toro Company and its officers and other employees under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated \(incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649\).](#)*
- 10.15 [Form of Performance Share Award Agreement between The Toro Company and its officers and other employees under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated \(incorporated by reference to Exhibit 10.17 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649\).](#)*
- 10.16 [Form of Annual Performance Award Agreement between The Toro Company and its officers and other employees under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated \(incorporated by reference to Exhibit 10.18 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649\).](#)*
- 10.17 [Form of Restricted Stock Award Agreement between The Toro Company and its officers and other employees under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated \(incorporated by reference to Exhibit 10.19 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649\).](#)*
- 10.18 [Form of Restricted Stock Unit Award Agreement between The Toro Company and its officers and other employees under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated \(incorporated by reference to Exhibit 10.21 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649\).](#)*
- 10.19 [Form of Indemnification Agreement with the members of the Board of Directors \(incorporated by reference to Exhibit 10\(u\) to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2006, Commission File No. 1-8649\).](#)*
- 10.20 [The Toro Company Change in Control Severance Compensation Policy and attached Form of Release \(incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 21, 2011, Commission File No. 1-8649\).](#)*
- 10.21 [Offer Letter dated July 25, 2011 between The Toro Company and Renee J. Peterson \(incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on July 29, 2011, Commission File No. 1-8649\).](#)*
- 10.22 [Offer Letter dated August 18, 2015 between The Toro Company and Richard M. Olson \(incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 19, 2015, Commission File No. 1-8649\).](#)*
- 10.23 [Offer Letter dated July 19, 2016 between The Toro Company and Richard M. Olson \(incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on July 19, 2016, Commission File No. 1-8649\).](#)*
- 10.24 [Offer Letter dated February 13, 2023 between The Toro Company and Angela C. Drake \(incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on February 14, 2023, Commission File No. 1-8649\).](#)*
- 10.25 [Amended and Restated Credit Agreement dated as of October 5, 2021, by and among The Toro Company and Toro Luxembourg S.A.R.L., as Borrowers, the lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, Wells Fargo Bank, National Association and U.S. Bank National Association, as Co-Syndication Agents, and BMO Harris Bank, N.A. and HSBC Bank USA, National Association, as Co-Documentation Agents \(incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on October 6, 2021, Commission File No. 1-8649\).](#)
- 10.26 [Amendment No. 1 to Amended and Restated Credit Agreement dated as of April 27, 2022, by and among The Toro Company, Toro Luxembourg S.A.R.L., each of the Lenders Party Thereto, and Bank of America, N.A., as Administrative Agent \(incorporated by reference to Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 29, 2022, Commission File No. 1-8649\).](#)
- 10.27 [Amendment No. 2 to Amended and Restated Credit Agreement dated as of September 22, 2023, by and among The Toro Company, Toro Luxembourg S.A.R.L., each of the Lenders Party Thereto, and Bank of America, N.A., as Administrative Agent \(filed herewith\).](#)
- 10.28 [Term Loan Credit Agreement dated as of April 27, 2022, by and among The Toro Company, as Borrower, Bank of America, N.A., as Administrative Agent, Wells Fargo Bank, National Association and U.S. Bank National Association, as Co-Syndication Agents and the Other Lenders Party Thereto \(incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 28, 2022, Commission File No. 1-8649\).](#)

10.29	Amendment No. 1 to Term Loan Credit Agreement dated as of September 22, 2023, by and among The Toro Company, each of the Lenders Party Thereto, and Bank of America, N.A., as Administrative Agent (filed herewith).
10.30	Note Purchase Agreement, dated as of April 30, 2019, by and among The Toro Company and the Purchasers listed on the Purchaser Schedule Thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 30, 2019, Commission File No. 1-8649).
10.31	Second Amendment, dated as of June 30, 2022, to Note Purchase Agreement, dated as of April 30, 2019, by and among The Toro Company and each of the Institutions a Signatory Thereto (incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 30, 2022, Commission File No. 1-8649).
10.32	Note Purchase Agreement, dated as of June 30, 2022, by and among The Toro Company and the Purchasers Listed on the Purchaser Schedule Thereto and Form of 3.97% Senior Note due June 30, 2032 (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 30, 2022, Commission File No. 1-8649).
10.33 (1)	Credit and Security Agreement dated as of August 12, 2009 by and between Red Iron Acceptance, LLC and TCF Inventory Finance, Inc. (filed herewith).
10.34 (1)	First Amendment to Credit and Security Agreement dated as of June 6, 2012 by and between Red Iron Acceptance, LLC and TCF Inventory Finance, Inc. (filed herewith).
10.35	Second Amendment to Credit and Security Agreement dated as of November 29, 2016 by and between Red Iron Acceptance, LLC and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on December 2, 2016, Commission File No. 1-8649).
10.36	Third Amendment to Credit and Security Agreement effective as of December 20, 2019 by and between Red Iron Acceptance, LLC and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2020, Commission File No. 1-8649).
10.37	Fourth Amendment to Credit and Security Agreement effective as of November 1, 2021 by and between Red Iron Acceptance, LLC and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 10.24 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2021, Commission File No. 1-8649).
10.38	Fifth Amendment to Credit and Security Agreement effective as of October 25, 2022 by and between Red Iron Acceptance, LLC and Huntington Distribution Finance, Inc. (previously known as TCF Inventory Finance, Inc.) (incorporated by reference to Exhibit 10.35 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2022, Commission File No. 1-8649).
10.39	Sixth Amendment to Credit and Security Agreement effective as of August 31, 2023 by and between Red Iron Acceptance, LLC and Huntington Distribution Finance, Inc. (previously known as TCF Inventory Finance, Inc.) (filed herewith).
21	Subsidiaries of Registrant (filed herewith).
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith).
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002) (filed herewith).
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002) (filed herewith).
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
97	Clawback Policy (filed herewith)*.
101	The following financial information from The Toro Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, filed with the SEC on December 20, 2023, formatted in Inline eXtensible Business Reporting Language (Inline XBRL): (i) Consolidated Statements of Earnings for each of the fiscal years in the three-year period ended October 31, 2023, (ii) Consolidated Statements of Comprehensive Income for each of the fiscal years in the three-year period ended October 31, 2023, (iii) Consolidated Balance Sheets as of October 31, 2023 and 2022, (iv) Consolidated Statements of Cash Flows for each of the fiscal years in the three-year period ended October 31, 2023, (v) Consolidated Statements of Stockholders' Equity each of the fiscal years in the three-year period ended October 31, 2023, and (vi) Notes to Consolidated Financial Statements (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(1) Confidential portions of this exhibit have been redacted in compliance with Item 601(b)(10) of Regulation S-K.

* Management contract or compensatory plan or arrangement.

** All exhibits and schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. TTC will furnish the omitted exhibits and schedules to the Securities and Exchange Commission upon request by the Securities and Exchange Commission.

(b) Exhibits

See Item 15(a)(3) above.

(c) Financial Statement Schedules

See Item 15(a)(2) above.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, 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/ Angela C. Drake
 Angela C. Drake
 Vice President, Chief Financial Officer

Dated: December 20, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Richard M. Olson</u> Richard M. Olson	Chairman of the Board, President and Chief Executive Officer and Director (principal executive officer)	December 20, 2023
<u>/s/ Angela C. Drake</u> Angela C. Drake	Vice President, Chief Financial Officer (principal financial and accounting officer)	December 20, 2023
<u>/s/ Janet K. Cooper</u> Janet K. Cooper	Director	December 20, 2023
<u>/s/ Gary L. Ellis</u> Gary L. Ellis	Director	December 20, 2023
<u>/s/ Eric P. Hansotia</u> Eric P. Hansotia	Director	December 20, 2023
<u>/s/ Jeffrey L. Harmening</u> Jeffrey L. Harmening	Director	December 20, 2023
<u>/s/ D. Christian Koch</u> D. Christian Koch	Director	December 20, 2023
<u>/s/ Joyce A. Mullen</u> Joyce A. Mullen	Director	December 20, 2023
<u>/s/ James C. O'Rourke</u> James C. O'Rourke	Director	December 20, 2023
<u>/s/ Jill M. Pemberton</u> Jill M. Pemberton	Director	December 20, 2023

[PORTIONS HEREIN IDENTIFIED BY [*] HAVE BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE THE EXCLUDED INFORMATION IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.]**

AGREEMENT TO FORM JOINT VENTURE

This Agreement To Form Joint Venture (this “Agreement”) is made and entered into as of the 12th day of August, 2009, between The Toro Company, a Delaware corporation (“Toro”), and TCF Inventory Finance, Inc., a Minnesota corporation (“TCFIF”) (collectively, Toro and TCFIF, the “Parties” and individually, a “Party”).

Red Iron Holding Corporation, a Delaware corporation (“Toro Sub”), and TCFIF Joint Venture I, LLC, a Minnesota limited liability company (“TCFIF Sub”), respectively Affiliates of Toro and TCFIF, contemporaneously with the execution of this Agreement have entered into a Limited Liability Company Agreement with respect to Red Iron Acceptance, LLC, a Delaware limited liability company (“Red Iron”), organized for the operation of a commercial inventory finance business, including floorplan financing and open account inventory financing, supporting the business of Toro and its Affiliates within the United States and Canada and by this Agreement desire to set forth their understanding with regard to the operation of Red Iron and certain related matters.

Now, therefore, in consideration of the premises and mutual covenants, undertakings and obligations hereinafter set forth or referred to herein, the Parties mutually covenant and agree as follows:

ARTICLE I Definitions

1.1 Definitions.

“AAA” is defined in Section 6.3.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. For purposes of this definition, “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Agreement” is defined in the preamble.

“Arbitrable Disputes” is defined in Section 6.1.

“Average Net Receivables” is defined in Section 2.12.

“Business Plan” is defined in Section 2.1.

“Confidential Information” is defined in Article IV.

“Credit Agreement” is defined in Section 2.2.

“DataScan” is defined in Section 2.13(a).

“DataScan Delivery Date” is defined in Section 2.13(a).

“DataScan System Enhancements” is defined in Section 2.13(a).

“Definitive Agreements” is defined in Section 2.2.

“Eligible Receivables” has the meaning ascribed to it in the Receivable Purchase Agreement.

“Exclusivity Calculation” is defined in Section 2.15.

“Exclusivity Incentive Payment” is defined in Section 2.15.

“Exmark” means Exmark Manufacturing Company Incorporated, a Nebraska corporation, a wholly owned subsidiary of Toro.

“Indemnified Parties” is defined in Article V.

“Lawn and Garden Products” means any one or more of the following: walk power mowers, lawn and garden tractors, zero-turn mowers, mid-size walk-behind and stand-on mowers, large reel and riding rotary mowers, riding and walk-behind mowers for putting greens, snow blowers, debris blowers, trimmers, tillers, sweepers and vacuums, aerators, walk-behind trenchers, turf cultivation equipment, turf sprayer equipment, compact utility loaders, golf course bunker maintenance equipment, irrigation systems, utility vehicles for golf courses and parts and accessories for any of the foregoing.

“LLC Agreement” is defined in Section 2.2.

“Management Committee” shall mean the management committee of Red Iron.

“Officers” means the President of Toro and the person to whom the President of TCFIF directly reports, provided, however, that neither such individual is or ever has been a member of the Management Committee. If either such individual is or has been a member of the Management Committee, then the “Officer” for the applicable Party shall be a senior executive officer of such Party who is not and has not ever been a member of the Management Committee, who is reasonably acceptable to the other Party.

“Party” and “Parties” is defined in the preamble

“Performance Assurance Agreement” is defined in Section 2.2.

“Person” means and includes an individual, a partnership, a corporation (including a business trust), a limited liability company, a joint stock company, an unincorporated association, a joint venture, a trust, a governmental authority or other entity.

“Program Letter” is defined in Section 2.2.

“Receivable Purchase Agreement” is defined in Section 2.2.

“Red Iron” is defined in the preamble.

“Repurchase Agreement” is defined in Section 2.2.

“Request Notice” is defined in Section 6.1.

“TCC” is defined in Section 2.5.

“TCFCFC” is defined in Section 2.12.

“TCFIF” is defined in the preamble.

“TCFIF Services Agreement” is defined in Section 2.2.

“TCFIF Sub” is defined in the preamble.

“Toro” is defined in the preamble.

“Toro Amount” is defined in Section 2.12.

“Toro Phase II Finance Business” means the commercial inventory finance business related to the sale of Toro Products presently provided to dealers and distributors of Toro and its Affiliates by third party floorplan finance lenders and open account inventory financing presently provided to dealers and distributors by Toro and its Affiliates, together with the commercial inventory finance business related to the sale of Lawn and Garden Products by Exmark.

“Toro Products” means Lawn and Garden Products manufactured and/or distributed by Toro and Toro’s Affiliates.

“Toro Services Agreement” is defined in Section 2.2.

“Toro Sub” is defined in the preamble.

“Trademark License Agreement” is defined in Section 2.2.

ARTICLE II Organizational Matters

2.1 Red Iron Business. The Parties have agreed to the Business Plan attached hereto as Exhibit A (as amended from time to time, the “Business Plan”), which Business Plan describes the marketing and operational goals of Red Iron (including the targeted return on total assets goals for Red Iron and the formula to be used for determining interest rates to be charged to Toro and its dealers and distributors in connection with Red Iron’s operations) and includes a pro forma budget covering a five-year period and the assumptions upon which such pro forma budget is based.

2.2 Agreements. Contemporaneously with the execution of this Agreement, Toro and TCFIF have executed and delivered, or have caused Toro Sub and TCFIF Sub to execute and deliver, a Limited Liability Company Agreement of Red Iron (“LLC Agreement”), a Credit and Security Agreement between Red Iron and TCFIF (the “Credit Agreement”), a Services Agreement between Red Iron and TCFIF (the “TCFIF Services Agreement”), a Services Agreement between Red Iron and Toro (the “Toro Services Agreement”), a Program Letter between Toro and Red Iron (the “Program Letter”) and one or more Trademark License Agreements among Toro and its Affiliates and Red Iron (collectively, the “Trademark License Agreement”), and TCFIF has delivered to Toro a Performance Assurance Agreement from TCF National Bank, a national banking association, with respect to the performance of certain obligations of TCFIF and TCFIF Sub (the “Performance Assurance Agreement”). In connection with the operation of Red Iron, Toro and Red Iron shall execute a Repurchase Agreement in substantially the form of Exhibit B attached hereto regarding commercial inventory financing to be provided by Red Iron (the “Repurchase Agreement”) and one or more Receivable Purchase

Agreements in substantially the form of Exhibit C attached hereto between Toro, Affiliates of Toro and Red Iron related to the transfer of certain receivables to Red Iron (collectively, the "Receivable Purchase Agreement"). The agreements and documents referred to in the preceding two sentences, collectively, with this Agreement, as they may be amended from time to time, are referred to herein as the "Definitive Agreements."

2.3 Qualification to do Business. TCFIF shall cause Red Iron to become qualified to do business in each state where such qualification is necessary to conduct the business of Red Iron. TCFIF shall also cause Red Iron to make such assumed name and fictitious name filings as are necessary for the conduct of the business of Red Iron as contemplated by this Agreement and the LLC Agreement. In connection with all filings for, or on behalf of, Red Iron for which TCFIF has responsibility, Toro shall cooperate with TCFIF in causing such filings to be made in a timely manner. All fees and expenses of the initial qualification to do business and assumed name and fictitious name filings incurred by TCFIF shall be charged to Red Iron. All fees and expenses of subsequent filings to maintain such qualifications and any related filings shall be borne by Red Iron.

2.4 Insurance.

(a) Toro and TCFIF each shall provide at their own expense directors and officers liability insurance for the individuals serving on the Management Committee appointed by its respective subsidiary which is a member of Red Iron in a policy amount of not less than \$5,000,000. The Parties agree to cooperate with each other in coordinating the defense of litigation whenever the interests of the individuals serving on the Management Committee are aligned.

(b) TCFIF shall arrange for the extension of TCFIF's existing single interest insurance coverage to Red Iron's business. The costs for the extension of TCFIF's single interest insurance to Red Iron's business shall be charged to Red Iron.

2.5 Purchase of Receivables; Capital Contributions. On or before October 1, 2009, Toro shall, and shall cause its wholly owned subsidiary Toro Credit Company, a Minnesota corporation ("TCC") to, have taken all such actions required to be taken by Toro and TCC, respectively, to sell all or substantially all of their then-existing portfolio of Eligible Receivables (or such lesser portion thereof as Toro is permitted to sell under the terms of any agreement of Toro restricting the amount of such sale or as otherwise agreed by the Parties with respect to certain categories of receivables), other than Eligible Receivables relating to the Toro Phase II Finance Business, to Red Iron pursuant to the initial Receivable Purchase Agreement. On or before December 1, 2009, Toro shall, and shall cause TCC and any other Affiliates of Toro that are party to a Receivable Purchase Agreement to, have taken all such actions required to be taken by Toro and such Affiliates, respectively, pursuant to a Receivable Purchase Agreement, to sell to Red Iron their then-existing portfolio of Eligible Receivables relating to open account inventory financing provided to distributors by Toro and its Affiliates relating to the floorplan financing Eligible Receivables sold to Red Iron pursuant to the preceding sentence. On the first day of the month following the month in which the unsecured open account receivable balances are less than the cumulative limits set forth in clause (k) of the definition of "Eligible Receivable" in Section 1.1 of such Receivable Purchase Agreement, Toro shall, and shall cause TCC and any other Affiliates of Toro that are party to a Receivable Purchase Agreement to, have taken all such actions required to be taken by Toro and such Affiliates, respectively, pursuant to a Receivable Purchase Agreement, to sell to Red Iron their then-existing portfolio of Eligible Receivables not previously sold to Red Iron. Toro agrees to provide Toro Sub, and TCFIF agrees to provide TCFIF Sub, with sufficient capital to permit Toro Sub and TCFIF Sub to make any capital contributions required to be made pursuant to Sections 2.02 and 2.03 of the LLC Agreement in connection with the organization of Red Iron (including the payment of expenses

described in Section 7.8) and the transactions contemplated by the Receivable Purchase Agreement.

2.6 Referral of Financing Business. Following the dates of the purchases described in Section 2.5 (but in no event any earlier than permitted under the terms of any agreement restricting such activities on the part of Toro or Toro's Affiliates, which agreements Toro undertakes to terminate as promptly as possible following the date of this Agreement), Toro shall use, and shall cause its Affiliates to use, commercially reasonable efforts to recommend to all dealers and distributors of Toro Products within the United States and all distributors of Toro Products within Canada to utilize Red Iron to finance the acquisition of inventory of Toro Products acquired during the term of Red Iron (it being understood that such obligation shall not commence with respect to the Toro Phase II Finance Business until the sale of such business to Red Iron), including all the floorplan financing and open account financing of all such Toro Products in accordance with Red Iron's credit policies in effect from time to time. Without limiting the generality of the foregoing, but subject to the limitation contained in the parenthetical phrase in the first sentence of this Section 2.6 and except as set forth in Section 2.8(d), during the term of Red Iron, Toro shall not, and Toro shall not permit any of its Affiliates to, recommend, except with respect to the Toro Phase II Finance Business until the date of the sale of such business to Red Iron, to any dealer or distributor of Toro Products within the United States or within Canada that such dealer or distributor obtain floorplan financing or open account financing for such Toro Products from any source other than Red Iron or, in the case of Canadian dealers, from TCFIF or its Affiliates. TCFIF acknowledges that the distributors and dealers are independent businesses and shall decide in their own discretion whether or not to participate in the financing programs offered by Red Iron or TCFIF or its Affiliates and, once enrolled, whether to seek out or make referrals to independent sources of commercial inventory financing.

2.7 Obligation to Finance Red Iron Acquisition of Receivables; Most Favored Customer Pricing.

(a) TCFIF and Toro shall jointly cause Red Iron to offer to participating Toro distributors and dealers floorplan financing and open account financing for all Toro Products in accordance with the credit policies of Red Iron in effect from time to time. Toro and TCFIF shall use their best efforts to enroll Toro distributors in the Red Iron finance program as promptly as possible and to enroll at least [***] Toro dealers, representing at least [***] percent ([***]%) of the amount of floorplan financing of Toro Products by third-party floorplan finance lenders to Toro dealers during Toro's 2008 fiscal year, in the Red Iron finance program by [***]. TCFIF agrees to cause Red Iron to negotiate the terms of any agreements with Toro distributors and dealers in good faith and to include in such agreements commercially reasonable provisions requested by distributors in order to account for sales subject to commercial inventory financing as true sales. TCFIF covenants and agrees with Toro that, during the term of this Agreement in connection with the performance of its obligations under the TCFIF Services Agreement, it shall establish dedicated credit lines for each dealer and distributor covering Toro Products financed by Red Iron. TCFIF agrees to cause Red Iron to service receivables which would qualify as Eligible Receivables but for the fact that the distributor or dealer does not qualify under the terms of the Red Iron credit policies on such terms as TCFIF and Red Iron shall mutually agree.

(b) TCFIF shall use its best efforts to cause Red Iron to provide to Toro distributors and dealers floorplan financing and open account financing with [***]. For purposes of determining "similarly situated distributors and dealers," all relevant factors shall be considered, including manufacturer rate and other support, dealer loss experience, manufacturer loss sharing, manufacturer participation, dealer credit quality, product mix, product turn, the budget for Red Iron and the targeted rate of return for Red

Iron. This Section 2.7(b) shall not apply to any financing program heretofore or hereafter acquired by TCFIF for the then-remaining term (without any extension thereof) of such financing program. On not less than an annual basis, and more frequently as Toro may reasonably request, TCFIF shall send a representative to report to the Management Committee on TCFIF's compliance with TCFIF's obligations under this Section 2.7(b). Notwithstanding the foregoing, in no event shall TCFIF be required to disclose to the Management Committee (i) any confidential or proprietary information of TCFIF, or (ii) any information that would cause it to violate any banking rules or regulations to which it is subject, including The Bank Secrecy Act of 1970, as amended, or any contractual confidentiality obligation owed to any third party.

(c) So that Toro and Toro Sub may make a fully informed decision as to whether to continue Red Iron beyond the initial term contemplated by the LLC Agreement, upon the request of Toro and Toro Sub made not later than July 31, 2013, TCFIF agrees to obtain from TCF Bank and provide to Toro and Toro Sub, no later than August 31, 2013, written notice indicating TCF Bank's intent with respect to extension of the term of the Performance Assurance Agreement in conjunction with TCFIF's willingness to extend the term of the Credit Agreement prior to the one-year advance notice date required in order to not extend the initial term of Red Iron. In the event the term of the LLC Agreement is extended beyond its initial term, upon the request of Toro and Toro Sub, TCFIF agrees to obtain from TCF Bank similar written notice no later than fourteen (14) months prior to any subsequent expiration of the term of Red Iron.

2.8 Exclusivity.

(a) Subject to the provisions of Section 2.8(d), Toro covenants and agrees with TCFIF that, during the term of Red Iron, it shall not, and it shall not permit any Affiliate of Toro to, directly or indirectly, operate, conduct, enter into, consummate, or otherwise arrange for any joint venture, partnership or other legal entity, contractual arrangement, or other legal or business relationship, except for the Toro Phase II Business prior to its sale to Red Iron, with any other person or entity for the purpose (whether exclusive, primary or otherwise) of operating a commercial inventory finance business in the United States or Canada to support the purchase of Toro Products or otherwise providing commercial inventory financing (including floorplan financing or open account financing) to some or all of the dealers or distributors of Toro or any of its Affiliates for Toro Products. Toro acknowledges and agrees that its agreement set forth in this Section 2.8(a) is a material inducement for TCFIF to enter into, and continue performing under, this Agreement.

(b) TCFIF covenants and agrees with Toro that, during the term of Red Iron it shall not, and it shall not permit any Affiliate of TCFIF (other than TCFIF Sub with respect to Red Iron) to, directly or indirectly, operate, conduct, enter into, consummate, or otherwise arrange for any joint venture, partnership or other jointly owned legal entity for the purpose (whether exclusive, primary or otherwise) of (i) operating a wholesale finance business within the United States or Canada to support the financing of Lawn and Garden Products, or (ii) otherwise providing financing (including floorplan financing), working capital or similar loan facilities to some or all of the dealers or distributors of any manufacturer of Lawn and Garden Products within the United States or Canada. TCFIF acknowledges and agrees that its agreement set forth in this Section 2.8(b) is a material inducement for Toro to enter into, and continue performing under, this Agreement.

(c) Nothing contained in this Agreement shall preclude TCFIF from providing commercial inventory financing to dealers and distributors within the United States or

Canada for Lawn and Garden Products manufactured or distributed by manufacturers other than Toro, provided that (i) such financing is not conducted in contravention of Section 2.8(b) above and (ii) TCFIF is in compliance with its obligations set forth in Section 2.7 above.

(d) The provisions of Sections 2.6 and 2.8(a) shall not apply to commercial inventory finance business with respect to (i) receivables that are not Eligible Receivables or otherwise not acquired by Red Iron by reason of limits under the terms of the Credit Agreement or otherwise; (ii) receivables due from Affiliates of Toro (including distributors that are wholly owned subsidiaries of Toro), mass market retailer customers or governmental entities; (iii) receivables arising out of any business acquired by Toro or an Affiliate of Toro following the date hereof that are subject to a financing program agreement at the time of the acquisition thereof, provided that Toro agrees to use commercially reasonable efforts (so long as Toro is not obligated to incur any significant expense to do so) to terminate any such agreements in order to permit Red Iron to provide such financing, provided that Red Iron has the financial capacity including access to adequate lines of credit to accommodate such additional financing; (iv) receivables due Exmark prior to the date of the sale of the Toro Phase II Finance Business to Red Iron; or (v) receivables created during the liquidation period for Red Iron contemplated by Section 10.04 of the LLC Agreement. In addition, in the event TCFIF Sub fails to make a capital contribution required by Article II of the LLC Agreement and Toro Sub makes a corresponding Deficit Loan (as such term is defined in Section 2.05 of the LLC Agreement), and TCFIF fails to pay to Toro Sub all amounts due with respect to such Deficit Loan within thirty (30) days of the advancement thereof, the provisions of Section 2.8(a) shall no longer apply to Toro.

2.9 Services.

(a) TCFIF agrees to use commercially reasonable efforts to provide to Red Iron the services described in the TCFIF Services Agreement with such priority and speed as shall meet the reasonably expected needs of Red Iron.

(b) Toro agrees to use commercially reasonable efforts to provide to Red Iron the services described in the Toro Services Agreement with such priority and speed as shall meet the reasonably expected needs of Red Iron.

2.10 Other Business. During the term of Red Iron, each Party, and each Party's Affiliates, may continue to operate its business in the usual and ordinary course. Subject to the provisions of Section 2.8, each Party, and each Party's Affiliates (exclusive of Red Iron) may, at any time and from time to time, engage in and pursue other business ventures. Without limiting the scope of the foregoing, each of TCFIF, TCFIF Sub, Toro and Toro Sub may pursue other business opportunities (including joint ventures) with no obligation to refer business or offer opportunities to Red Iron or to each other, except as otherwise expressly provided in Sections 2.6 and 2.7 of this Agreement.

2.11 Trade Names. Subject to the terms of the Trademark License Agreement, neither Party shall obtain any rights in any trade name of the other Party or any of its Affiliates by virtue of this Agreement or as a result of the formation and operation of Red Iron. Upon dissolution and completion of the winding-up of Red Iron, Toro Sub shall succeed to the name "Red Iron Acceptance" and neither TCFIF nor TCFIF Sub shall have any rights thereto.

2.12 Canadian Program.

(a) Within ninety (90) days of the date of this Agreement, TCFIF shall implement, in cooperation with Toro, a program to provide floorplan and open account financing for dealers of Toro Products located within Canada in form and substance reasonably satisfactory to Toro and TCFIF that shall provide for dedicated credit lines for each dealer covering Toro Products at competitive rates and terms, subject to applicable regulatory, legal, tax and accounting considerations. During such ninety (90) day period, TCFIF will develop a documentation process to accompany such program (including the preparation of appropriate form dealer documents). If such program is not implemented, or the accompanying documentation process is not developed, within ninety (90) days of the date of this Agreement, Toro's sole remedies for such failure will be to (i) elect to be released from its obligations under Section 2.8(a) with respect to dealers within Canada until such time as the program is implemented and such documentation process is developed, provided that such implementation occurs on or before December 31, 2009, and (ii) reduce the Performance Fee otherwise payable to TCFIF as follows:

<u>Date of Implementation of the Canadian Program</u>	<u>Effect on Performance Fee</u>
More than ninety (90) days after the date of this Agreement but on or prior to December 31, 2009	Reduced by [***]
After December 31, 2009	Reduced by [***]

Notwithstanding the foregoing, in no case will the amount of the Performance Fee, if any, be reduced below zero.

(b) To the extent the cumulative pre-tax return on assets of such program exceeds [***]%, then TCF Commercial Finance Canada, Inc. ("TCFCFC") will pay to Toro or its designated Affiliate [***]% of such excess; provided, however, that if such payment is made to Toro or an Affiliate of Toro not organized under the laws of Canada or any province of Canada, such payment shall be made net of withholding, if any, imposed on TCFCFC (the "Toro Amount"). The Toro Amount, less any Toro Amounts paid in prior years, will be paid by TCFCFC to Toro or its designated Affiliate on an annual basis. For purposes of determining the cumulative pre-tax return on assets, within ninety (90) days of each December 31, TCFCFC will prepare and deliver to Toro a profit and loss statement covering the period from the program inception to December 31 of the most recently completed calendar year using the following: (i) cost of service assumptions of [***]% of the average of the beginning and ending receivable balances for each month included in the prior calendar year ("Average Net Receivables"), (ii) funding cost based on actual funding costs and a capital structure that assumes [***]% equity; provided, however, that if no third-party funding is in place, the implied rate will be based on the Canadian prime rate, and (iii) bad debt reserve rate assumptions based on [***] of Average Net Receivables, subject to TCFCFC's accounting policies and practices and the impact of any actual losses of the portfolio. Toro shall agree to provide a free floorplan period to dealers within Canada upon rates and terms substantially similar to rates and terms currently offered by Toro to dealers within Canada (which are substantially similar to rates and terms offered by Toro to dealers within the United States). Pricing to dealers and to Toro or its designated Affiliate within Canada will be indexed to 30-day Canadian bankers' acceptance rates. The Parties acknowledge that such program will not be conducted by Red Iron.

For purposes of this Section 2.12(b), the “cumulative pre-tax return on assets” shall mean a quotient, (x) the numerator of which is equal to the product of (i) the pre-tax income of the program from the date of inception through December 31 of the most recently completed calendar year, divided by the number of calendar months from the date of inception through December 31 of the most recently completed calendar year, multiplied by (ii) 12, and (y) the denominator of which is equal to (i) the sum of the monthly Average Net Receivables, divided by (ii) the number of calendar months from the date of inception through December 31 of the most recently completed calendar year.

2.13 DataScan Systems Enhancements; Performance Fee.

(a) In accordance with Section 2.A of Schedule 1 to the TCFIF Services Agreement, TCFIF shall work with DataScan Technologies LLC (“DataScan”) to provide to Red Iron the DataScan WMS 4.x test system and the DataScan DAS 4.x test system (collectively, the “Test System”) with the system enhancements described in the System Enhancement Document attached as Annex A to Schedule 1 to the TCFIF Services Agreement (the “DataScan System Enhancements”). Subject to paragraph (b) below and Section 2.12, if the DataScan Delivery Date (as defined herein) occurs on or before December 31, 2009, Toro shall pay to TCFIF a performance fee as follows (the “Performance Fee”):

<u>DataScan Delivery Date</u>	<u>Amount of Performance Fee</u>
On or before October 12, 2009	\$[***]
October 13, 2009 through November 12, 2009	\$[***]
November 13, 2009 through December 12, 2009	\$[***]
December 13, 2009 through December 31, 2009	\$[***]

Toro shall not be required to pay a Performance Fee to TCFIF if the DataScan Delivery Date occurs after December 31, 2009. The Performance Fee, if any, shall be paid by Toro to TCFIF promptly upon the later to occur of (i) completion of the user acceptance testing described in clause (iii) of paragraph (b) below and (ii) implementation of the Canadian program described in Section 2.12.

“DataScan Delivery Date” will be deemed to be the date upon which DataScan makes a version of the Test System (including the DataScan System Enhancements) available to TCFIF and Toro (or Red Iron) for user acceptance testing, which subsequently passes user acceptance testing as contemplated by, and subject to the provisions of, clause (iii) of paragraph (b) below.

(b) (i) Toro shall use commercially reasonable efforts to cooperate with TCFIF and DataScan in connection with the determination of the testing requirements for the DataScan System Enhancements. In addition, Toro shall approve or otherwise respond to all DataScan provided “use cases” within four (4) business days of delivery thereof by TCFIF to Toro. For purposes of clarity, any changes to or requests for clarification regarding a “use case” shall toll the four (4) business day period until such changes or clarifications are received by Toro; provided, however, that during such tolling period, Toro responds to any request from DataScan within two (2) business days. If Toro fails to approve a “use case” within such four (4) business day period (or such additional tolling period permitted by the previous sentence), TCFIF’s sole and exclusive remedy for such failure shall be that the specified enhancement to which such “use case” relates

shall be deemed not to be a DataScan System Enhancement for purposes of determining the DataScan Delivery Date or completion of the user acceptance testing described in clause (iii) below.

(ii) If there is any change by, or at the request of, Toro to the scope of the DataScan System Enhancements that has the effect of extending the delivery date of any specific enhancement, TCFIF's sole and exclusive remedy for such scope change shall be that the specified enhancement to which such "use case" relates shall be deemed not to be a DataScan System Enhancement for purposes of determining the DataScan Delivery Date or completion of the user acceptance testing described in clause (iii) below.

(iii) Toro shall use commercially reasonable efforts to cooperate with TCFIF (including actively participating in the design and execution of user acceptance testing) and DataScan in connection with the user acceptance testing of the Test System (including the DataScan System Enhancements) that is production ready in all material respects within twenty-six (26) calendar days from the date upon which DataScan first makes the Test System (including the DataScan System Enhancements) available to TCFIF and Toro (or Red Iron) for user acceptance testing. If the Test System (including the DataScan System Enhancements) is not production ready in all material respects within such twenty-six (26) calendar day period, then the DataScan Delivery Date for the purpose of determining the amount of the Performance Fee shall be the date of actual delivery of the Test System (including the DataScan System Enhancements) that is production ready in all material respects.

(c) The Performance Fee is in addition to any fees payable to TCFIF under the TCFIF Services Agreement for performance of services related to the Test System or the DataScan System Enhancements. The parties agree that the Performance Fee is between TCFIF and Toro and shall not be charged as an expense to Red Iron.

2.14 Credits. If Toro or any Toro Affiliate in the ordinary course of business issues any credit to any Account Debtor with respect to any Transferred Receivable (as those terms are defined in a Receivable Purchase Agreement) sold to Red Iron under the terms of any Receivable Purchase Agreement or any Wholesale Instrument (as such term is defined in any Repurchase Agreement) issued by Red Iron that reduces any amount due with respect to a Transferred Receivable or Wholesale Instrument, Toro shall, or shall cause such Affiliate to, pay to Red Iron an amount equal to such credit within two (2) Business Days of the issuance thereof.

2.15 Exclusivity Incentive Payment. On October 20, 2010 TCFIF shall pay to Toro an Exclusivity Incentive Payment (as defined herein) if on or before October 31, 2009, Toro shall have taken all such actions required to be taken by Toro pursuant to the initial Receivable Purchase Agreement in order to effect the initial sale of receivables under the initial Receivable Purchase Agreement which sale shall comprise all floorplan dealer and distributor receivables that are Eligible Receivables (or such lesser portion thereof as Toro is permitted to sell under the terms of any agreements of Toro restricting the amount of such sale, in which case the unsold portion is sold to Red Iron as soon as permitted under such agreements). "Exclusivity Incentive Payment" shall mean an amount equal to:

Date Toro Offers Receivables for Sale Under Initial
Receivable Purchase Agreement

Amount of Exclusivity Incentive Payment

On or before October 1, 2009	The product of [***] (the “Exclusivity Calculation”)
October 2, 2009 through October 31, 2009	Exclusivity Calculation less the product of [***].
After October 31, 2009	Zero

Such Exclusivity Incentive Payment will be payable in consideration of the exclusive relationships among TCFIF, Toro and Red Iron, as described in Section 2.8 hereof, from which TCFIF will derive substantial benefit. If Red Iron shall be dissolved prior to October 31, 2014 pursuant to Section 10.01(a) of the LLC Agreement (with respect to Toro) or pursuant to TCFIF Sub’s election pursuant to Sections 10.01(c), (d), (e), (i), and (j) of the LLC Agreement, then Toro shall remit to TCFIF an amount equal to the product of (i) the Exclusivity Incentive Payment multiplied by (ii) a fraction, the numerator of which shall be the number of days from the date of dissolution through October 31, 2014 and the denominator of which shall be the total number of days from the date of this Agreement through October 31, 2014. The parties agree that the Exclusivity Incentive Payment is between TCFIF and Toro and shall not be charged as an expense to Red Iron.

2.16 Termination of Toro Commercial Inventory Management System. The Parties shall work together to eliminate or minimize the cost of terminating Toro’s third-party-provided commercial inventory management system. To the extent Toro is obligated to make a payment to such third party in connection with the termination and such payment results in a reduction to TCFIF’s fees due to such third party for TCFIF’s commercial inventory management system, TCFIF shall pay to Toro an amount equal to such reduction, as and when TCFIF receives the benefit of such reduction. Notwithstanding the provisions of the TCFIF Services Agreement, TCFIF shall not be required to pass along the benefit of any discount to Red Iron.

**ARTICLE III
Representations and Warranties**

Each Party represents and warrants to the other Party with respect to itself and its respective subsidiary that is a member of Red Iron that:

3.1 Due Organization; Authority. It is a corporation or limited liability company duly organized and validly existing in good standing under the laws of the state of its incorporation or formation, as applicable, and has the power, authority and legal right to enter into and perform its obligations under the Definitive Agreements to which it is a party.

3.2 Due Authorization; Enforceability. Each of the Definitive Agreements to which it is a party has been duly authorized, executed and delivered by it and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitutes its valid and legally binding obligation, enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization fraudulent conveyance, moratorium and other similar laws affecting the rights of creditors generally and by general principles of equity.

3.3 No Violation. The execution and delivery by it of the Definitive Agreements to which it is a party do not, and the performance by it of its obligations thereunder shall not (i) violate or conflict with any provision of its charter or by-laws or other constituent documents, any law, governmental rule or regulation, judgment or order applicable to it, or any provision of any indenture, mortgage, contract or other instrument to which it is a party or by which it or its property is bound, (ii) constitute a default under any agreement to which it is a party or by which it or its property is bound, or (iii) require the consent or approval of, the giving of notice to, the registration with or the taking of any action in respect of or by, any federal or state governmental authority or agency (including any local governmental authority or agency), except such as have been duly obtained, given or accomplished and are in full force and effect

3.4 Brokers or Finders. Neither it nor any of its officers, agents, representatives, employees, members or shareholders has employed any brokers, finders or other intermediaries, or incurred any liability for any broker's fees, finder's fees, commissions or other amounts, with respect to Red Iron or the transactions contemplated by the Definitive Agreements.

3.5 Sufficient Resources. It has sufficient resources to perform or to cause its Affiliates to perform their respective financial and other obligations as contemplated by the Definitive Agreements.

3.6 Liens. The performance of any transactions contemplated by this Agreement or the other Definitive Agreements shall not give rise to any liens on the property of Red Iron or either member of Red Iron, except as expressly contemplated by the Credit Agreement.

ARTICLE IV Confidentiality

During the term of Red Iron and for a period of two (2) years thereafter, each Party shall, and shall cause its officers, directors, employees, representatives and agents and Affiliates to keep any nonpublic information which the other Party treats or designates as confidential, any nonpublic information concerning the formation and operation of Red Iron or the particulars thereof, and any other nonpublic information set forth in the Definitive Agreements or in other documents concerning Red Iron or relating to the performance by the Parties of any of the Definitive Agreements ("Confidential Information"), strictly confidential and not disclose any such information to any person (except for such Party's financial and legal advisors, lenders and accountants responsible for or actively engaged in the review, performance or development of Red Iron or its business), or use any such information in the business of such Party. The Parties and their Affiliates shall be deemed to have fulfilled their obligations hereunder if they exercise the same degree of care to preserve and safeguard such Confidential Information as Toro and TCFIF, respectively, use to preserve and safeguard their own confidential information, provided that upon discovery of any inadvertent disclosure of any Confidential Information, the Party making such inadvertent disclosure endeavors to prevent further use of such information and attempts to prevent similar future inadvertent disclosures. Notwithstanding the foregoing, neither Party shall be liable for any disclosure or use of any of the disclosing Party's Confidential Information if such information is (1) publicly available or later becomes publicly available to such Party other than through a breach of this Agreement; (2) already previously known on the date such information is disclosed; (3) subsequently lawfully obtained by such Party from a third party who does not have an obligation to keep such information confidential; (4) independently developed by such Party without the use of the disclosing Party's Confidential Information; (5) disclosed pursuant to a valid regulatory or judicial order, decree, subpoena, or other process or requirement of law or regulation (including any requirements of any national securities exchange where such Party's securities are listed), provided that the Party disclosing such information to such court, governmental entity or regulatory authority shall give notice to the original disclosing Party in writing in advance thereof so the original disclosing Party may seek a

protective order or other appropriate remedy and/or waive compliance with the provisions of this Article IV and the Party disclosing the information shall disclose only that portion of the Confidential Information that counsel to such Party disclosing the information advises is legally required to be disclosed; (6) disclosed in connection with an audit or examination of records conducted in the ordinary course of such Party's business by a governmental or regulatory authority (including any national securities exchange where such Party's securities are listed) with jurisdiction thereover, or by independent certified public accountants, provided that such governmental or regulatory authority or accountants shall have been advised of the confidential nature of such information; or (7) expressly released from the restrictions of this Article IV by the original disclosing Party in writing. Each Party recognizes and acknowledges that the injury to Red Iron and the other Party which would result from a breach of the provisions of this Article IV could not adequately be compensated by money damages. The Parties expressly agree and contemplate, therefore, that in the event of the breach or default by either Party of any provision of this Article IV, Red Iron or the other Party may, in addition to any remedies which it might otherwise be entitled to pursue, obtain such appropriate injunctive relief in support of any such provision of this Agreement.

ARTICLE V Indemnification

Each Party shall indemnify, defend and hold harmless the other Party (and its Affiliates and the past, present and future officers, directors, shareholders, members, employees, attorneys, representatives and agents of such Party and such Affiliates) (collectively, the "Indemnified Parties") against all losses, costs, damages and expenses (including reasonable attorney's fees and expenses) incurred by the Indemnified Parties as a result of such Party's breach or the breach by the Affiliates of any Party of any of its representations, warranties or obligations hereunder or under any of the Definitive Agreements; provided, however, that to the extent such breach is or relates to an Arbitrable Dispute (as hereinafter defined), the Indemnified Party shall have complied with the dispute resolution procedures described in Article VI. NEITHER PARTY TO THIS AGREEMENT SHALL BE RESPONSIBLE OR LIABLE TO THE OTHER PARTY TO THIS AGREEMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR PUNITIVE, EXEMPLARY OR, EXCEPT IN THE CASE OF FRAUD, BAD FAITH, WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, INDIRECT OR CONSEQUENTIAL DAMAGES THAT MAY BE ALLEGED AS A RESULT OF ANY TRANSACTION CONTEMPLATED HEREUNDER.

ARTICLE VI Dispute Resolution

6.1 Generally. If any controversy or claim arising out of or relating to the interpretation of this Agreement, or the existence or extent of, a breach of any duties hereunder (but exclusive of Article IV (confidential information), Article V (indemnification), Section 7.3 (governing laws; jurisdiction), Section 7.4 (waiver of jury trial) and Section 7.15 (publicity)) shall arise between the Parties, or if the Parties shall be unable to agree as to the determination of any accounting matter or other computation expressly contemplated by this Agreement (all such disputes and failures to agree, the "Arbitrable Disputes"), then either Party may request, by giving written notice to the other Party (the "Request Notice"), that the "Officers confer within five (5) business days regarding the Arbitrable Dispute. The Officers shall confer in good faith and use all reasonable efforts to resolve the Arbitrable Dispute. If the Officers do not resolve the Arbitrable Dispute within ten (10) business days after delivery of the Request Notice, then the Arbitrable Dispute shall be submitted to mediation and then arbitration in accordance with the procedures set forth below in this Article VI.

6.2 Mediation. Arbitrable Disputes shall be submitted to mediation (assuming other good faith attempts to resolve the dispute have failed) prior to submitting such claim to arbitration pursuant to this Article VI. The mediation shall take place in Minneapolis, Minnesota, unless the Parties agree to conduct the mediation at another location. If the Parties are unable to agree upon a mediator, each Party shall select a mediator, which mediators in turn shall select the mediator of the dispute. Each Party's representation at the mediation shall include a business representative having full settlement authority. The Parties shall use best efforts to schedule the mediation within thirty (30) days after delivery of the Request Notice. Any mediation shall be non-binding and all statements, whether oral or in writing, that are made as part of any mediation shall be subject to Federal Rule of Evidence 408 and cannot be used by either Party in any subsequent arbitration in a manner prohibited by Federal Rule of Evidence 408. The Parties acknowledge that they agree to mediate disputes in hopes of amicably resolving the matter before incurring significant attorneys' fees that may act as a barrier to settlement of the dispute at a later time. Accordingly, the Parties shall mediate in good faith and use reasonable efforts to reach a resolution of the matter.

6.3 Arbitration. If the Parties are unable to resolve an Arbitrable Dispute through mutual cooperation, negotiation or mediation, such Arbitrable Dispute shall be finally resolved by arbitration by a single arbitrator in accordance with the Commercial Arbitration Rules, except as otherwise provided herein, of the American Arbitration Association ("AAA") but without intervention of the AAA. The arbitration shall take place in Minneapolis, Minnesota, unless the Parties agree to conduct the arbitration at another location. If the Parties are unable to agree upon an arbitrator, each Party shall select an arbitrator, which arbitrators in turn shall select the arbitrator of the dispute. The arbitrator of the dispute shall be an accountant, attorney or retired judge with a working knowledge of the commercial inventory finance industry. The Parties agree to facilitate the arbitration by: (a) conducting arbitration hearings to the greatest extent possible on successive, contiguous days; and (b) observing strictly the time periods established by the applicable rules and procedures or by the arbitrator for the submission of evidence and briefs. Discovery in the arbitration shall be as limited as reasonably possible and in no event shall a Party be entitled to take more than three depositions (each deposition completed in no more than seven hours), ask more than ten narrowly focused interrogatories (sub-parts of an interrogatory deemed as a separate interrogation), or make more than fifteen narrowly focused document requests (sub-parts of a request deemed as a separate request). Any up-front fees payable to the arbitrator or like up-front fees shall be divided equally between the Parties. The arbitrator shall have the authority to award relief under legal or equitable principles and to allocate responsibility for the costs of the arbitration and to award recovery of reasonable attorney's fees and expenses to the prevailing Party. A full and complete record and transcript of the arbitration proceeding shall be maintained. The arbitrator shall issue a reasoned decision. Each Party shall have five (5) business days to object to the arbitrator's decision, or any part thereof, by written submission made to the arbitrator and the other Party shall have five (5) business days to submit a written response to the objection. The arbitrator may hold a hearing regarding any objection if deemed appropriate by the arbitrator. In the event an objection is submitted, the arbitrator shall issue a supplemental reasoned decision addressing all objections. Thereafter, the decision of the arbitrator shall be final, binding and nonappealable and shall be reviewable only to the extent provided by law.

6.4 Additional Provisions. If either Party brings or appeals any judicial action to vacate or modify any award rendered pursuant to arbitration or opposes the confirmation of such award and the Party bringing or appealing such action or opposing confirmation of such award does not prevail, such Party shall pay all of the costs and expenses (including court costs, arbitrators' fees and expenses and reasonable attorneys' fees) incurred by the other Party in defending such action. Additionally, if either Party brings any action for judicial relief of an Arbitrable Dispute in the first instance without pursuing arbitration prior thereto, the Party bringing such action for judicial relief shall be liable for and shall immediately pay to the other

Party all of the other Party's costs and expenses (including court costs and reasonable attorneys' fees) in the event the other Party successfully moves to stay or dismiss such judicial action and/or compel it to arbitration. The failure of either Party to exercise any rights granted hereunder shall not operate as a waiver of any of those rights. This Agreement concerns transactions involving commerce among the several states. The arbitrator shall not be empowered to award punitive, exemplary, or, except in the case of fraud, bad faith, willful misconduct or gross negligence, indirect or consequential damages. The arbitrator shall decide if any inconsistency exists between the rules of the applicable arbitral forum and the arbitration provisions contained herein. If such inconsistency exists, the arbitration provisions contained herein shall control and supersede such rules. The agreement to arbitrate shall survive termination of this Agreement. The initiation of the dispute resolution procedures in this Article VI shall not excuse either Party, or any of its respective Affiliates, from performing its obligations hereunder or under any of the other Definitive Agreements or in connection with the transactions contemplated hereby. While the dispute procedure is pending, the Parties and their respective Affiliates shall continue to perform in good faith their respective obligations hereunder and under the other Definitive Agreements, subject to any rights to terminate this Agreement or the other Definitive Agreements that may be available to the Parties or their respective Affiliates. The provisions of this Article VI shall be the exclusive process for all Arbitrable Disputes. The terms of this Article VI, shall be without prejudice to the rights of each Party to obtain recovery from, or to seek recourse against, the other Party (or otherwise), in such manner as such Party may elect (but subject to Section 7.4) for all claims, damages, losses, costs and matters other than those related to Arbitrable Disputes.

ARTICLE VII General

7.1 Additional Documents and Acts; Further Assurances. In connection with this Agreement, as well as all transactions contemplated by this Agreement, each Party agrees to execute and deliver such additional documents and instruments, and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement, and all such transactions. All approvals of either Party hereunder shall be in writing.

7.2 Notices. Notices and all other communication provided for herein shall be in writing and shall be deemed to have been given to a Party at the earlier of (a) when personally delivered, (b) 72 hours after having been deposited into the custody of the U.S. Postal Service, sent by first class certified mail, postage prepaid, (c) one business day after deposit with a national overnight courier service, (d) upon receipt of a confirmation of facsimile transmission, or (e) upon receipt of electronic mail (with a notice contemporaneously given by another method specified in this Section 7.2); in each case addressed as follows:

If to TCFIF: TCF Inventory Finance, Inc.
2300 Barrington Road, Suite 600
Hoffman Estates, IL 60169
Attention: Vincent E. Hillery, General Counsel
Telephone: (847) 252-6616
Facsimile: (847) 285-6012
Email: vhillery@tcfif.com

With copies to:

TCF National Bank
200 E. Lake Street
Wayzata, MN 55391
Attention: General Counsel
Telephone: (952) 475-6498
Facsimile: (952) 475-7975
Email: jgreen@tcfbank.com

and

Kaplan, Strangis and Kaplan, P.A.
5500 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402
Attention: Harvey F. Kaplan, Esq.
Telephone: (612) 375-1138
Facsimile: (612) 375-1143
Email: hfk@kskpa.com

If to Toro: The Toro Company
8111 Lyndale Avenue South
Bloomington, MN 55420
Attention: Treasurer
Telephone: (952) 887-8449
Facsimile: (952) 887-8920
Email: Tom.Larson@toro.com

With copies to:

The Toro Company
8111 Lyndale Avenue South
Bloomington, MN 55420
Attention: General Counsel
Telephone: (952) 887-8178
Facsimile: (952) 887-8920
Email: Tim.Dordell@toro.com

and

Oppenheimer Wolff & Donnelly LLP
3300 Plaza VII Building
45 South Seventh Street
Attention: C. Robert Beattie, Esq.
Telephone: (612) 607-7395
Facsimile: (612) 607-7100
Email: RBeattie@Oppenheimer.com

or to such other address as either Party hereto may have furnished to the other Party hereto in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

7.3 Governing Laws; Jurisdiction. This Agreement shall be subject to and governed by the laws of the state of Minnesota, without regard to conflicts of laws principles. Each of the Parties hereby irrevocably submits to the non-exclusive jurisdiction of the Federal courts sitting

in Minneapolis or St. Paul, Minnesota and any state court located in Hennepin County, Minnesota, and by execution and delivery of this Agreement, each Party hereto accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of such courts with respect to any litigation concerning this Agreement or the Definitive Agreements or the transactions contemplated thereby or any matters related thereto not subject to the provisions of Article VI. Each Party hereto irrevocably waives any objection (including any objection to the laying of venue or any objection on the grounds of forum non conveniens) which it may now or hereafter have to the bringing of any proceeding with respect to this Agreement or the Definitive Agreements to the courts set forth above. Each Party hereto agrees to the personal jurisdiction of such courts and that service of process may be made on it at the address indicated in Section 7.2 above. Nothing herein shall affect the right to serve process in any other manner permitted by law.

7.4 Waiver of Jury Trial. EACH OF TORO AND TCFIF, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING TO THIS AGREEMENT OR ANY OTHER DEFINITIVE AGREEMENT IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER DEFINITIVE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. THIS WAIVER IS A MATERIAL INDUCEMENT FOR EACH PARTY ENTERING INTO THIS AGREEMENT.

7.5 Entire Agreement. This Agreement, together with the other Definitive Agreements and any documents or agreements contemplated hereby or thereby, contains all of the understandings and agreements of whatsoever kind and nature existing between the Parties hereto and their respective Affiliates with respect to this Agreement and the other Definitive Agreements, the subject matter hereof and of the other Definitive Agreements, and the rights, interests, understandings, agreements and obligations of the Parties and their respective Affiliates pertaining to the subject matter hereof and thereof and Red Iron, and supersedes any previous agreements between the Parties and their respective Affiliates.

7.6 Waiver. No consent or waiver, expressed or implied, by either Party or any of their respective Affiliates to or of any breach or default by the other Party or any of its Affiliates in the performance by the other Party or any of its Affiliates of its obligations under this Agreement or any of the other Definitive Agreements to which it is a party shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by that Party or any of its Affiliates of the same or any other obligations of that Party or its Affiliates. Failure on the part of either Party or its Affiliates to complain of any act or failure to act on the part of the other Party or its Affiliates or to declare the other Party or its Affiliates in default, irrespective of how long the failure continues, shall not constitute a waiver by that Party or its Affiliates of its rights under this Agreement or the other Definitive Agreements.

7.7 Severability. If any provision of this Agreement or its application to any Person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of the provisions to other persons or circumstances shall not be affected thereby, and this Agreement shall be enforced to the greatest extent permitted by law.

7.8 Expenses Incurred in the Formation of Red Iron. All disbursements for (a) organization, qualification to do business and fictitious name filings contemplated by Section 2.3, (b) single interest insurance contemplated by Section 2.4(b), (iii) preparation of the Business Plan contemplated by Section 2.1; (c) the pre-formation costs and other costs described on Schedule 7.8 attached hereto that are in the future or have been incurred by the Parties in connection with the formation of Red Iron shall be charged by the Parties to Red Iron. All other fees, charges and expenses incurred by the Parties in connection with the formation of Red Iron

and the transactions contemplated hereby (including all related legal fees) shall be borne by the Party incurring them.

7.9 Binding Agreement, Assignments. This Agreement shall be binding upon the Parties and their respective successors and assigns and shall inure to the benefit of the Parties and their respective successors and permitted assigns. Notwithstanding the foregoing, neither Party hereto shall be permitted to assign its rights and obligations hereunder without the prior written consent of the other Party. Whenever a reference to any party or Party is made in this Agreement, such reference shall be deemed to include a reference to the successors and permitted assigns of that party or Party.

7.10 Third-Party Beneficiaries. This Agreement is for the sole and exclusive benefit of the Parties, and it shall not be deemed to be for the direct or indirect benefit of any other Person. With respect to the Definitive Agreements, Toro and TCFIF shall each be deemed a third-party beneficiary of each such Definitive Agreement to which any of its respective Affiliates or Red Iron is a party and entitled to (a) enforce any such agreements on behalf of such Affiliates or Red Iron and (b) recover damages incurred by such Party as a result of breach by any Affiliate of the other Party or Red Iron attributable to the other Party or any Affiliate of the other Party of any of the Definitive Agreements.

7.11 Disclaimer of Agency. This Agreement shall not constitute either Party (or any of its Affiliates) as a legal representative, agent, subsidiary, joint venturer, partner, employee or servant of the other Party (or any of its Affiliates) for any purpose whatsoever, nor shall a Party (or any of its Affiliates) have the right or authority to assume, create or incur any liability or any obligation of any kind, expressed or implied, against or in the name or on behalf of the other Party (or any of its Affiliates) or Red Iron, unless otherwise expressly permitted by such other Party, and except as expressly provided in any of the Definitive Agreements.

7.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

7.13 Headings; Interpretation. The headings in this Agreement are inserted for convenience only and are not to be considered in the interpretation or construction of the provisions hereof. Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement: (a) the words “hereof,” “herein” and “hereunder” and words of similar import shall refer to this Agreement as a whole and not to any particular provision of this Agreement; (b) the words “include” and “including” and words of similar import shall not be construed to be limiting or exclusive and (c) the word “or” shall have the meaning represented by the phrase “and/or.”

7.14 Amendments. This Agreement may be amended at any time and from time to time, but any amendment must be in writing and signed by the Parties.

7.15 Publicity. Neither Toro nor TCFIF nor any of their respective Affiliates shall make any public announcement or other disclosure to the press or public regarding this Agreement or Red Iron or any matter related hereto or thereto, unless Toro and TCFIF mutually agree to make an announcement in a form that both Parties have approved. Notwithstanding the foregoing, to the extent a Party (or its Affiliate) is required by law or the rules of a national securities exchange applicable to such Party (or such Affiliate) to make a public announcement regarding this Agreement or Red Iron or any matter related hereto or thereto, then such Party (or such Affiliate) may make a public announcement in order for such Party (or such Affiliate) to duly comply with such law or rule, provided that such Party (or such Affiliate) gives notice to the other Party of such public announcement promptly upon such Party (or such Affiliate) becoming

aware of its need to comply with such law or rule, but, in any event, not later than the time the public announcement is to be made.

7.16 No Assumption in Drafting. The Parties hereto acknowledge and agree that (a) each Party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision, and (b) each Party has been represented by counsel in reviewing and negotiating such terms and provisions. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both parties hereto and not in favor or against either Party.

[Signature page follows]

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of, and is effective as of, the date first set forth above.

THE TORO COMPANY

By: /s/ Thomas J. Larson

Name: Thomas J. Larson

Title: Vice President, Treasurer

TCF INVENTORY FINANCE, INC

By: /s/ Rosario A. Perrelli

Name: Rosario A. Perrelli

Title: President and CEO

[PORTIONS HEREIN IDENTIFIED BY [***] HAVE BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE THE EXCLUDED INFORMATION IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.]

**FIRST AMENDMENT
TO
AGREEMENT TO FORM JOINT VENTURE**

THIS FIRST AMENDMENT TO AGREEMENT TO FORM JOINT VENTURE, dated as of June 6, 2012 (this "Amendment"), is entered into by and between THE TORO COMPANY, a Delaware corporation ("Toro"), and TCF INVENTORY FINANCE, INC., a Minnesota corporation ("TCFIF"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the JV Agreement (as hereinafter defined).

RECITALS

- A. Toro and TCFIF are parties to that certain Agreement to Form Joint Venture, made and entered into as of August 12, 2009 (the "JV Agreement").
- B. The parties hereto have agreed to amend the JV Agreement as provided herein.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Amendments.

(a) Changes to Definitions.

(i) The following defined term is added to Section 1.1 of the JV Agreement so that it appears in alphabetical order:

"Additional Exclusivity Incentive Payment" is defined in Section 2.15(b)."

(ii) The definitions of "Exclusivity Calculation" and "Exclusivity Incentive Payment" in Section 1.1 of the JV Agreement are revised to refer to Section 2.15(a) of the JV Agreement rather than Section 2.15.

(b) Obligation to Finance Red Iron Acquisition of Receivables; Most Favored Customer Pricing. Section 2.7(c) of the JV Agreement is amended and restated in its entirety as follows:

“(c) So that Toro and Toro Sub may make a fully informed decision as to whether to continue Red Iron beyond the initial term or any additional term, as applicable, contemplated by the LLC Agreement, upon the request of Toro and Toro Sub made not later than fifteen (15) months prior to the expiration of such term of Red Iron, TCFIF agrees to obtain, from TCF Bank no later than fourteen (14) months prior to the expiration of such term of Red Iron, a written notice indicating TCF Bank’s intent with respect to extension of the term of the Performance Assurance Agreement in conjunction with TCFIF’s willingness to extend the term of the Credit Agreement.”

(c) Exclusivity. Section 2.8(b) of the JV Agreement is amended and restated in its entirety as follows:

“(b) TCFIF covenants and agrees with Toro that, during the term of Red Iron, TCFIF will not and will not permit any Affiliate of TCFIF (other than TCFIF with respect to Red Iron) to provide financing, directly or indirectly, to any joint venture, partnership or other legal entity owned in part by TCFIF or an Affiliate of TCFIF for the purpose of operating a wholesale finance business within the United States or Canada to support the financing of Lawn and Garden Products at a non-default interest rate lower than the “TCFIF Interest Rate” (as such term is defined in the Credit Agreement). TCFIF acknowledges and agrees that its agreement set forth in this Section 2.8(b) is a material inducement for Toro to enter into, and continue performing under, this Agreement.”

(d) Additional Exclusivity Incentive Payment.

(i) A new heading and introductory sentence is added to the beginning of Section 2.15 of the JV Agreement as follows:

“2.15 Exclusivity Incentive Payments. Exclusivity incentive payments shall consist of the following:”

(ii) The language that previously appeared as Section 2.15 of the JV Agreement shall become Section 2.15(a) of the JV Agreement.

(iii) The following is added as a new Section 2.15(b) of the JV Agreement:

“(b) Additional Exclusivity Incentive Payment. On June 6, 2012, TCFIF shall pay to Toro an Additional Exclusivity Incentive Payment (as defined herein). “Additional Exclusivity Incentive Payment” shall mean an amount equal to:

*The product, rounded to the nearest thousand, of [***].*

Such Additional Exclusivity Incentive Payment will be payable in consideration of the continued exclusive relationships among TCFIF, Toro and Red Iron, as described in Section 2.8 hereof, from which TCFIF will continue to derive substantial benefit. If Red Iron shall be dissolved prior to October 31, 2017 pursuant to Section 10.01(a) of the LLC Agreement (with respect to Toro) or pursuant to TCFIF Sub’s election pursuant to Sections 10.01(c), (d), (e), (i), or (j) of the LLC Agreement, then Toro shall remit to TCFIF an amount equal to the product of (i) the Additional Exclusivity Incentive Payment multiplied by (ii) a fraction, the

numerator of which shall be the number of days from the date of dissolution through October 31, 2017, and the denominator of which shall be the total number of days from June 6, 2012 through October 31, 2017. The parties agree that the Additional Exclusivity Incentive Payment is between TCFIF and Toro and shall not be charged as an expense to Red Iron.”

2. Affirmation of JV Agreement; Further References. The parties hereto each acknowledge and affirm that the JV Agreement, as hereby amended, is hereby ratified and confirmed in all respects, and all terms, conditions and provisions of the JV Agreement, except as amended by this Amendment, shall remain unmodified and in full force and effect. All references in any document or instrument to the JV Agreement (including references in the JV Agreement to the terms thereof) are hereby amended to refer to the JV Agreement as amended by this Amendment.

3. Entire Agreement. This Amendment, on and after the date hereof, contains all of the understandings and agreements of whatsoever kind and nature existing among the parties hereto and their respective Affiliates with respect to this Amendment, the subject matter hereof, and the rights, interests, understandings, agreements and obligations of the parties hereto and their respective Affiliates pertaining to the subject matter hereof with the effect that this Amendment shall control with respect to the specific subjects hereof.

4. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in portable document format (.pdf) shall be as effective as delivery of a manually executed counterpart hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the day and year first above written.

THE TORO COMPANY

By: /s/ Thomas J. Larson

Name: Thomas J. Larson

Its: Vice President, Treasurer

TCF INVENTORY FINANCE, INC.

By: /s/ Rosario A. Perrelli

Name: Rosario A Perrelli

Its: President and Chief Executive Officer

[PORTIONS HEREIN IDENTIFIED BY [***] HAVE BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE THE EXCLUDED INFORMATION IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.]

**SECOND AMENDMENT
TO
AGREEMENT TO FORM JOINT VENTURE**

THIS SECOND AMENDMENT TO AGREEMENT TO FORM JOINT VENTURE, dated as of November 29, 2016 (this "Amendment"), is entered into by and between THE TORO COMPANY, a Delaware corporation ("Toro"), and TCF INVENTORY FINANCE, INC., a Minnesota corporation ("TCFIF"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the JV Agreement (as hereinafter defined).

RECITALS

A. Toro and TCFIF are parties to that certain Agreement to Form Joint Venture, made and entered into as of August 12, 2009, as amended by the First Amendment to Agreement to Form Joint Venture dated as of June 6, 2012 (as so amended, the "JV Agreement").

B. The parties hereto have agreed to amend the JV Agreement as provided herein.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Amendments.

(a) Changes to Definitions.

- (i) The definition of "Lawn and Garden Products" in Section 1.1 of the JV Agreement is amended and restated in its entirety as follows:

“Lawn and Garden Products’ means any one or more of the following: walk power mowers, lawn and garden tractors, zero-turn mowers, mid-size walk-behind and stand-on mowers, large reel and riding rotary mowers, riding and walk-behind mowers for putting greens, snow blowers, debris blowers, trimmers, tillers, sweepers and vacuums, aerators, walk-behind trenchers, turf cultivation equipment, turf sprayer equipment, compact utility loaders, golf course bunker maintenance equipment, irrigation systems, utility vehicles for golf courses, lighting products, snow and ice management products and parts and accessories for any of the foregoing.”

- (ii) The following defined term is added to Section 1.1 of the JV Agreement so that it appears in alphabetical order:

“Second Additional Exclusivity Incentive Payment” is defined in Section 2.15(c).”

- (b) Insurance. Section 2.4(b) of the JV Agreement is amended and restated in its entirety as follows:

“(b) If TCFIF has single interest insurance coverage, TCFIF shall arrange for the extension of such single interest insurance coverage to Red Iron’s business. The costs for the extension of TCFIF’s single interest insurance, if any, to Red Iron’s business shall be charged to Red Iron.”

- (c) Additional Exclusivity Incentive Payment. The last paragraph of Section 2.15(b) of the JV Agreement is amended and restated in its entirety as follows:

“Such Additional Exclusivity Incentive Payment will be payable in consideration of the continued exclusive relationships among TCFIF, Toro and Red Iron, as described in Section 2.8 hereof, from which TCFIF will continue to derive substantial benefit. The parties agree that the Additional Exclusivity Incentive Payment is between TCFIF and Toro and shall not be charged as an expense to Red Iron.”

- (d) Second Additional Exclusivity Incentive Payment. The following is added as a new Section 2.15(c) of the JV Agreement:

*“(c) Second Additional Exclusivity Incentive Payment. On November 30, 2016, TCFIF shall pay to Toro a Second Additional Exclusivity Incentive Payment (as defined herein). “Second Additional Exclusivity Incentive Payment” shall mean an amount equal to [***].*

Such Second Additional Exclusivity Incentive Payment will be payable in consideration of the continued exclusive relationships among TCFIF, Toro and Red Iron, as described in Section 2.8 hereof, from which TCFIF will continue to derive substantial benefit. If Red Iron shall be dissolved prior to October 31, 2024 pursuant to Section 10.01(a) of the LLC Agreement (with respect to Toro) or pursuant to TCFIF Sub’s election pursuant to Sections 10.01(c), (d), (e), (i), or (j) of the LLC Agreement, then Toro shall remit to TCFIF an amount equal to the product of (i) the Second Additional Exclusivity Incentive Payment multiplied by (ii) a fraction, the numerator of which shall be the number of days from the date of dissolution through October 31, 2024, and the denominator of which shall be the total number of days from November 1, 2016 through October 31, 2024. The parties agree that the Second Additional Exclusivity Incentive Payment is between TCFIF and Toro and shall not be charged as an expense to Red Iron.”

- (e) Notices. Section 7.2 of the JV Agreement is amended and restated in its entirety as follows:

“7.2 Notices. Notices and all other communication provided for herein shall be in writing and shall be deemed to have been given to a Party at the earlier of (a) when personally delivered or (b) one business day after

deposit with a national overnight courier service; in each case addressed as follows:

*If to TCFIF: TCF Inventory Finance, Inc.
1475 E. Woodfield Road, Suite 1100
Schaumburg, IL 60173
Attention: Chief Legal Counsel*

With copies to:

*TCF National Bank
200 E. Lake Street
Wayzata, MN 55391
Attention: General Counsel*

and

*Faegre Baker Daniels LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402
Attention: Kate Sherburne*

*If to Toro: The Toro Company
8111 Lyndale Avenue South
Bloomington, MN 55420
Attention: Treasurer*

With copies to:

*The Toro Company
8111 Lyndale Avenue South
Bloomington, MN 55420
Attention: General Counsel*

and

*Fox Rothschild LLP
Campbell Mithun Tower – Suite 2000
222 South Ninth St.
Minneapolis, MN 55402
Attention: C. Robert Beattie, Esq.*

or to such other address as either Party hereto may have furnished to the other Party hereto in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.”

2. Affirmation of JV Agreement; Further References. The parties hereto each acknowledge and affirm that the JV Agreement, as hereby amended, is hereby ratified and confirmed in all respects, and all terms, conditions and provisions of the JV Agreement, except as amended by this Amendment, shall remain unmodified and in full force and effect. All references in any document or instrument to the JV Agreement (including references in the JV Agreement to the terms thereof) are hereby amended to refer to the JV Agreement as amended through this Amendment.

3. Entire Agreement. This Amendment, on and after the date hereof, contains all of the understandings and agreements of whatsoever kind and nature existing among the parties hereto and their respective Affiliates with respect to this Amendment, the subject matter hereof, and the rights, interests, understandings, agreements and obligations of the parties hereto and their respective Affiliates pertaining to the subject matter hereof with the effect that this Amendment shall control with respect to the specific subjects hereof.

4. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in portable document format (.pdf) shall be as effective as delivery of a manually executed counterpart hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the day and year first above written.

THE TORO COMPANY

By: /s/ Renee J. Peterson

Name: Renee J. Peterson

Its: Vice President, Treasurer and Chief Financial Officer

TCF INVENTORY FINANCE, INC.

By: /s/ Rosario A. Perrelli

Name: Rosario A. Perrelli

Its: Chief Executive Officer and President

(Signature Page to Second Amendment to Agreement to Form Joint Venture)

LIMITED LIABILITY COMPANY AGREEMENT

of

RED IRON ACCEPTANCE, LLC

between

RED IRON HOLDING CORPORATION

and

TCFIF JOINT VENTURE I, LLC

Dated as of: August 12, 2009

[PORTIONS HEREIN IDENTIFIED BY [*] HAVE BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE THE EXCLUDED INFORMATION IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.]**

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THIS LIMITED LIABILITY COMPANY AGREEMENT (this "Agreement") of Red Iron Acceptance, LLC, a Delaware limited liability company (the "Company"), made as of the 12th day of August, 2009, by and between Red Iron Holding Corporation, a Delaware corporation ("Toro Sub"), and TCFIF Joint Venture I, LLC, a Minnesota limited liability company ("TCFIF Sub") (each individually, a "Member" and, collectively, the "Members").

WHEREAS, the Members desire to form a limited liability company in accordance with the provisions of the Delaware Limited Liability Company Act, as amended from time to time, and any successor statute (the "Act"), for the ownership and operation of a commercial inventory finance business, including floorplan financing and open account inventory financing, supporting the business of The Toro Company, a Delaware corporation ("Toro"), and its Affiliates (as defined below) within the United States and Canada; and

WHEREAS, the Members desire to enter into a written agreement pursuant to the Act governing the affairs of the Company and the conduct of its business. Accordingly, in consideration of the mutual covenants contained herein, the Members agree as follows:

SECTION I ORGANIZATION

1.01 Formation. The Members have formed the Company as a limited liability company pursuant to the provisions of the Act. A Certificate of Formation for the Company has been filed in the Office of the Secretary of State of the State of Delaware in conformity with the Act. Each of the Members hereby ratifies the actions taken by or on behalf of the Company prior to the Formation Date (as defined in Section 1.04), as described in the preceding sentence. The Company and, if required, each of the Members shall execute or cause to be executed from time to time all other instruments, certificates, notices and documents and shall do or cause to be done all such acts and things (including keeping books and records and making publications or periodic filings) as may now or hereafter be required for the formation, valid existence and, when appropriate, termination of the Company as a limited liability company under the laws of the State of Delaware. In connection with the organization of the Company, the Members and certain of their respective Affiliates have entered into, are entering into contemporaneously with this Agreement or will enter into, the following ancillary agreements:

(a) That certain Agreement to Form Joint Venture between Toro and TCF Inventory Finance, Inc. ("TCFIF") dated as of the date hereof (the "Joint Venture Agreement");

(b) That certain Credit and Security Agreement between the Company and TCFIF dated as of the date hereof (the "Credit Agreement");

(c) That certain Services Agreement between the Company and TCFIF dated as of the date hereof (the "TCFIF Services Agreement");

(d) That certain Services Agreement between the Company and Toro dated as of the date hereof (the "Toro Services Agreement" and, together with the TCFIF Services Agreement, the "Services Agreements");

(e) That certain Repurchase Agreement between Toro and the Company in substantially the form set forth on Exhibit B attached to the Joint Venture Agreement;

(f) One or more Receivable Purchase Agreements among Toro Credit Company, Toro or any other Affiliate of Toro and the Company in substantially the form set

forth in Exhibit C attached to the Joint Venture Agreement (each, a “Receivable Purchase Agreement”);

(g) That certain Program Letter between Toro and the Company dated as of the date hereof;

(h) One or more Trademark License Agreements among Toro and/or an Affiliate of Toro and the Company dated as of the date hereof (the “Trademark License Agreement”); and

(i) That certain Performance Assurance Agreement made by TCF National Bank for the benefit of Toro and Toro Sub dated as of the date hereof.

collectively, with this Agreement, all such documents, the “Definitive Agreements.”

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. For purposes of this definition, “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

1.02 Name and Office. The name of the Company shall be “Red Iron Acceptance, LLC.” All business of the Company shall be carried on in this name, with such variations and changes as the Management Committee (as defined in Section 6.02(a)) in its sole judgment deems necessary or appropriate to comply with requirements of the jurisdictions in which the Company’s operations are conducted, and all title to all property, real, personal, or mixed, owned by or leased to the Company shall be held in such name. The registered office and registered agent of the Company shall be The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, or such other office or agent as determined by the Management Committee. The principal offices and place of business of the Company shall be in Hoffman Estates, Illinois with an operations office in Bloomington, Minnesota or, in either case, such other place or places as the Management Committee may from time to time direct.

1.03 Purpose.

(a) The Company is formed for the following purposes: (i) subject to the terms of this Agreement, to own and operate a commercial inventory finance business to provide floor plan and open account financing to dealers and distributors of products, including parts, accessories, software and software updates to support equipment or services, advertising materials, advertising placements, training materials, point of sale or merchandising materials, extended service contracts, licenses for scheduling software and online services; (ii) to manage, own, supervise and dispose of the assets associated with the business referred to in the preceding clause (i); and (iii) to engage in any activities or transactions necessary or desirable to accomplish the foregoing purposes and to do any other act or thing incidental or ancillary thereto. The Company’s business referred to in the preceding clauses (i) through (iii) is referred to herein as the “Business.”

(b) The Company shall not, without the prior written consent of all the Members, engage in any business or activity other than the Business and those activities that are necessary or advisable to carry out the Business.

(c) Each Member shall restrict its business to its ownership of its interest in the Company and related activities. Each Member's Affiliates (exclusive of the Company), may, at any time and from time to time, engage in and pursue other business ventures.

1.04 Term. Subject to the provisions of Article X below, the initial term of the Company shall commence on the date first written above (the "Formation Date"), shall continue until October 31, 2014 (the "Initial Term"), and thereafter shall be extended automatically for additional two-year terms (each, an "Additional Term") unless at least one year prior to the expiration of the Initial Term or Additional Term (as applicable) either Member gives notice to the other Member of its intention not to extend the term, in which event the Company shall dissolve and be wound-up in accordance with the provisions of said Article X.

SECTION II CAPITAL STRUCTURE AND CONTRIBUTIONS

2.01 Authorized Shares. Subject to the terms of this Agreement, the Company is authorized to issue equity interests in the Company designated as "Shares," which shall constitute limited liability company interests under the Act; unless otherwise determined by the Management Committee, Shares shall not be certificated. The total number of Shares which the Company shall have authority to issue is one hundred (100). All Shares shall be identical to each other in all respects. On the Formation Date, forty-five (45) Shares shall be issued to Toro Sub and fifty-five (55) Shares shall be issued to TCFIF Sub. For purposes of this Agreement, a Member's "Percentage Interest" shall mean the number of outstanding Shares of such Member divided by the total number of issued and outstanding Shares.

2.02 Initial Capital Contributions. On the business day immediately following the Formation Date, each Member shall contribute to the capital of the Company (the "Initial Capital Contributions") cash in an amount set forth after each Member's name on Schedule 2.02. To the extent the Company requires additional capital prior to closing by the Company of the purchase under the initial Receivable Purchase Agreement and the Members approve such a capital contribution, Toro Sub shall contribute forty-five percent (45%) of such required capital contribution and TCFIF Sub shall contribute fifty-five percent (55%) of such required capital contribution.

2.03 Purchase Capital Contributions. On the date the Company makes the initial purchase pursuant to the terms of the initial Receivable Purchase Agreement, each Member shall contribute to the capital of the Company (a "Purchase Capital Contribution") cash in the amount equal to the sum of [***]. For purposes of this Agreement, "Total Tangible Assets of the Company" shall mean the remainder of (a) the total assets of the Company minus (b) all intangible assets of the Company to the extent included in calculating total assets in clause (a), all as determined in accordance with GAAP.

2.04 Additional Capital Contributions/Loans. Notwithstanding the foregoing, each of Toro Sub and TCFIF Sub shall be required to contribute as additional capital to the Company (each, an "Additional Capital Contribution" and, together with the Initial Capital Contributions and the Purchase Capital Contributions, the "Capital Contributions") cash in an amount sufficient to increase and/or maintain such Member's Capital Account to an amount equal to the sum of [***]. Such contributions shall be determined (x) as of the end of each month during the term of the Company, or (y) if approved by the Management Committee, more often. The Company shall provide notice to the Members, no later than the earlier of the twenty-fifth (25th) of each month or three (3) business days prior to the last day of the month, of the estimated contribution amount for such month, which contributions shall be made no later than the last day of such

month or, with respect to Additional Capital Contributions referred to in clause (y) of this Section 2.04, within five (5) business days of receiving notice from the Company of any such contribution. To the extent the estimated contribution amount is greater or less than the actual capital needs for such month, such excess or shortage shall be taken into account in the Company's calculation of the Distributable Cash (as defined in Section 4.01(b)) for such month. The requirement of each Member to maintain sufficient funds in its Capital Account shall continue through the dissolution and winding-up of the Company as specified in Article X. No additional Shares shall be issued to the Members on account of any Capital Contribution made subsequent to the Initial Capital Contributions. Except as expressly provided in this Section 2.04 or with the prior written consent of each of the Members, no Member shall be required or entitled to contribute any other or further capital to the Company, nor, except as contemplated by this Agreement, shall any Member be required or entitled to loan any funds to the Company.

2.05 Consequences of Failure to Provide Capital Contributions. If Capital Contributions are required to be made and if, on or prior to the due date thereof, one of the Members has made its Capital Contribution (the "Contributing Member") and the other Member has failed to make its Capital Contribution (the "Non-Contributing Member"), then the Contributing Member shall have the option during the following five (5) business day period to (i) request and receive from the Company an immediate return of the funds advanced in such instance as its Capital Contribution or (ii) elect to lend to the Non-Contributing Member the amount of the Capital Contribution not paid by the Non-Contributing Member (a "Deficit Loan") in such instance, the proceeds of which Deficit Loan shall be paid by the Contributing Member directly to the Company as a contribution to the capital account of the Non-Contributing Member. The Contributing Member shall be entitled to interest from the Non-Contributing Member on the amount outstanding from time to time on each Deficit Loan calculated at a rate equal to the Index plus 10% per annum, or the highest rate permitted by law, whichever is less. Notwithstanding the provisions of Sections 4.01 and 10.03, distributions otherwise payable by the Company to a Non-Contributing Member shall first be made to the Contributing Member to the extent of the amount of any outstanding Deficit Loans, including accrued interest thereon, and such distribution shall be charged to the Capital Account of the Non-Contributing Member. In addition, any amounts otherwise payable by the Company to an Affiliate of the Non-Contributing Member under the terms of the TCFIF Services Agreement or the Toro Services Agreement, as appropriate, shall be paid to the Contributing Member to the extent the amount of any outstanding Deficit Loans, including interest thereon. The rights of the Contributing Member to receive the payments described in the preceding sentence shall be in addition to the right of the Contributing Member to receive payment of the amount of all outstanding Deficit Loans, including accrued interest thereon, at any time upon demand. The term "Index" shall mean the rate of interest published in the Money Rates section of The Wall Street Journal from time to time as the Prime Rate. If more than one Prime Rate is published in The Wall Street Journal for a day, the average of the Prime Rates so published shall be used and such average shall be rounded up to the nearest one quarter of one percent (.25%). If The Wall Street Journal ceases to publish the Prime Rate, the Contributing Member may select a comparable publication or service that publishes such Prime Rate, or its equivalent, and if such Prime Rate is no longer published, then the rate publicly announced by one of the ten largest money center banks in the United States (as selected by the Contributing Member in its discretion) as its "prime," "base" or "reference" rate shall be substituted.

2.06 No Interest on Capital Contributions. No Member shall be entitled to receive interest on its Capital Contributions.

2.07 Capital Accounts. A capital account (“Capital Account”) shall be maintained for each Member on the books of the Company. The Capital Account for each Member shall be maintained in accordance with the following provisions:

(a) To each Member’s Capital Account there shall be credited such Member’s Capital Contributions, such Member’s allocated share of Net Income (as defined in Section 5.08) and any items of income or gain specially allocated to such Member pursuant to Sections 5.03 or 5.04.

(b) To each Member’s Capital Account there shall be debited such Member’s allocated share of Net Loss (as defined in Section 5.08), any items of deduction or loss specially allocated to such Member pursuant to Sections 5.03 or 5.04 and the amount of cash and the value of any other property distributed to such Member (net of any liabilities assumed by such Member and liabilities, if any, to which such property is subject).

(c) A Member shall not be entitled to withdraw from the Company or withdraw any part of its Capital Account or receive any distributions from the Company except as specifically provided in this Agreement. No Member shall be entitled to receive any distribution in kind, except as otherwise provided herein. No interest shall be paid on or with respect to the Capital Account of any Member. Except as expressly provided herein, no Member shall have any priority over any other Member as to the return of its Capital Contributions or as to compensation by way of income, and no additional share of the profits or losses of the Company shall accrue to any Member solely by virtue of its Capital Account being proportionately greater than the Capital Account of any other Member. No Member shall be entitled to make any Capital Contributions to the Company other than as provided herein.

(d) If any Member makes a loan to the Company, such loan shall not be considered a contribution to the capital of the Company and shall not increase the Capital Account of the lending Member. Repayment of such loans shall not be deemed a withdrawal from the capital of the Company.

(e) No Member shall be required to pay to the Company or to any other Member or person any deficit in such Member’s Capital Account upon dissolution of the Company or otherwise.

(f) If any Member receives a distribution from the Company in excess of the amount such Member should have received in accordance with the provisions of this Agreement at the time the distribution was made, such Member shall be obligated to pay any such excess to the Company for reallocation to the Member or Members rightfully entitled to such distribution upon demand to do so by the Company.

(g) If all or any portion of a Member’s Shares are transferred pursuant to Article IX hereof, the transferee shall succeed to the transferor’s Capital Account to the extent it relates to the transferred Shares.

SECTION III REPRESENTATIONS AND WARRANTIES

3.01 Toro Sub Representations. Toro Sub represents and warrants, as of the Formation Date, each of the following:

(a) Organization and Authority. Toro Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, its sole purpose is the ownership of its Shares and activities ancillary to such ownership, and has all necessary power and authority to enter into, and to perform its obligations under, this Agreement. The execution and delivery of this Agreement by Toro Sub, the performance by Toro Sub of its obligations hereunder, and the consummation by Toro Sub of the transactions contemplated hereby have been duly and validly authorized and approved by all necessary corporate action on behalf of Toro Sub. This Agreement has been duly executed and delivered by Toro Sub, and (assuming due execution and delivery by TCFIF Sub), this Agreement constitutes a legal, valid and binding obligation of Toro Sub enforceable against Toro Sub in accordance with its terms.

(b) No Conflict. The execution, delivery and performance of this Agreement by Toro Sub does not and will not (i) violate, conflict with or result in the breach of any provision of the certificate of incorporation of Toro Sub, (ii) conflict with or violate any law or order of any court or other governmental authority applicable to Toro Sub or any of its assets, properties or businesses, or (iii) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any encumbrance on any of the assets or properties of Toro Sub, pursuant to any note, bond, mortgage or indenture, contract agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which Toro Sub is a party or by which any of such assets or properties is bound or affected, except, in the case of clauses (ii) and (iii) above, where such conflict, violation, breach, default, failure to obtain any such consent, rights or creation will not reasonably be expected to have a material adverse effect on the Business or on Toro Sub's ability to enter into this Agreement and perform its obligations hereunder.

3.02 TCFIF Sub Representations. TCFIF Sub represents and warrants, as of the Formation Date, each of the following:

(a) Organization and Authority. TCFIF Sub is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Minnesota, its sole purpose is the ownership of its Shares and activities ancillary to such ownership, and has all necessary power and authority to enter into, and to perform its obligations under, this Agreement. The execution and delivery of this Agreement by TCFIF Sub, the performance by TCFIF Sub of its obligations hereunder, and the consummation by TCFIF Sub of the transactions contemplated hereby have been duly and validly authorized and approved by all necessary limited liability company action on behalf of TCFIF Sub. This Agreement has been duly executed and delivered by TCFIF Sub, and (assuming due execution and delivery by Toro Sub) this Agreement constitutes a legal, valid and binding obligation of TCFIF Sub enforceable against TCFIF Sub in accordance with its terms.

(b) No Conflict. The execution, delivery and performance of this Agreement by TCFIF Sub does not and will not (i) violate, conflict with or result in the breach of any provision of the articles of organization of TCFIF Sub, (ii) conflict with or violate any law or order of any court or other governmental authority applicable to TCFIF Sub or any of its assets, properties or businesses, or (iii) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any encumbrance on any of the assets or properties of TCFIF Sub pursuant to any note, bond, mortgage or indenture, contract agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to

which TCFIF Sub is a party or by which any of such assets or properties is bound or affected, except, in the case of clauses (ii) and (iii) above, where such conflict, violation, breach, default, failure to obtain any such consent, rights or creation will not reasonably be expected to have a material adverse effect on the Business or on TCFIF Sub's ability to enter into this Agreement and perform its obligations hereunder.

3.03 Survival. All representations and warranties contained in this Article (notwithstanding any investigation or inquiry which any party hereto or any representative may make) shall relate solely to the Formation Date, and shall survive the execution and delivery of this Agreement and continue until the dissolution and winding-up of the Company in accordance with Article X.

SECTION IV DISTRIBUTIONS

4.01 Distributions.

(a) From and after the date hereof, except as otherwise provided in this Agreement (including Sections 2.05 and 10.03), the Company shall make distributions in the same proportions as Net Income would be allocated to Members pursuant to Section 5.01.

(b) Subject to Section 4.01(a) and except as otherwise approved by the Management Committee, the Company shall make distributions in cash pursuant to this Section 4.01 on a monthly basis, on or before the last day of each calendar month, in an amount equal to the Company's Distributable Cash as of the end of such month. "Distributable Cash" shall mean the positive difference, if any, between (i) the estimated Capital Account balances of all the Members and (ii) the sum of [***]. Such estimates shall be calculated on the date that is the earlier of the twenty-fifth (25th) of each month or three (3) business days prior to the last day of the month. Each distribution pursuant to this Section 4.01 shall be made in immediately available funds by wire transfer in accordance with wire transfer instructions provided in writing from time to time by each Member. Any change in such wire transfer instructions shall be effective two (2) business days following receipt of notice thereof by the Company.

SECTION V ALLOCATIONS

5.01 Net Income. Except as provided in Sections 5.03, 5.04 and 10.03, the Net Income shall be allocated for each fiscal year (or for any applicable portion of a fiscal year, such applicable portion to be calculated pursuant to a hypothetical closing of the Company's books based on the specific portion of the fiscal year and not on a pro rata or other similar basis) to the Members, pro rata in accordance with their respective Percentage Interests.

5.02 Net Losses. Except as provided in Sections 5.03, 5.04 and 10.03, Net Loss shall be allocated for each fiscal year (or for any applicable portion of a fiscal year, such applicable portion to be calculated pursuant to a hypothetical closing of the Company's books based on the specific portion of the fiscal year and not on a pro rata or other similar basis) to the Members, pro rata in accordance with their respective Percentage Interests.

5.03 Regulatory Allocations.

(a) Maintenance of Capital Accounts. The Capital Accounts shall be maintained in accordance with Section §1.704-1(b) of the Regulations.

(b) Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Regulations, items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible, provided that an allocation pursuant to this Section 5.03(b) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article V have been tentatively made as if this Section 5.03(b) were not in this Agreement.

(c) Gross Income Allocation. In the event any Member has a negative Capital Account at the end of any fiscal year which is in excess of the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible provided that an allocation pursuant to this Section 5.03 shall be made only if and to the extent that such Member would have a negative Capital Account in excess of such sum after all other allocations provided for in this Article V have been made as if Section 5.03(b) and this Section 5.03(c) were not in this Agreement.

5.04 Curative Allocations. The allocations set forth in Section 5.03 hereof (the “Regulatory Allocations”) are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 5.04. Therefore, notwithstanding any other provision of this Article V (other than the Regulatory Allocations), offsetting special allocations of Company income, gain, loss or deduction shall be made so that, after such offsetting allocations are made, each Member’s Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of this Agreement and all Company items were allocated pursuant to this Article V without regard to the Regulatory Allocations. In exercising their discretion under this Section 5.04, the Members shall take into account future Regulatory Allocations under Section 5.03 that, although not yet made, are likely to offset other Regulatory Allocations previously made under Section 5.03.

5.05 Tax Allocations.

(a) In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes (and, as such, it is not intended to change the accounting allocation), be allocated between the Members so as to take account of any variation between the adjusted basis of such property to the Company for Federal income tax purposes and its fair market value at the time of contribution.

(b) Any elections or other decisions relating to such allocations shall be made by the Management Committee in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 5.05 are solely for purposes of Federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Member’s Capital Account or share of Net Income, Net Loss, other items, or distributions pursuant to any provision of this Agreement.

(c) Except as otherwise provided in this Agreement, all items of Company income, gain, loss, deduction, and any other allocations not otherwise provided for shall be divided between the Members in the same proportions as they share Net Income or Net Loss, or amounts specially allocated pursuant to Section 5.03 or 5.04 hereof, as the case may be, for the fiscal year.

5.06 Other Allocation Rules.

(a) Solely for purposes of determining the Members' proportionate share of the "excess nonrecourse liabilities" of the Company within the meaning of Regulations Section 1.752-3(a)(3), the Members' interests in the Company profits shall be allocated in the same manner such item would have been allocated pursuant to Section 5.01.

(b) To the extent permitted by Section 1.704-2(h)(3) of the Regulations, the Members shall endeavor to treat distributions of cash as having been made from the proceeds of a nonrecourse liability only to the extent that such distributions would cause or increase an Adjusted Capital Account Deficit for any Member.

5.07 Tax Decisions. The Company shall file its income and all other tax returns (including sales, use, property, excise, information and unclaimed property reports) as a partnership. Except as otherwise provided in this Agreement, the tax matters partner shall, upon consultation with the Management Committee, make all applicable elections, determinations and other tax decisions for the Company relating to all tax matters, including, without limitation, the positions to be taken on the Company's tax returns and the settlement or further contest and litigation of any audit matters raised by the Internal Revenue Service or any other taxing authority. TCFIF Sub shall be the tax matters partner within the meaning of Section 6231(a)(7) of the Code. TCFIF Sub shall cause all tax returns of the Company to be timely filed. The Company shall provide a draft copy of all income tax and information returns to Toro Sub for its review and comment at least ten (10) business days prior to the due date for filing such returns.

5.08 Certain Definitions. The following terms shall be defined for purposes of this Agreement as set forth below:

"Adjusted Capital Account Deficit" means, with respect to each Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

- (i) Credit to such Capital Account any amounts which such Member is deemed to be obligated to restore pursuant to the penultimate sentences of each of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and
- (ii) Debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Regulations.

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

"Code" means the Internal Revenue Code of 1986, as amended, modified or supplemented from time to time, or any successor legislation.

"Net Income" and "Net Loss" mean, for each fiscal period, an amount equal to the Company's taxable income or loss for such fiscal period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction

required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss).

“Regulations” means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as amended, modified or supplemented from time to time.

SECTION VI MANAGEMENT

6.01 Members.

(a) Subject to the limitations and restrictions set forth in this Agreement and the Act, each Member shall have all the rights, powers and obligations which may be possessed by a member of a limited liability company under the Act and otherwise as provided by law.

(b) Meetings of the Members may be called by any Member on at least ten (10) business days' prior written notice to the other Members, which notice shall contain the time, place and purpose of such meeting. The presence in person or by proxy of both of the Members shall constitute a quorum for the transaction of business by the Members at such meeting. Except as otherwise expressly set forth herein, all actions of the Members taken at a meeting shall require the affirmative vote of both of the Members.

(c) Notice of any meeting of the Members may be waived by any Member before or after such meeting. Meetings of the Members may be conducted by conference telephone facilities or other similar technology. The Members may approve a matter or take any action without a meeting by a written consent of the Members, which must be executed by both of the Members. In no instance where action is authorized by written consent of the Members shall a meeting of the Members be required to be called or notice to be given. The writing or writings evidencing any such consent shall be filed with the minutes of proceedings of the Company and copies thereof shall be sent to each of the Members.

(d) Except as expressly set forth herein, neither Member or any of its Affiliates shall have any liability for the debts, obligations or liabilities of the Company or of the other Member or any of its Affiliates.

(e) The Members shall adopt credit and operational policies described in Exhibit A attached hereto, which policies may be modified from time to time by mutual agreement of the Members; provided, however, that such credit and operational policies shall not be inconsistent with the credit and operational policies of TCFIF. TCFIF Sub shall be responsible for advising the Members of TCFIF's credit and operational policies.

6.02 Management Committee.

(a) Subject to such matters which are expressly reserved under this Agreement or the Act to the Members for decision, the Business shall be managed through a committee of managers (the “Management Committee”), which shall initially consist of eight (8) persons (the “Managers”) who shall be determined as follows: (i) TCFIF Sub shall be entitled to designate four (4) Managers (the “TCFIF Sub Managers”) and (ii) Toro Sub shall be entitled to designate four (4) Managers (collectively, with the TCFIF Sub Managers, the “Designated Managers”). The Designated Managers shall appoint a General Manager (the “General Manager”) and all other executive officers (if any) of the Company by the affirmative vote or written consent of at least five (5) Managers, including the affirmative vote of at least one of the

Designated Managers appointed by each Member (a “Majority of the Managers”); provided, however, that if the Management Committee shall at any time be deadlocked and unable to appoint a General Manager, then TCFIF Sub shall have the sole right to appoint the General Manager on an interim basis pending resolution of the deadlock regarding final appointment of the General Manager as provided in Section 7.08. For purposes of the preceding sentence, any Designated Manager under consideration for appointment as General Manager, or other executive officer position (if any), shall not be recused from voting on such matter. Each of the Members shall, in its respective sole discretion, be entitled to remove or discharge (with or without cause and with or without prior notice) one or more of its Designated Managers at any time, and to designate an alternate (who shall be permitted to attend, and have full voting powers at, any meeting at which the Designated Manager is absent) or a successor therefor. Designated Managers may only be removed in accordance with the preceding sentence. The Member that has removed or discharged one or more of its Managers and designated an alternate or alternates shall promptly give notice to the other Member of the names of the removed or discharged Manager(s) and the name(s) and address(es) of the replacement Manager(s). The initial Designated Managers and the General Manager as of the date of this Agreement are set forth on Schedule 6.02(a) hereto, which shall be updated from time to time to reflect the addition or removal of such persons.

(b) Subject to the next sentence, the Management Committee shall meet at such times as may be necessary for the Business on at least ten (10) business days’ prior written notice to each Manager of such meeting given by any one (1) Manager, which written notice shall contain the time and place of such meeting and the proposed items of business; unless otherwise agreed by a Majority of the Managers, meetings of the Management Committee shall be held at the office of one of the Members. The initial meeting of the Management Committee shall be held within sixty (60) days of the Formation Date and, thereafter, the Management Committee shall meet at least once every fiscal quarter. Provided that proper and adequate notice has been provided as required by the first sentence of this Section 6.02(b), the presence of at least a Majority of the Managers (or their respective alternates) shall be required to constitute a quorum for the transaction of any business by the Management Committee. Each Manager shall have one (1) vote on all matters before the Management Committee. All actions of the Management Committee shall require the affirmative vote of at least a Majority of the Managers. No Manager (acting in his or her capacity as such) shall have any authority to bind the Company to any third party with respect to any matter, except pursuant to a resolution expressly authorizing such action (and authorizing such Manager to bind the Company with respect to such action) which resolution is duly adopted by the Management Committee by the affirmative vote of at least a Majority of the Managers.

(c) Except as otherwise expressly required by this Agreement, in the event the Management Committee is evenly divided on any matter, such matter shall promptly be referred to the Members for decision and approval in accordance with the provisions of Section 7.07 or 7.08, as the case may be.

(d) There shall be no committees of the Management Committee and there shall be no delegation of the powers, duties and authorities of the Management Committee to any other person, entity, or committee, except as otherwise provided herein or expressly approved by the Management Committee.

(e) No item of business that is not contained in the notice of the meeting may be considered unless at least a Majority of the Managers consent. Notice of any Management Committee meeting may be waived by any Manager before or after such meeting. Meetings of the Management Committee shall be conducted by conference telephone facilities (or other

similar technology) if any Manager so requests. Managers may approve a matter or take any action without a meeting by a written consent of the Managers, which must be executed by at least a Majority of the Managers. In no instance where action is authorized by written consent of the Managers shall a meeting of the Managers be required to be called or notice required to be given. The writing or writings evidencing any such consent shall be filed with the minutes of proceedings of the Company and copies thereof shall be sent to each of the Managers. The Management Committee shall cause written minutes to be prepared of all actions taken by the Management Committee at a meeting thereof and shall cause a copy thereof to be delivered to each Manager within thirty (30) calendar days after each such meeting.

(f) The Management Committee shall review and approve all budgets and business plans, including any amendments thereto from time to time as necessary or desirable, of the Company. At each quarterly meeting of the Management Committee, the Management Committee will review the report, forecast and calculation referred to in Section 6.03(j) and, if such report reflects a pre-tax return on assets that is different from the Target Return by more than one-tenth of one percent, the Management Committee shall consider taking such action or actions, if any, as it may deem to be appropriate to target a pre-tax return on assets of the Company, determined cumulatively as of the end of the applicable Adjustment Period, equal to the Target Return. To that end, the Management Committee shall consider such changes deemed appropriate by the Management Committee under the currently existing or forecasted circumstances, which may include changes to the manufacturer support rate, the dealer rate or cost savings. For purposes of this Agreement, "pre-tax return on assets" shall mean a quotient, (x) the numerator of which is equal to the product of (i) the pre-tax income of the Company from the first day of the first calendar month covered by such calculation, divided by the number of calendar months included in the period covered by such calculation, multiplied by (ii) 12, and (y) the denominator of which is equal to (i) the sum of the monthly Average Net Receivables for each calendar month included in the period covered by such calculation, divided by (ii) the number of calendar months included in the period covered by such calculation.

(g) The Management Committee shall review and approve the accounting policies, tax policies, methods or practices of the Company from time to time, which accounting policies, tax policies, methods and practices shall at all times not be inconsistent with those of TCFIF. TCFIF Sub Manager shall be responsible for advising the Management Committee of TCFIF's accounting policies, tax policies, methods and practices.

6.03 General Manager. The General Manager of the Company shall have the responsibility for managing the Business on a day-to-day basis and supervising the other officers of the Company (if any), subject to the absolute direction, supervision and control of the Management Committee. The General Manager shall have no authority or power to enter into any material agreement or material arrangement on behalf of the Company which binds the Company to any third party outside the scope of the Business, but shall have the authority and power:

- (a) To generally manage the Company's credit and operations office or offices and the Company's marketing efforts;
- (b) [Reserved];
- (c) To exercise credit authority within the limits established by the Company's credit policies;

- (d) To comply with credit, operations, legal and other policies adopted by the Management Committee;
- (e) To manage the Company's dealer and distributor relations with respect to the Business;
- (f) To call special meetings of the Management Committee;
- (g) To support the staff of TCFIF and Toro in the performance of their obligations under their respective Services Agreement;
- (h) To pay expenses of the Company in the ordinary course of the Business, including expenses provided for in the Definitive Agreements;
- (i) To prepare the Company's annual budget, which shall reflect a target pre-tax return on assets of [***] (the "Target Return"), unless otherwise approved by the Management Committee; and
- (j) To prepare for, and deliver to, the Management Committee not later than the 15th day of the first month of each calendar quarter (the first day of such quarter being an "Adjustment Date") commencing after September 30, 2010, a report reflecting the pre-tax return on assets of the Company for the immediately preceding four calendar quarters (the "Measurement Period Return") and on a cumulative basis over the then-current Initial Term or Additional Term of the Company, a forecast of the expected returns for the remainder of the then-current Initial Term or Additional Term of the Company, and a calculation of the adjustment, if any, that would be required to be made to the Business Plan (as that term is defined in the Joint Venture Agreement) over the applicable Adjustment Period (as defined below) in order for the Company to achieve a target pre-tax return on assets of not less than the Target Return, determined cumulatively:
 - (i) In the case where the difference between the Measurement Period Return and the Target Return is [***], then the "Adjustment Period" will be the next four calendar quarters beginning on the Adjustment Date (or such shorter period of time as is then remaining in the then-current Initial Term or Additional Term of the Company);
 - (ii) In the case where the difference between the Measurement Period Return and the Target Return is [***], then the "Adjustment Period" will be the next eight calendar quarters beginning on the Adjustment Date (or such shorter period of time as is then remaining in the then-current Initial Term or Additional Term of the Company); and
 - (iii) In the case where the difference between the Measurement Period Return and the Target Return is [***], then the "Adjustment Period" will be the next twelve calendar quarters beginning on the Adjustment Date (or such shorter period of time as is then remaining in the then-current Initial Term or Additional Term of the Company)
- (k) To do such other things and take such other actions as shall be authorized by the Management Committee.

The powers and duties of the General Manager shall at all times be subject to the provisions of Section 6.04 hereof. The General Manager may not be removed or discharged without cause without the approval of the Management Committee. The General Manager shall preside over all meetings of the Management Committee. In the absence of the General Manager, his or her designated alternate shall assume his or her powers, duties and authority at such meeting.

6.04 Required Approvals. The following actions shall under no circumstances be taken by the General Manager, or any other Manager or officer (if any) on behalf of the Company or by the Management Committee, without the approval of the Management Committee:

(a) merge or consolidate with, purchase all or any substantial part of the assets of, make or agree to make capital contributions to or investments in, or otherwise acquire any securities, interest or ownership in, any person, joint venture, firm, corporation or division thereof;

(b) sell all or a significant portion of the assets of the Company, provided however, that the Toro Sub Managers shall not unreasonably withhold their consent to any proposed disposition of the assets of the Company to any party other than a party primarily engaged in the manufacture, sale or financing of Lawn and Garden Products (as defined in the Joint Venture Agreement);

(c) dissolve or liquidate the Company;

(d) enter into, amend or terminate any agreement or contract involving aggregate expense for the Company in excess of \$25,000 (in a single transaction or a series of related transactions), or if such contract is not so quantifiable, which would have a material adverse effect on the operations or condition (financial or otherwise) of the Business;

(e) make any operating expenditure or commitment therefor involving the expenditure of more than \$25,000 for any individual transaction or series of related transactions or \$50,000 in the aggregate in any 12-month period or any capital expenditures in any amount, except to the extent such expenditure is provided for in a budget previously approved by the Management Committee;

(f) change the nature of the Business or enter into any new line of business;

(g) except as contemplated by Article IV or Section 10.03 hereof, determine the amount and timing of any distribution to be made to the Members by the Company;

(h) enter into or amend any written agreement, or engage in any other transaction, with any officer (if any) of the Company or direct or indirect holder of any Shares (or any of such person's Affiliates);

(i) create any lien, mortgage or other encumbrance on the property or assets of the Company, provided, however, that the Toro Sub Managers shall not unreasonably withhold their consent to any proposed encumbrance on the assets of the Company in favor of any party other than a party primarily engaged in the manufacture, sale or financing of Lawn and Garden Products (as defined in the Joint Venture Agreement);

(j) incur indebtedness for, lend or advance money to, or guarantee or endorse the obligations of, any other person, except as otherwise expressly provided herein and except for endorsement of checks in the ordinary course of business;

(k) incur indebtedness for borrowed money in excess of \$25,000 other than as contemplated by the Credit Agreement;

(l) (i) lease any real property, (ii) lease any personal property for a term longer than 36 months or exceeding \$10,000 in the aggregate or (iii) acquire any property of any kind in excess of \$10,000 in the aggregate, other than financial assets arising out of the Business or any collateral securing the performance of such financial assets;

(m) engage in any transaction or series of transactions that results in the incorporation of the Company or any other material change in organizational form or causes the Company to lose its status as a partnership for any tax purpose;

(n) except as provided in Sections 2.02, 2.03, 2.04 and 2.05, accept any contribution to the capital of the Company or (A) issue or sell or (B) purchase or redeem, in each case, by the Company, any Shares in the Company;

(o) file any petition by or on behalf of the Company seeking relief under the federal bankruptcy act or similar relief under any law or statute of the United States or any state thereof;

(p) except as provided in Section 8.03, hire or change the registered independent public accounting firm of the Company;

(q) subject to Section 6.02(g), make any material change with respect to the accounting policies, tax policies, methods or practices of the Company, except as otherwise required by generally accepted accounting principles as adopted in the United States ("GAAP"), consistently applied;

(r) appoint or remove any executive officer of the Company;

(s) conduct the Business under any name other than "Red Iron Acceptance, LLC";

(t) initiate or otherwise engage in any litigation on behalf of the Company other than in the ordinary course of the Business or to enforce an obligation of a Member under any Definitive Agreement that is not the subject of an Arbitrable Dispute under such Definitive Agreement;

(u) amend, extend or restate or otherwise modify any of the Definitive Agreements to which the Company is a party;

(v) invest any of the Company's funds;

(w) enter into any contracts of insurance;

(x) [Reserved];

(y) issue any additional Shares or repurchase any outstanding Shares;

(z) incur any cost on behalf of the Company if the amount thereof would result in an increase in the total budgeted expenses for the Company of more than 5%;

- (aa) remove the General Manager;
- (bb) establish or amend the Company budget or business plan; or
- (cc) decrease or terminate the Commitment, as that term is defined under the Credit Agreement.

6.05 Consents and Approvals. Each of the Members agrees to use its commercially reasonable efforts to assist the Company in obtaining as promptly as practicable all consents, authorizations, approvals, and waivers from any governmental entity required to be obtained by the Company in order to operate the Business, including, without limitation, assisting the Company in making any required filings, submissions and notifications with any court, governmental, regulatory, or administrative body, agency or authority, department, commission, instrumentality or arbitrator. Each of the Members shall furnish to the Company such necessary information and reasonable assistance as the Company may reasonably request in connection with the foregoing.

SECTION VII ADDITIONAL AGREEMENTS

7.01 Conduct of Business; No Employees. From the date hereof until the dissolution and liquidation of the Company pursuant to Article X hereof, the Company, Toro Sub and TCFIF Sub shall (A) act in good faith and use commercially reasonable efforts to maintain the value of the Company's assets and not permit the Shares or any of the Company's assets to become subject to any lien other than liens as may be provided for in the Credit Agreement, (B) continue to operate the business, activities and practices of the Company in the ordinary course of business, and (C) use their respective commercially reasonable efforts to preserve the business organization of the Company, and to preserve the goodwill of customers and others with whom material business relationships exist. The Company shall have no employees at any time.

7.02 Technology. Any processes, techniques, hardware, software, copyrights, patents, practices or other intellectual property which are owned or used by either Member or any of its Affiliates and used by such Member or Affiliate in the performance of its obligations under this Agreement or any of the other Definitive Agreements and which are proprietary to such Member or Affiliate including the System Technology of either TCFIF or Toro (collectively, the "Technology"), shall be and at all times shall remain the property of such Member or Affiliate or property of the licensor thereof, and neither the other Member nor any of its Affiliates nor the Company shall have any interest in such Technology, except to the extent expressly provided to the contrary in one or more of the Definitive Agreements. "System Technology" means the hardware and software (including, without limitation, the operating system software, the source code and the machine code, and including software owned by a Member and its Affiliates and third party licensed software) used by a Member or its Affiliates to provide the services under a Services Agreement, together with all written manuals and other documentation for system use (which are internally written or produced by a Member or an Affiliate or licensed to a Member or an Affiliate), diagnostic processes, security procedures, file arrays, database systems, processing procedures, program logic, data manipulation formats, data manipulation and processing routines including, but not limited to, (a) internal programming processing logic, (b) software logic, software formatting and software sequencing for (i) invoice purchasing, (ii) cash application, (iii) invoice purchase approval, (iv) the development and use of rates and terms, (v) credit underwriting, (vi) portfolio control, and (vii) floor check collateral verifications, and (c) third-party licensed products, but excluding system generated reports, forms of billing statements, forms of transaction statements and any information not subject to copyright (or which is not

otherwise proprietary to a Member or its Affiliates) related to such hardware and software, as such may be modified, expanded or superseded from time to time.

Any Technology developed by a Member or any of its Affiliates in connection with the operation of the Company, which relates to services provided by TCFIF or Toro, respectively, shall be deemed to be the property of TCFIF or Toro, respectively, and such Technology shall not be deemed property of the Company; provided, however, that if such Technology is developed for use by the Company at the request of the Company, or if substantially all of the cost of developing such Technology is paid by the Company, then (subject to the last sentence of this Section 7.02) TCFIF or Toro, as appropriate, shall permit the Company to replicate for its own use such Technology, and such replicated Technology shall be deemed to be property of the Company, and the Company shall have an independent, perpetual, non-exclusive, non-transferable right to use such replicated Technology. Notwithstanding the foregoing, the Company shall be permitted to replicate the Technology only to the extent that TCFIF or Toro is the owner of such Technology or, with respect to all such Technology not owned by TCFIF or Toro, has the legal right to permit the Company to replicate such Technology.

7.03 Trade Names. Subject to the terms of the Trademark License Agreement, neither Member shall obtain any rights in any trade name of the other Member or any of its Affiliates by virtue of this Agreement or as a result of the formation and operation of the Company. The Company shall not use the name, fictitious or otherwise, of either Member or any Affiliate of either Member without the consent of such entity, which consent may be withheld in the sole discretion of any such entity. Upon dissolution and completion of the winding-up of the Company, Toro Sub shall succeed to the name "Red Iron Acceptance, LLC" and neither TCFIF nor TCFIF Sub shall have any rights thereto.

7.04 Insurance. Each of the Members shall cause its respective parent entity to provide at its own expense directors and officers liability insurance for its Designated Managers in a policy amount of not less than \$5,000,000. The Members agree to cooperate with each other in coordinating the defense of litigation whenever the interests of the members of the Management Committee are aligned.

7.05 Confidentiality. During the term of the Company and for a period of two (2) years thereafter, each Member shall, and shall cause its officers, directors, employees, representatives and agents to keep any nonpublic information which the other Member treats or designates as confidential (including, without limitation, the Technology and System Technology), any nonpublic information concerning the formation and operation of the Company or the particulars thereof, and any other nonpublic information set forth in the Definitive Agreements or in other documents concerning the Company or relating to the performance by the Members of any of the Definitive Agreements ("Confidential Information"), strictly confidential and not disclose any such information to any person (except for such Member's financial and legal advisors, lenders and accountants responsible for or actively engaged in the review, performance or development of the Business), or use any such information in the business of such Member. The Members and their Affiliates will be deemed to have fulfilled their obligations hereunder if they exercise the same degree of care to preserve and safeguard such Confidential Information as Toro and TCFIF, respectively, use to preserve and safeguard their own confidential information, provided that upon discovery of any inadvertent disclosure of any Confidential Information, the Member making such inadvertent disclosure endeavors to prevent further use of such information and attempts to prevent similar future inadvertent disclosures. Notwithstanding the foregoing, neither Member will be liable for any disclosure or use of any of the disclosing Member's Confidential Information if such information is (1) publicly available or later becomes publicly available to such Member other than through a breach of this Agreement, (2) already previously known on

the date such information is disclosed, (3) subsequently lawfully obtained by such Member from a third party who does not have an obligation to keep such information confidential, (4) independently developed by such Member without the use of the disclosing Member's Confidential Information as evidenced in writing, (5) disclosed pursuant to a valid regulatory or judicial order, decree, subpoena, or other process or requirement of law or regulation (including any requirements of any national securities exchange where such Member's securities are listed), provided that the Member disclosing such information to such court, governmental entity or regulatory authority shall give notice to the original disclosing Member in writing in advance thereof so the original disclosing Member may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Section 7.05 and the Member disclosing the information shall disclose only that portion of the Confidential Information that counsel to such Member disclosing the information advises is legally required to be disclosed, (6) disclosed in connection with an audit or examination of records conducted in the ordinary course of such Member's business by a governmental or regulatory authority (including any national securities exchange where such Member's securities are listed) with jurisdiction thereover, or by independent certified public accountants, provided that such governmental or regulatory authority or accountants shall have been advised of the confidential nature of such information, or (7) expressly released from the restrictions of this Section 7.05 by the original disclosing Member in writing. Each Member recognizes and acknowledges that the injury to the Company and the other Member which would result from a breach of the provisions of this Section 7.05 could not adequately be compensated by money damages. The Members expressly agree and contemplate, therefore, that in the event of the breach or default by either Member of any provision of this Section 7.05, the Company or the other Member may, in addition to any remedies which it might otherwise be entitled to pursue, obtain such appropriate injunctive relief in support of any such provision of this Agreement. For purposes of this Section 7.05, references to a Member shall be deemed to include that Member's Affiliates.

7.06 Publicity. Neither Toro Sub nor TCFIF Sub nor any of their respective Affiliates shall make any public announcement or other disclosure to the press or public regarding this Agreement or the Company or any matter related hereto or thereto, unless Toro Sub and TCFIF Sub mutually agree to make an announcement in a form that both Members have approved. Notwithstanding the foregoing, to the extent a Member (or its Affiliate) is required by law, including the Federal securities laws, or the rules of a national securities exchange applicable to such Member (or such Affiliate) to make a public announcement regarding this Agreement or the Company or any matter related hereto or thereto, then such Member (or such Affiliate) may make a public announcement in order for such Member (or such Affiliate) to duly comply with such law or rule, provided that such Member (or such Affiliate) gives notice to the other Member of such public announcement promptly upon such Member (or such Affiliate) becoming aware of its need to comply with such law or rule, but, in any event, not later than the time the public announcement is to be made.

7.07 Dispute Resolution.

(a) If any controversy or claim arising out of or relating to the interpretation of this Agreement, or the existence or extent of, a breach of any duties hereunder (but exclusive of Section 7.02 (technology), Section 7.05 (confidentiality), Section 7.06 (publicity), Section 11.02 (indemnities), Section 11.04 (governing law) and Section 11.15 (waiver of jury trial)) shall arise between the Members, or if the Members shall be unable to agree as to the determination of any accounting matter or other computation expressly contemplated by this Agreement (all such disputes and failures to agree, the "Arbitrable Disputes"), then either Member may request, by giving written notice to the other Member (the "Request Notice"), that the Officers confer within five (5) business days regarding the Arbitrable Dispute. The Officers shall confer in good faith

and use all reasonable efforts to resolve the Arbitrable Dispute. For purposes of this Section 7.07, “Officers” shall mean the President of Toro and the person to whom the President of TCFIF directly reports, provided, however, that neither such individual is or ever has been a member of the Management Committee. If either such individual is or has been a member of the Management Committee, then the “Officer” for the applicable Member shall be a senior executive officer of such Member who is not and has not ever been a member of the Management Committee, who is reasonably acceptable to the other Member.

(b) If the Officers do not resolve the Arbitrable Dispute within ten (10) business days after delivery of the Request Notice, then the Arbitrable Dispute shall be submitted to mediation and then arbitration in accordance with the procedures set forth below in this Section 7.07.

(c) Arbitrable Disputes will be submitted to mediation (assuming other good faith attempts to resolve the dispute have failed) prior to submitting such claim to arbitration pursuant to this Section 7.07. The mediation will take place in Minneapolis, Minnesota, unless the Members agree to conduct the mediation at another location. If the Members are unable to agree upon a mediator, each Member will select a mediator, which mediators in turn will select the mediator of the dispute. Each Member’s representation at the mediation will include a business representative having full settlement authority. The Members will use best efforts to schedule the mediation within thirty (30) days after delivery of the Request Notice. Any mediation will be non-binding and all statements, whether oral or in writing, that are made as part of any mediation will be subject to Federal Rule of Evidence 408 and cannot be used by either party in any subsequent arbitration in a manner prohibited by Federal Rule of Evidence 408. The Members acknowledge that they agree to mediate disputes in hopes of amicably resolving the matter before incurring significant attorneys’ fees which may act as a barrier to settlement of the dispute at a later time. Accordingly, the Members will mediate in good faith and use reasonable efforts to reach a resolution of the matter.

(d) If the Members are unable to resolve an Arbitrable Dispute through mutual cooperation, negotiation or mediation, such Arbitrable Dispute will be finally resolved by arbitration by a single arbitrator in accordance with the Commercial Arbitration Rules, except as otherwise provided herein, of the American Arbitration Association (“AAA”) but without intervention of the AAA. The arbitration will take place in Minneapolis, Minnesota, unless the Members agree to conduct the mediation at another location. If the Members are unable to agree upon an arbitrator, each Member will select an arbitrator, which arbitrators in turn will select the arbitrator of the dispute. The arbitrator of the dispute shall be an accountant, attorney or retired judge with a working knowledge of the commercial inventory finance industry.

(e) The Members agree to facilitate the arbitration by: (a) conducting arbitration hearings to the greatest extent possible on successive, contiguous days; and (b) observing strictly the time periods established by the applicable rules and procedures or by the arbitrator for the submission of evidence and briefs. Discovery in the arbitration shall be as limited as reasonably possible and in no event will a Member be entitled to take more than three depositions (each deposition completed in no more than seven hours), ask more than ten narrowly focused interrogatories (sub-parts of an interrogatory deemed as a separate interrogation), or make more than fifteen narrowly focused document requests (sub-parts of a request deemed as a separate request). Any up-front fees payable to the arbitrator or like up-front fees will be divided equally between the Members.

(f) The arbitrator shall have the authority to award relief under legal or equitable principles and to allocate responsibility for the costs of the arbitration and to award

recovery of reasonable attorney's fees and expenses to the prevailing Member. A full and complete record and transcript of the arbitration proceeding shall be maintained. The arbitrator shall issue a reasoned decision.

(g) Each Member shall have five (5) business days to object to the arbitrator's decision, or any part thereof, by written submission made to the arbitrator and the other Member shall have five (5) business days to submit a written response to the objection. The arbitrator may hold a hearing regarding any objection if deemed appropriate by the arbitrator. In the event an objection is submitted, the arbitrator shall issue a supplemental reasoned decision addressing all objections. Thereafter, the decision of the arbitrator shall be final, binding and nonappealable and shall be reviewable only to the extent provided by law.

(h) If either Member brings or appeals any judicial action to vacate or modify any award rendered pursuant to arbitration or opposes the confirmation of such award and the Member bringing or appealing such action or opposing confirmation of such award does not prevail, such Member shall pay all of the costs and expenses (including, without limitation, court costs, arbitrators' fees and expenses and reasonable attorneys' fees) incurred by the other Member in defending such action. Additionally, if either Member brings any action for judicial relief of an Arbitrable Dispute in the first instance without pursuing arbitration prior thereto, the Member bringing such action for judicial relief shall be liable for and shall immediately pay to the other Member all of the other Member's costs and expenses (including, without limitation, court costs and reasonable attorneys' fees) in the event the other Member successfully moves to stay or dismiss such judicial action and/or compel it to arbitration. The failure of either Member to exercise any rights granted hereunder shall not operate as a waiver of any of those rights. This Agreement concerns transactions involving commerce among the several states. The arbitrator will not be empowered to award punitive, exemplary, or, except in the case of fraud, bad faith, willful misconduct or gross negligence, indirect or consequential damages. The arbitrator will decide if any inconsistency exists between the rules of the applicable arbitral forum and the arbitration provisions contained herein. If such inconsistency exists, the arbitration provisions contained herein will control and supersede such rules. The agreement to arbitrate will survive termination of this Agreement.

(i) The initiation of the dispute resolution procedures in this Section 7.07 shall not excuse either Member, or any of its respective Affiliates, from performing its obligations hereunder or under any of the other Definitive Agreements or in connection with the transactions contemplated hereby. While the dispute procedure is pending, the Members and their respective Affiliates shall continue to perform in good faith their respective obligations hereunder and under the other Definitive Agreements, subject to any rights to terminate this Agreement or the other Definitive Agreements that may be available to the Members or their respective Affiliates.

(j) The provisions of this Section 7.07 shall be the exclusive process for all Arbitrable Disputes. The terms of this Section 7.07, shall be without prejudice to the rights of each Member to obtain recovery from, or to seek recourse against, the other Member (or otherwise), in such manner as such Member may elect (but subject to Section 11.15) for all claims, damages, losses, costs and matters other than those related to Arbitrable Disputes.

7.08 Alternate Dispute Resolution.

(a) In the event:

(i) service levels provided by either the TCFIF Services Agreement or the Toro Services Agreement become a continuing matter of dispute between the Members;

(ii) matters of credit policy, credit decisions or matters of credit administration made by or presented to the Management Committee become a continuing matter of material dispute between the Members;

(iii) the Management Committee is evenly divided with regard to appointment of a General Manager, as described in Section 6.02(a); or

(iv) the Management Committee is evenly divided on a matter regarding the approval of the Company budget as described in Section 6.02(f);

a Member may send a notice (“Dispute Resolution Notice”) to the other Member of its desire to utilize the provisions of this Section 7.08 to address the issue (“Issue”) described in the Dispute Resolution Notice. Such Dispute Resolution Notice shall identify with particularity the Issue to be addressed and the notifying Member’s suggestion for resolving the issue.

(b) Within fifteen (15) days after the receipt of a Dispute Resolution Notice, the Management Committee shall meet to discuss the Issue raised in the Dispute Resolution Notice and the desired request for change. The General Manager will be responsible for preparing and making available to the Members any information regarding such Issue requested by either Member. If the Management Committee agrees to a resolution of the Issue raised in a Dispute Resolution Notice, such resolution shall be documented in the minutes of the Management Committee and appropriate amendments made to any agreement, policy or other documents required to evidence such resolution.

(c) If, (i) within fifteen (15) days after convening a meeting of the Management Committee to address an Issue, the Management Committee is unable to agree to an acceptable resolution of such Issue; (ii) the Management Committee is deadlocked with regard to appointment of a General Manager as described in Section 6.02(a) or (iii) the Management Committee is evenly divided on a matter regarding approval of the Company budget as described in Section 6.02(f) (each, a “Disputed Matter”), then either Member may request, by giving notice to the other Member, that the Officers (as defined in Section 7.07(a)) confer within five (5) business days regarding the issue. The Officers shall confer in good faith and use all reasonable efforts to resolve the Disputed Matter. If the Officers do not resolve the Disputed Matter within ten (10) business days after the delivery to them of notice of the Disputed Matter, the Disputed Matter shall be submitted to mediation in accordance with the procedures described in Section 7.07(c).

(d) If the Members are unable to resolve an Issue described in Section 7.08(a) through mutual cooperation, negotiation or mediation, within thirty (30) days after delivery of the Dispute Resolution Notice relating to such Issue, the Member which originally served the Dispute Resolution Notice relating to such Issue shall have the right to terminate this Agreement, provided that such notice of termination must be given within sixty (60) days after delivery of the Dispute Resolution Notice related to the Issue. Failure to timely send such notice of termination will be deemed a waiver by the notifying party of its right to terminate the Agreement as a consequence of such Issue.

SECTION VIII BOOKS AND RECORDS

8.01 Bank Accounts. The Management Committee shall have authority to open bank accounts and designate signatories with respect thereto on behalf of the Company and may authorize agents and independent contractors of the Company to open such bank accounts as deemed necessary or desirable for the conduct of the Business. The Company bank accounts shall be maintained on behalf of the Company as segregated accounts and shall not be commingled with the funds of any person other than the Company. The Company's excess funds shall be invested in the manner established by the Management Committee from time to time.

8.02 Books of Account.

(a) TCFIF Sub shall cause to be kept full and proper ledgers and other books of account of all receipts and disbursements and the following financial reports or information shall be provided to each Member:

(i) within a reasonable time after the end of each calendar month and consistent with past practices of the Business, but in any event within ten (10) days thereafter, the unaudited balance sheet and the related statements of income of the Company, prepared in accordance with GAAP, applied on a consistent basis, as of the end of, and for, such month and the fiscal year-to-date;

(ii) within a reasonable time after expiration of each fiscal year and consistent with past practices of the Business, but in any event no later than the following April 15, the balance sheet and the related statements of income and cash flows of the Company and a statement of Capital Accounts and changes thereto, each prepared in accordance with GAAP, applied on a consistent basis, accompanied by all necessary tax reporting information required by each of the Members for preparation of its Federal, state and local income tax returns, including each Member's allocable share of income, gain, loss, deductions and credits for such fiscal year;

(iii) promptly, but in no event more than ten (10) days following the end of each calendar month and consistent with past practices of the Business, a monthly operating summary of the Company's activities in a form to be agreed upon by Toro Sub and TCFIF Sub; and

(iv) within a reasonable period of time after a request, such other financial information as to the Company as any Member shall reasonably request.

The tax returns of the Company will be maintained at the offices of TCF National Bank in Wayzata, Minnesota. All other ledgers, books of account and financial statements shall be maintained at the offices of TCFIF in Hoffman Estates, Illinois.

TCFIF Sub shall certify on behalf of the Company that the financial information provided in subsections (i) through (iv) above (A) has been prepared in accordance with the books of account and other financial records of the Company, (B) presents fairly the financial condition and results of operations of the Company as of the date thereof or for the periods covered thereby, (C) has been prepared in accordance with GAAP, applied on a consistent basis, and (D) includes, with respect to annual financial statements, all adjustments that are necessary for a fair

presentation of the financial condition of the Company as of the dates thereof or for the periods covered thereby and that there are no material adjustments with respect to quarterly financial statements.

(b) Upon reasonable notice, the Company shall and shall cause each of its officers, agents, accountants and counsel to: (i) afford the officers, authorized agents, accountants, counsel and representatives of the Members and their Affiliates reasonable access, during normal business hours, to the offices, properties, other facilities, books and records of the Company and to those officers, agents, accountants and counsel of the Company who have any knowledge relating to the Company or the Business and (ii) furnish to the officers, authorized agents, accountants, counsel and representatives of the Members and their Affiliates such additional financial and operating data and other information regarding the Business and the assets, properties and goodwill of the Company as the Members or their Affiliates may from time to time reasonably request. The parties shall use commercially reasonable efforts to minimize any disruption to the Business resulting from this Section 8.02.

(c) The Company's fiscal year end shall be December 31.

8.03 Registered Independent Public Accounting Firm. If the Management Committee determines that the Company needs to engage a registered independent public accounting firm, the Company shall retain, at its sole cost and expense, KPMG LLP to be such registered independent public accounting firm for the Company; provided, however, that TCFIF Sub, in the exercise of its reasonable discretion, shall be permitted to cause the Company instead to retain such other registered independent public accounting firm of national repute as may, from time to time, be the auditor for TCFIF Sub's ultimate parent entity (the "Accountant"). The fees and expenses of the Accountant shall be paid by the Company.

SECTION IX TRANSFER OF MEMBER INTERESTS

9.01 No Transfer. No Member may sell, assign, transfer, give, hypothecate or otherwise encumber, directly or indirectly, by operation of law or otherwise (including by merger, consolidation, dividend or distribution) (any such sale, assignment, transfer, gift, hypothecation or encumbrance being hereinafter referred to as a "Transfer"), any Shares or any interest of any kind therein or derived therefrom, except upon the prior written consent of the other Member. Any Transfer of any Shares in contravention of this Article IX shall be null and void.

9.02 New Members. Subject to the unanimous approval of the Members, no person not then a Member shall become a Member. The admission of any person as a Member under any of the provisions hereof shall be conditioned upon such person expressly assuming and agreeing to be bound by all of the terms and conditions of this Agreement. All reasonable costs and expenses incurred by the Company in connection with any Transfer and, if applicable, the admission of a person as a Member hereunder, shall be paid by the transferor. Upon compliance with all provisions hereof applicable to such person becoming a Member, the other Member agrees to execute and deliver such amendments hereto as are necessary to constitute such person a Member of the Company.

9.03 Toro Sub Purchase Option. Toro Sub shall have the option to purchase all, but not less than all, of the Shares owned by TCFIF Sub or its transferees on the Closing Date (as hereinafter defined), at the end of the Initial Term or the next succeeding Additional Term (the "End of Term Option"), or upon the termination of the Company pursuant to Section 10.01 (other than pursuant to Section 10.01(f) or (g)) (the "Termination Event Option" and collectively

with the End of Term Option, the “Toro Sub Purchase Option”), in each case pursuant to this Section 9.03.

(a) Purchase Price.

(i) If Toro Sub exercises the End of Term Option, the purchase price to be paid for by Toro Sub to TCFIF Sub for the Shares owned by TCFIF Sub shall be the sum of (i) the amount standing to the credit of the Capital Account of TCFIF Sub as of the Closing Date plus (ii) an amount equal to the Percentage Interest of TCFIF Sub multiplied by the Allowance as of the Closing Date plus (iii) the applicable Toro Sub Purchase Premium plus (iv) the unpaid balance as of the Closing Date, if any, of any Deficit Loans made by TCFIF Sub to Toro Sub including accrued interest thereon minus (v) the unpaid balance as of the Closing Date, if any, of any Deficit Loan made by Toro Sub to TCFIF Sub including accrued interest thereon, which purchase price shall be payable by Toro Sub to TCFIF Sub at the closing on the Closing Date; upon payment of the purchase price, the Deficit Loan made by Toro Sub to TCFIF Sub shall be deemed to have been paid in full. For purposes of this Agreement, the term “Toro Sub Purchase Premium” shall mean:

- (A) if the Closing Date occurs at October 31, 2014, an amount equal to the greater of (y) [***] or (z) [***];
- (B) if the Closing Date occurs at October 31, 2016, an amount equal to [***];
- (C) if the Closing Date occurs at October 31, 2018 or at any time thereafter, an amount equal to [***].

“Average Net Receivables” shall be the mean of the average of the beginning and ending receivable balances for each of the months included in the calculation and shall be calculated for the 12-month period immediately preceding the Closing Date.

(ii) If Toro Sub exercises the Termination Event Option pursuant to a termination of the Company under Section 10.01(a), the purchase price shall be the greater of (A) the purchase price calculated under Section 9.03(a) (i) above, and (B) the fair market value of the Shares owned by TCFIF Sub as of the Closing Date, as determined by an independent third party expert mutually agreeable to Toro Sub and TCFIF Sub.

(iii) If Toro Sub exercises the Termination Event Option pursuant to any other termination of the Company under Section 10.01, the purchase price shall be the fair market value of the Shares owned by TCFIF as of the Closing Date, as determined by an independent third party expert mutually agreeable to Toro Sub and TCFIF Sub.

(iv) “Closing Date” shall mean (A) for purposes of the End of Term Option, the last date of the Initial Term or the next succeeding Additional Term, as applicable; and (B) for purposes of the Termination Event Option, the date mutually agreed to by Toro Sub and TCFIF Sub, not to exceed 120 days from the date Toro Sub provides the notice required by Section 9.03(b)(ii).

(b) Notice of Exercise; Closing.

(i) Toro Sub shall exercise the End of Term Option, if at all, by giving written notice to such effect to TCFIF Sub either (i) during the 31-day period commencing October 1, 2013, or (ii) during the 31-day period commencing on the date which is thirteen (13) months prior to the end of each Additional Period; provided, however, if TCFIF Sub gives notice of its election not to renew the term of the Company pursuant to Section 1.04, Toro Sub shall have ninety (90) days after receipt of such notice within which to exercise the End of Term Option.

(ii) Toro Sub shall exercise the Termination Event Option, if at all, by giving written notice to such effect to TCFIF Sub at the time of the events giving rise to the applicable termination event, or as soon as reasonably practicable thereafter. Upon Toro Sub's delivery of such notice, no Termination Event (as hereinafter defined) shall have occurred, no Termination Payment (as hereinafter defined) shall be payable and the Members shall cooperate to effect an orderly transfer of the Shares to Toro Sub (including causing the Credit Agreement to continue through the Closing Date) and to consummate the closing on the Closing Date; provided, that if the closing is not consummated for any reason, then such Termination Event shall be deemed to have occurred and the related Termination Payment, if any, shall be due.

(iii) Contemporaneously with the closing on the Closing Date, Toro Sub shall cause the Company to repay to TCFIF all indebtedness under the Credit Agreement.

**SECTION X
TERMINATION**

10.01 Dissolution. Subject to Toro Sub's exercise of the Toro Sub Purchase Option under Section 9.03, the Company shall be dissolved and its business wound up as provided in Section 10.04 following the occurrence of any of the following events, whichever shall first occur (the "Termination Date"):

(a) the dissolution, liquidation or final adjudication as bankrupt or the filing of a voluntary petition in bankruptcy of TCF Financial Corporation, a Delaware corporation ("TCF"), TCF National Bank, TCFIF, or Toro;

(b) the final adjudication as bankrupt or the filing of a voluntary petition in bankruptcy of the Company;

(c) an election by a Member or any of its Affiliates to terminate any of the Definitive Agreements by reason of default of the other Member or any of such other Member's Affiliates thereunder (other than failure of a Member to make a Capital Contribution pursuant to this Agreement as to which a Deficit Loan has been made by the other Member);

(d) upon the election of a Member following the transfer by the other Member of its Shares (other than to an Affiliate of such Member or in accordance with Article IX hereof);

(e) upon the election of a Member following the sale, assignment or encumbrance of any part of the equity interest in other Member held by the parent of such other Member (other than to an Affiliate of such Member);

(f) the end of the term of the Company;

(g) upon delivery of a notice of termination in accordance with the provisions of Section 7.08(d);

(h) upon election of a Member to dissolve due to non-viability of the Company, as described below, provided that notice of such election may not be given prior to the second anniversary of the initial closing by the Company of a purchase under the initial Receivable Purchase Agreement. (For purposes of this Agreement, “non-viability” shall mean (i) failure of the Company to achieve a minimum four quarter rolling return average for each four-quarter period ending after the second anniversary of the initial closing of a purchase by the Company under the initial Receivable Purchase Agreement of [***]% of pre-tax return on assets or such other return as may hereafter be agreed upon in writing by the Members or (ii) agreement of the Members to the effect that the equity requirements of the Company exceed the sum of [***];

(i) upon the election of a Member due to the acquisition of the other Member or its direct or indirect parent (or in the case of TCFIF Sub, TCF National Bank) by a competitor of the direct or indirect parent company of the electing Member;

(j) upon election of a Member in the event that a controlling interest in the ultimate parent of the other Member (or in the case of TCFIF Sub, TCF National Bank) were to be directly or indirectly acquired by a third party, provided that notice of such election is given to such other Member within twelve (12) months after the electing Member has notice of the acquisition, such dissolution to be effective not earlier than two (2) years after the delivery of such notice, subject to the potential earlier termination of the Company at the end of the then current term; or

(k) the mutual written consent thereto of all of the Members.

Dissolution will not be complete until the Company has been wound-up after collecting or charging off all receivables of the Company and discharging all debts of the Company with Company assets or as a result of pursuing the obligations of the Members.

10.02 Termination Payment. In the event of a dissolution of the Company on account of an event described in Section 10.01(c), (d) or (e), the other Member shall pay to the Member electing to dissolve the Company a termination payment (the “Termination Payment”) as follows:

(a) if the termination occurs with more than two (2) years remaining in the Initial Term, then an amount equal to (x) \$[***] (in the case of a Termination Payment to be made by TCFIF Sub) or (y) \$[***] (in the case of a Termination Payment to be made by Toro Sub);

(b) if the termination occurs with more than one (1) but two (2) or less years remaining in the Initial Term, then an amount equal to (x) \$[***] (in the case of a Termination Payment to be made by TCFIF Sub) or (y) \$[***] (in the case of a Termination Payment to be made by Toro Sub);

(c) if the termination occurs with one (1) year or less remaining in the Initial Term, then an amount equal to (x) \$[***] (in the case of a Termination Payment to be made by TCFIF Sub) or (y) \$[***] (in the case of a Termination Payment to be made by Toro Sub).

Such Termination Payment shall be paid no later than thirty (30) days after the Member electing to dissolve the Company delivers notice thereof to the other Member.

10.03 Distributions upon Dissolution. Upon the dissolution of the Company as a result of any of the events set forth in Section 10.01, the Management Committee (or, if dissolution should occur by reason of an event of default under Section 10.01(a) or (d), the remaining Member) shall proceed, subject to the provisions herein, to liquidate the Company and apply the proceeds in such liquidation, or in their sole discretion to distribute Company assets, in the following order of priority:

- (a) first, to the payment of secured debts and secured liabilities of the Company;
- (b) second, to the payment of expenses of liquidation;
- (c) third, to the payment of ordinary unsecured debts and liabilities owing to third parties;
- (d) fourth, to the payment of all unsecured indebtedness owing to the Members or their Affiliates;
- (e) fifth, to the payment of all obligations under the TCFIF Services Agreement and the Toro Services Agreement;
- (f) sixth, to the payment of all obligations under any of the other Definitive Agreements;
- (g) seventh, to any reserves deemed necessary by the Management Committee for contingent or unforeseen liabilities of the Company;
- (h) eighth, to the Members pro rata in accordance with their Capital Account balances.

Any distribution to a Member shall be subject to the provisions of Section 2.05 and to set-off for any damages to the Company by a default by such Member in the payment or performance of any of the obligations of such Member owing to the Company.

10.04 Time for Liquidation. The Members acknowledge that any liquidation of assets of the Company must be handled in such a manner as to minimize the impact of such liquidation on the business of Toro and its Affiliates and agree, subject to the provisions of the following sentence, if so requested by Toro Sub to continue the Business for a period of up to the later of one year following the Termination Date, or, if such date shall occur in the months of February through June, until June 30 of the year following the Termination Date during which time the Members acknowledge that (a) the Company will no longer be entitled to any exclusive rights to provide floor plan and open account financing to Toro dealers and distributors and (b) TCFIF shall no longer be bound to its exclusivity obligations under Section 2.8(b) of the Joint Venture Agreement. Notwithstanding the foregoing, in the event in any one month period following the Termination Date, the Company fails to achieve the Target Return. TCFIF Sub may give written notice to Toro Sub of its election to direct that the Business be discontinued as of a date no earlier than thirty (30) days from the date of such notice, and, unless prior to such date Toro Sub or its Affiliates shall have paid to TCFIF Sub an amount, when added to amounts allocable to TCFIF Sub under the terms hereof to permit TCFIF Sub to achieve such a return with respect to

its interest in the Company for such period, then the Business shall be discontinued as of the date specified in such notice and the Company shall be liquidated in accordance with the provisions of the following sentence. Following the cessation of the Business as contemplated by either of the two preceding sentences, a reasonable time period shall be allowed for the orderly liquidation of the assets of the Company and the discharge of liabilities to creditors so as to enable the Members to reasonably minimize the losses attendant upon such liquidation.

10.05 Members Not Personally Liable for Return of Capital Contributions. Neither of the Members nor any of their respective Affiliates shall be personally liable for the return of the Capital Contributions of any Member and such return shall be made solely from available Company assets, if any, and each Member hereby waives any and all claims it may have against the other Member in this regard.

10.06 Final Accounting. In the event of the dissolution of the Company, prior to any liquidation, a proper accounting shall be made to the Members from the date of the last previous accounting to the date of dissolution.

10.07 Cancellation of Certificate. Upon the completion of the distribution of the Company's assets upon dissolution of the Company, the Company and this Agreement (other than such provisions which, by their terms or nature, survive such transaction) shall be terminated, all Shares shall be cancelled and the Managers shall cause the Company to execute and file a Certificate of Cancellation in accordance with Section 18-203 of the Act.

SECTION XI MISCELLANEOUS

11.01 Further Assurances. Each Member agrees to execute, acknowledge, deliver, file, record and publish such further certificates, amendments to certificates, instruments and documents, and do all such other acts and things as may be required by law, or as may be required to carry out the intent and purposes of this Agreement.

11.02 Indemnities.

(a) The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that he is or was a Member, Manager, Officer or any other officer of the Company, or is or was serving at the request of the Company as a director, officer or employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including reasonable attorneys' fees and expenses), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person seeking indemnification did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the

right of the Company to procure a judgment in its favor by reason of the fact that he is or was a Member, Manager, Officer or any other officer of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including reasonable attorneys' fees and expenses) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a Member, Manager, Officer or any other officer of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in (a) and (b) of this Section 11.02, or in defense of any claim, issue or matter therein, he shall be indemnified by the Company against expenses (including reasonable attorneys' fees and expenses) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under (a) and (b) of this Section 11.02 (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the Member, Manager, Officer or any other officer, is proper in the circumstances because he has met the applicable standard of conduct set forth in such paragraphs (a) and (b). Such determination shall be made (i) by a Majority of the Managers who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable such quorum declines to take any action with respect to such determination, a quorum of at least two disinterested Managers (which shall include at least one Manager appointed by each Member unless no such Managers are disinterested) so directs in reliance upon written advice of independent legal counsel.

(e) Expenses (including reasonable attorneys' fees and expenses) incurred by a Member, Manager, Officer or any other officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Company as such expenses are incurred in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Member, Manager, Officer or other officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Company pursuant to this Section 11.02.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 11.02 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, agreement, vote of Managers or disinterested Managers or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

(g) The Company may purchase and maintain insurance on behalf of any person who is or was a Member, Manager, Officer or any other officer or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such.

(h) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 11.02 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Member, Manager, Officer or any other officer or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(i) No amendment to or repeal of this Section 11.02 shall apply to or have any effect on the rights of any person entitled to indemnification or other rights under the terms of this Section 11.02 prior to such amendment or repeal to the extent such indemnification or other rights relate, in whole or on part, to acts or omissions occurring prior to such amendment and repeal.

(j) The obligations of the parties described in Sections 11.02(k) through 11.02(m) shall survive the filing of a Certification of Cancellation by the Company.

(k) Each Member shall indemnify, defend and hold harmless the Company against all losses, costs, damages and expenses (including reasonable attorneys' fees and expenses) incurred by the Company as a result of such Member's breach of any of its representations, warranties or obligations hereunder; provided, however, that to the extent such breach is, or relates to, an Arbitrable Dispute, the Company and the Members shall have complied with the dispute resolution procedures set forth in Section 7.07.

(l) In the event a Member (including its past, present and future Affiliates, officers, directors, shareholders, employees, lawyers, representatives and agents) acting in good faith in a manner it reasonably believes to be (i) in or not opposed to the best interests to the Company and (ii) consistent with the terms of this Agreement shall pay or become obligated to pay any proper obligation of the Company, such Member (including such other persons specified above) shall be entitled to contribution from the other Member to the extent necessary so that, after giving effect to such contribution, such Member shall bear no more than that part of such obligation which corresponds to its respective Percentage Interest in the Company.

(m) Neither Member shall be responsible or liable to the other Member, any successor, assignee or third party beneficiary of such Member or any other Person asserting claims derivatively through such Member, for exemplary, punitive, or, except in the case of fraud, bad faith, willful misconduct or gross negligence, indirect or consequential damages that may be alleged as a result of any transaction contemplated hereunder.

11.03 Notices. Notices and all other communication provided for herein shall be in writing and shall be deemed to have been given to a Member at the earlier of (a) when personally delivered, (b) 72 hours after having been deposited into the custody of the U.S. Postal Service, sent by first class certified mail, postage prepaid, (c) one (1) business day after deposit with a national overnight courier service, (d) upon receipt of a confirmation of facsimile transmission, or (e) upon receipt of electronic mail (with a notice contemporaneously given by another method specified in this Section 11.03); in each case addressed as follows:

If to TCFIF Sub: TCFIF Joint Venture I, LLC
2300 Barrington Road, Suite 600
Hoffman Estates, IL 60169
Attention: Vincent E. Hillery, General Counsel
Telephone: (847) 252-6616
Facsimile: (847) 285-6012
Email: vhillery@tcfif.com

With copies to:

TCF National Bank
200 E. Lake Street
Wayzata, MN 55391
Attention: General Counsel
Telephone: (952) 475-6498
Facsimile: (952) 475-7975
Email: jgreen@tcfbank.com

and

Kaplan, Strangis and Kaplan, P.A.
5500 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402
Attention: Harvey F. Kaplan, Esq.
Telephone: (612) 375-1138
Facsimile: (612) 375-1143
Email: hfk@kskpa.com

If to Toro Sub: Red Iron Holding Corporation
c/o The Toro Company
8111 Lyndale Avenue South
Bloomington, MN 55420
Attention: Treasurer
Telephone: (952) 887-8449
Facsimile: (952) 887-8920
Email: Tom.Larson@toro.com

With copies to:

The Toro Company
8111 Lyndale Avenue South
Bloomington, MN 55420
Attention: General Counsel
Telephone: (952) 887-8178
Facsimile: (952) 887-8920
Email: Tim.Dordell@toro.com

and

Oppenheimer Wolff & Donnelly LLP
3300 Plaza VII Building
45 South Seventh Street
Attention: C. Robert Beattie, Esq.
Telephone: (612) 607-7395
Facsimile: (612) 607-7100
Email: RBeattie@Oppenheimer.com

or to such other address as either Member hereto may have furnished to the other Member hereto in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11.04 Governing Law; Jurisdiction. This Agreement shall be subject to and governed by the laws of the State of Delaware, without regard to conflicts of laws principles. Each of Toro Sub and TCFIF Sub hereby irrevocably submits to the non-exclusive jurisdiction of the Federal courts sitting in Minneapolis or St. Paul, Minnesota and any state court located in Hennepin County, Minnesota, and by execution and delivery of this Agreement, each party hereto accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of such courts with respect to any litigation concerning this Agreement or the other Definitive Agreements or the transactions contemplated hereby or thereby or any matters related thereto not subject to the provisions of Sections 7.07 and 7.08. Each Member irrevocably waives any objection (including, without limitation, any objection to the laying of venue or any objection on the grounds of forum non conveniens) which it may now or hereafter have to the bringing of any proceeding with respect to this Agreement or the other Definitive Agreements to the courts set forth above. Each Member agrees to the personal jurisdiction of such courts and that service of process may be made on it at the address indicated in Section 11.03 above. Nothing herein shall affect the right to serve process in any other manner permitted by law.

11.05 Headings; Section and Article References. The headings in this Agreement are inserted for convenience only and are not to be considered in the interpretation or construction of the provisions hereof. Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement: (a) the words “hereof,” “herein” and “hereunder” and words of similar import shall refer to this Agreement as a whole and not to any particular provision of this Agreement; (b) the words “include” and “including” and words of similar import shall not be construed to be limiting or exclusive and (c) the word “or” shall have the meaning represented by the phrase “and/or.” Any pronoun used herein shall be deemed to cover all genders.

11.06 No Third-Party Beneficiaries; No Partnership. Except for rights in Section 11.02, and as set forth in Section 7.10 of the Joint Venture Agreement, (x) this Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and (y) this Agreement shall not be deemed to be for the direct or indirect benefit of any other person. It is expressly understood and agreed that the Members shall not have the relationship of partners to each other and that neither Member shall owe the other the fiduciary duties of a partner; provided, however, that it is understood and agreed that the Company will be treated as a partnership for tax purposes and the preceding clause shall in no way affect, limit or restrict any such tax treatment.

11.07 Extension Not a Waiver. No consent or waiver, expressed or implied, by either Member or any of their respective Affiliates to or of any breach or default by the other Member or any of its Affiliates in the performance by the other Member or any of its Affiliates of its obligations under this Agreement or any of the other Definitive Agreements to which it is a party shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by that Member or any of its Affiliates of the same or any other obligations of that Member or its Affiliates. Failure on the part of either Member or its Affiliates to complain of any act or failure to act on the part of the other Member or its Affiliates or to declare the other Member or its Affiliates in default, irrespective of how long the failure continues, shall not constitute a waiver by that Member or its Affiliates of its rights under this Agreement or the other Definitive Agreements.

11.08 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

11.09 Assignment. This Agreement shall be binding upon the Members and their respective successors and assigns and shall inure to the benefit of the Members and their respective successors and permitted assigns. Notwithstanding the foregoing, neither Member hereto shall be permitted to assign its rights or obligations hereunder without the prior written consent of the other Member. Whenever a reference to any party or Member is made in this Agreement, such reference shall be deemed to include a reference to the successors and permitted assigns of that party or Member.

11.10 Consents. Any consent or approval to any act or matter required under this Agreement must be in writing and shall apply only with respect to the particular act or matter to which such consent or approval is given, and shall not relieve any Member from the obligation to obtain the consent or approval, as applicable, wherever required under this Agreement to any other act or matter.

11.11 Disclaimer of Agency. This Agreement shall not constitute either Member (or any of its Affiliates) as a legal representative or agent of the other Member (or any of its Affiliates), nor shall a Member (or any of its Affiliates) have the right or authority to assume, create or incur any liability or any obligation of any kind, expressed or implied, against or in the name or on behalf of the other Member (or any of its Affiliates) or the Company, unless otherwise expressly permitted by such other Member, and except as expressly provided in any of the Definitive Agreements.

11.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

11.13 Person Defined. As used in this Agreement, "person" shall mean any individual, entity, estate, firm, corporation, partnership, association, limited liability company, joint-stock company, trust, unincorporated organization or association, or any other incorporated or unincorporated entity.

11.14 No Assumption in Drafting. The parties hereto acknowledge and agree that (i) each party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision, and (ii) each party has been represented by counsel in reviewing and negotiating such terms and provisions. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both parties hereto and not in favor or against either party.

11.15 Waiver of Jury Trial. EACH OF TORO SUB AND TCFIF SUB, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO

ANY ISSUE RELATING TO THIS AGREEMENT OR ANY OTHER DEFINITIVE AGREEMENT IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER DEFINITIVE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. THIS WAIVER IS A MATERIAL INDUCEMENT FOR EACH MEMBER ENTERING INTO THIS AGREEMENT.

11.16 Amendments. This Agreement may be amended at any time and from time to time, but any amendment must be in writing and signed by all of the Members.

11.17 Entire Agreement. This Agreement, together with the other Definitive Agreements, contains all of the understandings and agreements of whatsoever kind and nature existing among the Members and their respective Affiliates with respect to this Agreement and the other Definitive Agreements, the subject matter hereof and of the other Definitive Agreements, and the rights, interests, understandings, agreements and obligations of the Members and their respective Affiliates pertaining to the subject matter hereof and thereof and the Company, and supersedes any previous agreements among the Members and their respective Affiliates.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

RED IRON HOLDING CORPORATION

/s/ Thomas J. Larson
Name: Thomas J. Larson
Title: Vice President, Treasurer

TCFIF JOINT VENTURE I, LLC

/s/ Rosario A. Perrelli
Name: Rosario A. Perrelli
Title: President

Schedule of Definitions

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Accountant	8.03
Act	Second paragraph on page 1
Additional Capital Contribution	2.04
Additional Term	1.04
Adjusted Capital Account Deficit	5.08
Adjustment Date	6.03(j)
Adjustment Period	6.03(j)
Affiliate	1.01
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Arbitrable Disputes	7.07(a)
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Closing Date	9.03(a)(iv)
Code	5.08
Company	First paragraph on page 1
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Credit Agreement	1.01(b)
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Designated Managers	6.02(a)
Dispute Resolution Notice	7.08(a)
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Majority of the Managers	6.02(a)

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Managers	6.02(a)
Measurement Period Return	6.03(j)
Member	First paragraph on page 1
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Person	11.13
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TCF	10.01(a)
TCFIF	1.01(a)
TCFIF Sub	First paragraph on page 1
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TCFIF Services Agreement	1.01(c)
Technology	7.02
Termination Date	10.01
Termination Event Option	9.03
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Toro	Second paragraph on page 1
Toro Services Agreement	1.01(d)
Toro Sub	First paragraph on page 1
Toro Sub Purchase Option	9.03
Toro Sub Purchase Premium	9.03(a)(i)
Total Tangible Assets of the Company	2.03
Trademark License Agreement	1.01(h)
Transfer	9.01

[PORTIONS HEREIN IDENTIFIED BY [***] HAVE BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE THE EXCLUDED INFORMATION IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.]

**SECOND AMENDMENT
TO
LIMITED LIABILITY COMPANY AGREEMENT
OF
RED IRON ACCEPTANCE, LLC**

THIS SECOND AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT OF RED IRON ACCEPTANCE, LLC, dated as of June 6, 2012 (this "Amendment"), is entered into by and between RED IRON HOLDING CORPORATION, a Delaware corporation ("Toro Sub"), and TCFIF JOINT VENTURE I, LLC, a Minnesota limited liability company ("TCFIF Sub"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the LLC Agreement (as hereinafter defined).

RECITALS

A. Toro Sub and TCFIF Sub are parties to that certain Limited Liability Company Agreement of Red Iron Acceptance, LLC, dated as of August 12, 2009, as amended by the Amendment No. 1 to Limited Liability Company Agreement of Red Iron Acceptance, LLC, made as of May 31, 2011 (as so amended, the "LLC Agreement").

B. The parties hereto have agreed to amend the LLC Agreement as provided herein.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Amendments.

(a) Extension of Initial Term. Section 1.04 of the LLC Agreement is amended and restated in its entirety to read as follows:

"1.04 Term. Subject to the provisions of Article X below, the initial term of the Company shall commence of the date first written above (the "Formation Date"), shall continue until October 31, 2017 (the "Initial Term"), and thereafter shall be extended automatically for additional two-year terms (each, an "Additional Term") unless at least one year prior to the expiration of the Initial Term or Additional Term (as applicable) either Member gives notice to the other Member of its intention not to extend the term, in which event the Company shall dissolve and be wound-up in accordance with the provisions of said Article X."

(b) Change in Duties of the Management Committee. Section 6.02(f) of the LLC Agreement is amended and restated in its entirety to read as follows:

"The Management Committee shall review and approve all budgets and business plans, including any amendments thereto from time to time as necessary or desirable, of the Company."

(c) Changes to the Authority of the General Manager.

(i) Section 6.03(i) of the LLC Agreement is amended and restated in its entirety to read as follows:

“(i) To prepare the Company’s annual budget;”

(ii) Section 6.03(j) of the LLC Agreement is amended and restated in its entirety to read as follows:

“(j) [Reserved]; and”

(d) Change of Illinois Office.

(i) The last sentence of Section 1.02 of the LLC Agreement is amended and restated in its entirety to read as follows:

“The principal offices and place of business of the Company shall be in Schaumburg, Illinois with an operations office in Bloomington, Minnesota or, in either case, such other place or places as the Management Committee may from time to time direct.”

(ii) The last sentence of the first paragraph of Section 8.02(a) of the LLC Agreement is amended and restated in its entirety to read as follows:

“All other ledgers, books of account and financial statements shall be maintained at the offices of TCFIF in Schaumburg, Illinois.”

(e) Extension of Dates Referred to in the Toro Sub Purchase Option.

(i) Sections 9.03(a)(i)(A) – (C) of the LLC Agreement are amended and restated in their entirety to read as follows:

*“(A) if the Closing Date occurs at October 31, 2017, an amount equal to the greater of (y) [***] or (z) [***];*

*(B) if the Closing Date occurs at October 31, 2019, an amount equal to [***]; or*

*(C) if the Closing Date occurs at October 31, 2021 or at any time thereafter, an amount equal to [***].”*

The paragraph following clause (C) of Section 9.03(a)(i) of the LLC Agreement shall remain without change.

(ii) Section 9.03(b)(i)(i) of the LLC Agreement is amended and restated in its entirety to read as follows:

“(i) during the 31-day period commencing on October 1, 2016, or”

(f) Dissolution. The following is added to the end of the clause that appears in parentheses following the first sentence of Section 10.01(h) of the LLC Agreement:

“and “pre-tax return on assets” shall mean a quotient, (i) the numerator of which is equal to the product of (x) the pre-tax income of the Company from the first day of the first calendar month covered by such calculation, divided by the number of calendar months included in the period covered by such calculation, multiplied by (y) 12, and (ii) the denominator of which is equal to (x) the sum of the monthly Average Net Receivables for each calendar month included in the period covered by such calculation, divided by (y) the number of calendar months included in the period covered by such calculation.”

(g) Time for Liquidation. Section 10.04 of the LLC Agreement is amended and restated in its entirety to read as follows:

“10.04 Time for Liquidation. The Members acknowledge that any liquidation of assets of the Company must be handled in such a manner as to minimize the impact of such liquidation on the business of Toro and its Affiliates and agree, subject to the provisions of the following sentence, if so requested by Toro Sub to continue the Business for a period of up to the later of one year following the Termination Date, or, if such date shall occur in the months of February through June, until June 30 of the year following the Termination Date during which time the Members acknowledge that (a) the Company will no longer be entitled to any exclusive rights to provide floor plan and open account financing to Toro dealers and distributors and (b) TCFIF shall no longer be bound to its obligations under Section 2.8(b) of the Joint Venture Agreement. Following the cessation of the Business as contemplated by the preceding sentence, a reasonable time period shall be allowed for the orderly liquidation of the assets of the Company and the discharge of liabilities to creditors so as to enable the Members to reasonably minimize the losses attendant upon such liquidation.”

(h) Amendment of Schedule of Definitions.

(i) The following defined terms and associated Section No. cross references shall be deleted from the Schedule of Definitions to the LLC Agreement:

*Adjustment Date
Adjustment Period
Measurement Period Return*

(ii) The cross reference to the defined term, “pre-tax return on assets,” is changed to Section No. 10.01(h).

2. Affirmation of LLC Agreement; Further References. The parties hereto each acknowledge and affirm that the LLC Agreement, as hereby amended, is hereby ratified and confirmed in all respects, and all terms, conditions and provisions of the LLC Agreement, except as amended by this Amendment, shall remain unmodified and in full force and effect. All references in any document or instrument to the LLC Agreement (including references in the LLC Agreement to the terms thereof) are hereby amended to refer to the LLC Agreement as amended by this Amendment.

3. Entire Agreement. This Amendment, on and after the date hereof, contains all of the understandings and agreements of whatsoever kind and nature existing among the parties hereto and their respective Affiliates with respect to this Amendment, the subject matter hereof, and the rights, interests, understandings, agreements and obligations of the parties hereto and

their respective Affiliates pertaining to the subject matter hereof with the effect that this Amendment shall control with respect to the specific subjects hereof.

4. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in portable document format (.pdf) shall be as effective as delivery of a manually executed counterpart hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

RED IRON HOLDING CORPORATION

By: /s/ Thomas J. Larson

Name: Thomas J. Larson

Its: Vice President and Chief Financial Officer

TCFIF JOINT VENTURE I, LLC

By: /s/ Rosario A. Perrelli

Name: Rosario A. Perrelli

Its: President

[PORTIONS HEREIN IDENTIFIED BY [*] HAVE BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE THE EXCLUDED INFORMATION IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.]**

**THIRD AMENDMENT
TO
LIMITED LIABILITY COMPANY AGREEMENT
OF
RED IRON ACCEPTANCE, LLC**

THIS THIRD AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT OF RED IRON ACCEPTANCE, LLC, dated as of November 29, 2016 (this "Amendment"), is entered into by and between RED IRON HOLDING CORPORATION, a Delaware corporation ("Toro Sub"), and TCFIF JOINT VENTURE I, LLC, a Minnesota limited liability company ("TCFIF Sub"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the LLC Agreement (as hereinafter defined).

RECITALS

A. Toro Sub and TCFIF Sub are parties to that certain Limited Liability Company Agreement of Red Iron Acceptance, LLC, dated as of August 12, 2009, as amended by the Amendment No. 1 to Limited Liability Company Agreement of Red Iron Acceptance, LLC, made as of May 31, 2011 and by the Second Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated as of June 6, 2012 (as so amended, the "LLC Agreement").

B. The parties hereto have agreed to amend the LLC Agreement as provided herein.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Amendments.

(a) Extension of Initial Term. Section 1.04 of the LLC Agreement is amended and restated in its entirety to read as follows:

"1.04 Term. Subject to the provisions of Article X below, the initial term of the Company shall commence on the date first written above (the "Formation Date"), shall continue until October 31, 2024 (the "Initial Term"), and thereafter shall be

extended automatically for additional two-year terms (each, an “Additional Term”) unless at least one year prior to the expiration of the Initial Term or Additional Term (as applicable) either Member gives notice to the other Member of its intention not to extend the term, in which event the Company shall dissolve and be wound-up in accordance with the provisions of said Article X.”

(b) Required Approvals. The “or” at the end of Section 6.04(bb) of the LLC Agreement is deleted, the period at the end of Section 6.04(cc) is changed to a semi-colon and the word “or” is added after such semi-colon, and the following is added as a new Section 6.04(dd):

“(dd) establish or amend service level agreements (SLAs) applicable to the services provided under either of the Services Agreements, which service level agreements (if any) the Members will endeavor to re-evaluate on a periodic basis.”

(c) Extension of Dates Referred to in the Toro Sub Purchase Option.

(i) Sections 9.03(a)(i)(A) – (C) of the LLC Agreement are amended and restated in their entirety to read as follows:

*“(A) if the Closing Date occurs at the expiration date of the Initial Term, an amount equal to the greater of (y) [***] or (z) [***];*

*(B) if the Closing Date occurs at the expiration date of the first Additional Term, an amount equal to [***]; or*

*(C) if the Closing Date occurs at the expiration date of the second Additional Term or at any time thereafter, an amount equal to [***].”*

The paragraph following clause (C) of Section 9.03(a)(i) of the LLC Agreement shall remain without change.

(ii) Section 9.03(b)(i)(i) of the LLC Agreement is amended and restated in its entirety to read as follows:

“(i) during the 31-day period commencing on October 1 of the year prior to the calendar year in which the Initial Term expires, or”

(d) Dissolution. Section 10.01(h) of the LLC Agreement is amended and restated in its entirety as follows:

*“(h) upon election of a Member to dissolve due to non-viability of the Company, as described below, provided that notice of such election may not be given prior to the second anniversary of the initial closing by the Company of a purchase under the initial Receivable Purchase Agreement. (For purposes of this Agreement, (i) “non-viability shall mean (A) failure of the Company to achieve a minimum four quarter rolling return average for each four-quarter period ending after the second anniversary of the initial closing of a purchase by the Company under the initial Receivable Purchase Agreement of [***] of pre-tax return on assets or such other return as may hereafter be agreed upon in writing by the Members or (B) agreement of the Members to the effect that the equity requirements of the*

*Company exceed the sum of [***]; and (ii) “pre-tax return on assets” shall mean a quotient, (A) the numerator of which is equal to the product of (x) the pre-tax income of the Company from the first day of the first calendar month covered by such calculation, divided by the number of calendar months included in the period covered by such calculation, multiplied by (y) 12, and (B) the denominator of which is equal to (x) the sum of the monthly Average Net Receivables for each calendar month included in the period covered by such calculation, divided by (y) the number of calendar months included in the period covered by such calculation.)”*

(e) Notices. Section 11.03 of the LLC Agreement is amended and restated in its entirety as follows:

“11.03 Notices. Notices and all other communication provided for herein shall be in writing and shall be deemed to have been given to a Member at the earlier of (a) when personally delivered to (b) one business day after deposit with a national overnight courier services; in each case addressed as follows:

*If to TCFIF Sub: TCFIF Joint Venture I, LLC
1475 E. Woodfield Road, Suite 1100
Schaumburg, IL 60173
Attention: Chief Legal Counsel*

With copies to:

*TCF National Bank
200 E. Lake Street
Wayzata, MN 55391
Attention: General Counsel*

and

*Faegre Baker Daniels LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402
Attention: Kate Sherburne*

*If to Toro Sub: Red Iron Holding Corporation
c/o The Toro Company
8111 Lyndale Avenue South
Bloomington, MN 55420
Attention: Treasurer*

With copies to:

*The Toro Company
8111 Lyndale Avenue South
Bloomington, MN 55420
Attention: General Counsel*

and

*Fox Rothschild LLP
Campbell Mithun Tower – Suite 2000
222 South Ninth St.
Minneapolis, MN 55402
Attention: C. Robert Beattie, Esq.*

or to such other address as either Member hereto may have furnished to the other Member hereto in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.”

2. Change in Title of General Manager. The General Manager of the Company shall, from and after the date of this Amendment, be referred to as the Director of Operations. All references to “*General Manager*” in the LLC Agreement and in any other document or instrument entered into prior to the date hereof by the parties hereto or their respective Affiliates are hereby amended to refer to the “*Director of Operations*.”

3. Affirmation of LLC Agreement; Further References. The parties hereto each acknowledge and affirm that the LLC Agreement, as hereby amended, is hereby ratified and confirmed in all respects, and all terms, conditions and provisions of the LLC Agreement, except as amended by this Amendment, shall remain unmodified and in full force and effect. All references in any document or instrument to the LLC Agreement (including references in the LLC Agreement to the terms thereof) are hereby amended to refer to the LLC Agreement as amended through this Amendment.

4. Entire Agreement. This Amendment, on and after the date hereof, contains all of the understandings and agreements of whatsoever kind and nature existing among the parties hereto and their respective Affiliates with respect to this Amendment, the subject matter hereof, and the rights, interests, understandings, agreements and obligations of the parties hereto and their respective Affiliates pertaining to the subject matter hereof with the effect that this Amendment shall control with respect to the specific subjects hereof.

5. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in portable document format (.pdf) shall be as effective as delivery of a manually executed counterpart hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

RED IRON HOLDING CORPORATION

By: /s/ Renee J. Peterson
Name: Renee J. Peterson
Its: President

TCFIF JOINT VENTURE I, LLC

By: /s/ Rosario A. Perrelli
Name: Rosario A. Perrelli
Its: President

(Signature page to Third Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC)

**SIXTH AMENDMENT
TO
LIMITED LIABILITY COMPANY AGREEMENT
OF
RED IRON ACCEPTANCE, LLC**

THIS SIXTH AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT OF RED IRON ACCEPTANCE, LLC, effective as of March 10, 2022 (this "**Amendment**"), is entered into by and between RED IRON HOLDING CORPORATION, a Delaware corporation ("**Toro Sub**"), and TCFIF JOINT VENTURE 1, LLC, a Minnesota limited liability company ("**TCFIF Sub**"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the LLC Agreement (as hereinafter defined).

RECITALS

A. Toro Sub and TCFIF Sub are parties to that certain Limited Liability Company Agreement of Red Iron Acceptance, LLC, dated as of August 12, 2009, as amended by the Amendment No. I to Limited Liability Company Agreement of Red Iron Acceptance, LLC, made as of May 31, 2011, the Second Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated as of June 6, 2012, the Third Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated as of November 29, 2016, the Fourth Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated as of July 17, 2019, and by the Fifth Amendment to Limited Liability Company Agreement dated as of December 20, 2019 (as so amended, the "**LLC Agreement**").

13. The parties hereto have agreed to amend the LLC Agreement as provided herein.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

I. Amendments.

(a) Change in yearly meetings of the Management Committee. The second sentence of Section 6.02 paragraph (b) of the LLC Agreement is amended as follows:

The initial meeting of the Management Committee shall be held within sixty (60) days of the Formation Date and, thereafter, the Management Committee shall meet at least once each fiscal year."

As a result, Section 6.02 (b) is restated in its entirety to read as follows

"Subject to the next sentence, the Management Committee shall meet at such times as may be necessary for the Business on at least ten (10) business days' prior written notice to each Manager of such meeting given by any one (1) Manager, which written notice shall contain the time and

place of such meeting and the proposed items of business; unless otherwise agreed by a Majority of the Managers, meetings of the Management Committee shall be held at the office of one of the Members. The initial meeting of the Management Committee shall be held within sixty (60) days of the Formation Date and, thereafter, the Management Committee shall meet at least once each fiscal year. Provided that proper and adequate notice has been provided as required by the first sentence of this Section 6.02(b), the presence of at least a Majority of the Managers (or their respective alternates) shall be required to constitute a quorum for the transaction of any business by the Management Committee. Each Manager shall have one (1) vote on all matters before the Management Committee. All actions of the Management Committee shall require the affirmative vote of at least a Majority of the Managers. No Manager (acting in his or her capacity as such) shall have any authority to bind the Company to any third party with respect to any matter, except pursuant to a resolution expressly authorizing such action (and authorizing such Manager to bind the Company with respect to such action) which resolution is duly adopted by the Management Committee by the affirmative vote of at least a Majority of the Managers."

2. Affirmation of LLC Agreement: Further References. The parties hereto each acknowledge and affirm that the LLC Agreement, as hereby amended, is hereby ratified and confirmed in all respects, and all terms, conditions and provisions of the LLC Agreement, except as amended by this Amendment, shall remain unmodified and in full force and effect. All references in any document or instrument to the LLC Agreement (including references in the LLC Agreement to the terms thereof) are hereby amended to refer to the LLC Agreement as amended through this Amendment.

3. Entire Agreement. This Amendment, on and after the date hereof, contains all of the understandings and agreements of whatsoever kind and nature existing among the parties hereto and their respective Affiliates with respect to this Amendment, the subject matter hereof and the rights, interests, understandings, agreements and obligations of the parties hereto and their respective Affiliates pertaining to the subject matter hereof with the effect that this Amendment shall control with respect to the specific subjects hereof.

4. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in portable document format (.pdf) shall be as effective as delivery of a manually executed counterpart hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

RED IRON HOLDING CORPORATION

By: /s/ Julie A. Kerekes

Name: Julie A. Kerekes

Its: Vice President and Chief Financial Officer

TCFIF JOINT VENTURE I, LLC

By: /s/ Jay R. Deverell

Name: Jay R. Deverell

Its: President

*(Signature page to Sixth Amendment to Limited Liability Company Agreement
of Red Iron Acceptance, LLC)*

DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The Toro Company, a Delaware corporation (“TTC,” “we,” “us” and “our”), has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: common stock, par value \$1.00 per share (“common stock”).

The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Restated Certificate of Incorporation, as amended (the “Certificate of Incorporation”), and our Amended and Restated Bylaws (the “Bylaws”), each of which is filed as an exhibit to our most recent Annual Report on Form 10-K and incorporated by reference herein. We encourage you to read our Certificate of Incorporation, our Bylaws and the applicable provisions of the General Corporation Law of the State of Delaware (the “DGCL”) for additional information.

Authorized Shares

Our Certificate of Incorporation authorizes the issuance of up to 176,850,000 shares of capital stock, consisting of:

- 175,000,000 shares of common stock;
- 1,000,000 shares of voting preferred stock, par value \$1.00 per share (“voting preferred stock”); and
- 850,000 shares of non-voting preferred stock, par value \$1.00 per share (“non-voting preferred stock”).

Under the Certificate of Incorporation, the rights, preferences and privileges of the voting preferred stock and non-voting preferred stock (collectively, the “preferred stock”) may be designated from time to time by the Board of Directors of TTC (the “Board”).

We may amend from time to time our Certificate of Incorporation to increase the number of authorized shares of common stock, voting preferred stock or non-voting preferred stock. Any such amendment would require the approval of the holders of a majority of the voting power of the shares entitled to vote thereon. We currently have no shares of voting preferred stock or non-voting preferred stock outstanding.

Voting Rights

For all matters submitted to a vote of shareholders, each holder of common stock is entitled to one vote for each share registered in the holder’s name on our books. Our common stock does not have cumulative voting rights.

Our Bylaws provide that, unless a different or minimum vote is required by our Certificate of Incorporation, our Bylaws, the rules or regulations of any stock exchange applicable to us or any law or regulation applicable to us or our securities, all matters, other than the election of directors, as noted below, shall be decided by the affirmative vote of the holders of a majority in voting power of the votes cast (excluding abstentions and broker non-votes) on such matter. For the avoidance of doubt, abstentions and broker non-votes will not be treated as a vote cast and as such will have no impact on such matters. Our Certificate of Incorporation provides that the Board is divided into three classes, and, pursuant to our Bylaws, at all meetings of shareholders for the election of directors at which a quorum is present, a plurality of votes cast is sufficient to elect directors. Our Bylaws further provide that any nominee for director in an uncontested election as to whom a majority of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors are designated to be “withheld” from, or are voted “against”, that director’s election shall tender his or her resignation for consideration by the Nominating and Governance Committee of the Board of Directors. The Nominating and Governance Committee shall evaluate the best interests of the Corporation and its stockholders and shall recommend to the Board of Directors the action to be taken with respect to such tendered resignation.

Dividend Rights

If the Board declares a dividend, holders of common stock will receive payments from our funds that are legally available to pay dividends. However, this dividend right is subject to any preferential dividend rights we may grant to the persons who hold preferred stock, if any is outstanding.

Liquidation Rights

If our company is liquidated or dissolves, the holders of our common stock will be entitled to share ratably in the assets of our company remaining after the payment of all of our liabilities, subject to any preferential liquidation rights of any preferred stock that at the time may be outstanding.

Other Rights and Preferences

Holders of our common stock do not have preemptive rights or subscription rights, and they have no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences, and privileges of our common shareholders are subject to the rights of the shareholders of any series of preferred stock that we may designate in the future. Our Certificate of Incorporation and Bylaws do not restrict the ability of a holder of our common stock to transfer his or her shares of common stock. All shares of our outstanding common stock are fully paid and non-assessable.

Exchange Listing

Our common stock is listed on the New York Stock Exchange under the symbol “TTC”.

Anti-Takeover Effects of Certain Provisions of Our Certificate of Incorporation and Bylaws and the DGCL

Our Certificate of Incorporation and Bylaws and the DGCL contain provisions that may deter or render more difficult certain proposals, such as proposals to acquire control of TTC, which a holder of our common stock may consider to be in his, her or its best interest.

Anti-Takeover Effects of Certain Provisions of our Certificate of Incorporation and Bylaws

The following provisions of our Certificate of Incorporation and Bylaws may have the anti-takeover effect of preventing, discouraging or delaying any change in the control of TTC:

- The Board is classified into three classes, each of which serves for three years, with one class being elected each year;
- Directors may be removed only for cause and only with the approval of holders of at least 80% of the voting power of our capital stock;
- Any vacancy on the Board must be filled only by the remaining directors then in office;
- Shareholder action must be taken at a meeting of shareholders, and shareholders may not act by written consent;
- Special meetings of shareholders may be called only by the Board pursuant to a resolution adopted by a majority of the entire Board;
- A “fair price” provision requires the approval by the holders of 80% of the then outstanding common stock as a condition for mergers and certain other business combinations of TTC with any holder of more than 10% of such voting power (an “interested shareholder”) unless either (a) the transaction is approved by a majority of the members of the Board who are unaffiliated with the interested shareholder and were members of the Board prior to the time that the interested shareholder became an interested shareholder, or (b) certain minimum price and procedural requirements are met;
- The provisions in our Certificate of Incorporation related to the Board, actions by stockholders and certain business combinations require at least 80% of the voting power of the then outstanding shares of TTC, voting together as a single class, to alter, amend, or repeal;
- The shareholder vote required to alter, amend or repeal the provisions of our Bylaws that are substantially identical to or implement provisions of our Certificate of Incorporation related to cumulative voting and preemptive rights, the Board, actions by stockholders, and certain business combinations, and the shareholder vote required to alter, amend or repeal the provision in our Certificate of Incorporation setting forth these requirements, is 80% of the voting power of the then outstanding shares of TTC, voting together as a single class;
- The Board may issue shares of preferred stock, with designations, rights and preferences as may be determined from time to time by the Board;
- Shareholders do not have the right to cumulative voting in the election of directors; and
- Shareholders must follow advance notice procedure to submit proposed nominations of persons for election to the Board and other proposals for business to be brought before an annual meeting of our shareholders.

Delaware Business Combination Statute

We are a Delaware corporation and are subject to Section 203 of the DGCL, known as the Delaware Business Combination Statute. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested shareholder” within three years of the time the shareholder became an interested shareholder, unless:

- Prior to the time the shareholder became an interested shareholder, the board of directors of the corporation approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;
- Upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, exclusive of shares owned by directors who are also officers and by certain employee stock plans; or
- At or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of the shareholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested shareholder.

Generally, for purposes of the Delaware Business Combination Statute, a “business combination” includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested shareholder, and an “interested shareholder” is a person who owns, individually or through other persons, 15% or more of the corporation’s outstanding voting stock.

AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is made and entered into as of September 22, 2023 by and among **THE TORO COMPANY**, a Delaware corporation ("Toro"), **TORO LUXEMBOURG S.A.R.L.**, a Luxembourg limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, and registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés de Luxembourg*) under registration number B 131.092, ("Toro Luxembourg"), each of the Lenders (as defined in the Credit Agreement) party hereto, and **BANK OF AMERICA, N.A.**, as Administrative Agent (the "Administrative Agent").

WITNESSETH:

WHEREAS, Toro, Toro Luxembourg, the Designated Borrowers from time to time party thereto (together with Toro and Toro Luxembourg, the "Borrowers" and each a "Borrower"), the Administrative Agent and the Lenders from time to time party thereto have entered into that certain Amended and Restated Credit Agreement dated as of October 5, 2021 (as amended by that certain Amendment No. 1 to Amended and Restated Credit Agreement dated as of April 27, 2022, and as amended hereby and as may be amended, restated, amended and restated, extended, supplemented or otherwise modified from time to time, the "Credit Agreement"; all capitalized terms not otherwise defined herein shall have the respective meanings given thereto in the Credit Agreement); and

WHEREAS, Toro has requested that the Credit Agreement be amended as set forth herein, and the Lenders party hereto have agreed to such amendments subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the terms hereof, the parties hereto agree as follows:

1. **Amendments to Credit Agreement**. Subject to the terms and conditions set forth herein:

(a) the definition of "Consolidated EBIT" contained in Section 1.01 of the Credit Agreement is hereby amended such that, after giving effect to all such amendments, it shall read in its entirety as set forth below:

““Consolidated EBIT” means, for any period, for Toro and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Income for such period plus the following to the extent deducted in calculating such Consolidated Net Income: (a) Consolidated Interest Charges for such period, (b) the provision for Federal, state, local and foreign income taxes payable by Toro and its Subsidiaries for such period, (c) one-time, non-recurring cash fees and expenses, not to exceed \$50,000,000 in the aggregate, related to (i) restructurings or (ii) cost savings, restructuring, severance, integration, or consolidation related to an Acquisition, and to include without limitation advisory, legal, financing, and consulting fees related to an Acquisition, incurred in anticipation of, in connection with or as a result of such Acquisition, and (d) non-cash charges (including any non-cash charges related to impairment or equity compensation) for such period.”; and

(b) the definition of "Sanction(s)" contained in Section 1.01 of the Credit Agreement is hereby amended such that, after giving effect to all such amendments, it shall read in its entirety as set forth below:

““Sanction(s)” means any sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, His Majesty’s Treasury or other relevant sanctions authority.”

2. **Effectiveness; Conditions Precedent.** This Amendment, and the amendments to the Credit Agreement provided in Section 1 hereof, shall become effective on the first Business Day on which the following conditions are satisfied or waived (such date, the “Effective Date”):

(a) The Administrative Agent shall have received counterparts of this Amendment, duly executed by the Borrowers, the Administrative Agent and the Lenders, which counterparts may be delivered by telefacsimile or other electronic means (including .pdf), but such delivery will be promptly followed by the delivery of original signature pages by each Person party hereto unless waived by the Administrative Agent.

(b) All fees and expenses payable to the Administrative Agent (including the fees, charges and disbursements of counsel (directly to such counsel if requested by the Administrative Agent) to the Administrative Agent (to the extent due and payable under Section 11.04 of the Credit Agreement) to the extent invoiced prior to or on the date hereof, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the date hereof shall have been paid in full (provided that such estimate shall not thereafter preclude a final settling of accounts between Toro and the Administrative Agent).

3. **Representations and Warranties.** In order to induce the Administrative Agent and the Lenders to enter into this Amendment, each Borrower represents and warrants to the Administrative Agent and the Lenders, as follows:

(a) No Default or Event of Default exists as of the date hereof or will result from the amendments contemplated hereby;

(b) the representations and warranties of the Borrowers contained in Article V of the Credit Agreement and in each other Loan Document and other document furnished at any time under or in connection therewith, are true and correct in all material respects on and as of the date hereof, except (w) if a qualifier relating to materiality, Material Adverse Effect or other similar concept applies, such representation or warranty is true and correct in all respects, (x) to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and (y) for purposes of this Section 3, the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01 of the Credit Agreement, and excluding the representation and warranty set forth in Section 5.22 of the Credit Agreement;

(c) it has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to execute, deliver and perform its obligations under this Amendment;

(d) the execution, delivery and performance by each Borrower of this Amendment have been duly authorized by all necessary corporate or other organizational action, and do not and will not (i) contravene the terms of any of the Borrower’s Organization Documents; (ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (A) any Contractual Obligation to which such Borrower is a party or affecting such Borrower or the properties of such Borrower or any of its Subsidiaries except to the extent that such conflict, breach, contravention, Lien or violation could not reasonably be expected to have a Material Adverse Effect or (B) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Borrower or its property is subject; or (iii) violate any Law; and

(e) this Amendment constitutes a legal, valid and binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms.

4. **Entire Agreement.** This Amendment, together with all the other Loan Documents (collectively, the “Relevant Documents”), sets forth the entire understanding and agreement of the parties

hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other in relation to the subject matter hereof or thereof. None of the terms or conditions of this Amendment may be changed, modified, waived or canceled orally or otherwise, except in writing and in accordance with Section 11.01 of the Credit Agreement.

5. **Full Force and Effect of Credit Agreement.** Except as hereby specifically amended, waived, modified or supplemented, the Credit Agreement is hereby confirmed and ratified in all respects and shall be and remain in full force and effect according to its terms.

6. **Governing Law.** This Amendment shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, and shall be further subject to the provisions of Sections 11.14 and 11.15 of the Credit Agreement.

7. **Enforceability.** If any provision of this Amendment is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Amendment shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8. **References; Interpretation.** All references in any of the Loan Documents to the “Credit Agreement” shall mean the Credit Agreement, as amended hereby. This Amendment shall be deemed incorporated into, and a part of, the Credit Agreement, and shall constitute a “Loan Document” under and as defined in the Credit Agreement. The rules of interpretation set forth in Section 1.02 of the Credit Agreement shall be applicable to this Amendment.

9. **Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the Company, the Administrative Agent and each of the Lenders, and their respective successors, legal representatives, and assignees to the extent such assignees are permitted assignees as provided in Section 11.06 of the Credit Agreement.

10. **No Novation; Reaffirmation.** Neither the execution and delivery of this Amendment nor the consummation of any other transaction contemplated hereunder is intended to constitute a novation of the Credit Agreement or of any of the other Loan Documents or any obligations thereunder. Each Borrower hereby (a) affirms and confirms each of the Loan Documents to which it is a party and its Obligations thereunder, and (b) agrees that, notwithstanding the effectiveness of this Amendment, each Loan Document shall continue to be in full force and effect.

11. **Counterparts.** This Amendment may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic means (including .pdf) shall be effective as delivery of a manually executed counterpart of this Amendment.

[Remainder of page is intentionally left blank; signature pages follow.]

IN WITNESS WHEREOF, the parties have duly executed this Amendment on the day and year first written above.

THE TORO COMPANY

By: /s/ Angela C. Drake
Name: Angela C. Drake
Title: Vice President, Chief Financial Officer

By: /s/ Julie A. Kerekes
Name: Julie A. Kerekes
Title: Treasurer and Senior Managing Director, Global Tax & Investor Relations

TORO LUXEMBOURG S.A.R.L.

By: /s/ Julie A Kerekes
Name: Julie A. Kerekes
Title: Class A Manager

By: /s/ Usama Ajan
Name: Usama Ajan
Title: Class B Manager

BANK OF AMERICA, N.A., as
Administrative Agent

By: /s/ Angela Larkin
Name: Angela Larkin
Title: Vice President

The Toro Company
AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT
Signature Page

BANK OF AMERICA, N.A., as a Lender, L/C Issuer and Swing Line Lender

By: /s/ A. Quinn Richardson
Name: A. Quinn Richardson
Title: Senior Vice President

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U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Tyrone Parker
Name: Tyrone Parker
Title: Vice President

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WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Steven Chen
Name: Steven Chen
Title: Vice President

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BMO HARRIS BANK N.A., as a Lender

By: /s/ Corey Noland
Name: Corey Noland
Title: Director

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HSBC BANK USA, NATIONAL ASSOCIATION, as a Lender

By: /s/ Casey Klepsch
Name: Casey Klepsch
Title: Senior Vice President

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JPMORGAN CHASE BANK, N.A. , as a Lender

By: /s/ Gregory T. Martin
Name: Gregory T. Martin
Title: Executive Director

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PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Ana Gaytan

Name: Ana Gaytan

Title: Assistant Vice President

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TRUIST BANK, as a Lender

By: /s/ Jason Hembree
Name: Jason Hembree
Title: Vice President

The Toro Company
AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT
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AMENDMENT NO. 1 TO TERM LOAN CREDIT AGREEMENT

THIS AMENDMENT NO. 1 TO TERM LOAN CREDIT AGREEMENT (this "Amendment") is made and entered into as of September 22, 2023 by and among **THE TORO COMPANY**, a Delaware corporation (the "Borrower"), each of the Lenders (as defined in the Credit Agreement) party hereto, and **BANK OF AMERICA, N.A.**, as Administrative Agent (the "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrower, the Administrative Agent and the Lenders from time to time party thereto have entered into that certain Term Loan Credit Agreement dated as of April 27, 2022 (as amended hereby and as may be amended, restated, amended and restated, extended, supplemented or otherwise modified from time to time, the "Credit Agreement"; all capitalized terms not otherwise defined herein shall have the respective meanings given thereto in the Credit Agreement); and

WHEREAS, the Borrower has requested that the Credit Agreement be amended as set forth herein, and the Lenders party hereto have agreed to such amendments subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the terms hereof, the parties hereto agree as follows:

1. **Amendments to Credit Agreement**. Subject to the terms and conditions set forth herein:

(a) the definition of "Consolidated EBIT" contained in Section 1.01 of the Credit Agreement is hereby amended such that, after giving effect to all such amendments, it shall read in its entirety as set forth below:

“Consolidated EBIT” means, for any period, for Toro and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Income for such period plus the following to the extent deducted in calculating such Consolidated Net Income: (a) Consolidated Interest Charges for such period, (b) the provision for Federal, state, local and foreign income taxes payable by Toro and its Subsidiaries for such period, (c) one-time, non-recurring cash fees and expenses, not to exceed \$50,000,000 in the aggregate, related to (i) restructurings or (ii) cost savings, restructuring, severance, integration, or consolidation related to an Acquisition, and to include without limitation advisory, legal, financing, and consulting fees related to an Acquisition, incurred in anticipation of, in connection with or as a result of such Acquisition, and (d) non-cash charges (including any non-cash charges related to impairment or equity compensation) for such period.”; and

(b) the definition of "Sanction(s)" contained in Section 1.01 of the Credit Agreement is hereby amended such that, after giving effect to all such amendments, it shall read in its entirety as set forth below:

“Sanction(s)” means any sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, His Majesty’s Treasury or other relevant sanctions authority.”

2. **Effectiveness; Conditions Precedent**. This Amendment, and the amendments to the Credit Agreement provided in Section 1 hereof, shall become effective on the first Business Day on which the following conditions are satisfied or waived (such date, the "Effective Date”):

(a) The Administrative Agent shall have received counterparts of this Amendment, duly executed by the Borrower, the Administrative Agent and the Lenders, which counterparts may be delivered by telefacsimile or other electronic means (including .pdf), but such delivery will be promptly followed by the delivery of original signature pages by each Person party hereto unless waived by the Administrative Agent.

(b) All fees and expenses payable to the Administrative Agent (including the fees, charges and disbursements of counsel (directly to such counsel if requested by the Administrative Agent) to the Administrative Agent (to the extent due and payable under Section 10.04 of the Credit Agreement) to the extent invoiced prior to or on the date hereof, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the date hereof shall have been paid in full (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

3. **Representations and Warranties.** In order to induce the Administrative Agent and the Lenders to enter into this Amendment, the Borrower represents and warrants to the Administrative Agent and the Lenders, as follows:

(a) No Default or Event of Default exists as of the date hereof or will result from the amendments contemplated hereby;

(b) the representations and warranties of the Borrower contained in Article V of the Credit Agreement and in each other Loan Document and other document furnished at any time under or in connection therewith, are true and correct in all material respects on and as of the date hereof, except (w) if a qualifier relating to materiality, Material Adverse Effect or other similar concept applies, such representation or warranty is true and correct in all respects, (x) to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and (y) for purposes of this Section 3, the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01 of the Credit Agreement, and excluding the representation and warranty set forth in Section 5.21 of the Credit Agreement;

(c) it has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to execute, deliver and perform its obligations under this Amendment;

(d) the execution, delivery and performance by the Borrower of this Amendment have been duly authorized by all necessary corporate or other organizational action, and do not and will not (i) contravene the terms of any of the Borrower's Organization Documents; (ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (A) any Contractual Obligation to which the Borrower is a party or affecting the Borrower or the properties of the Borrower or any of its Subsidiaries except to the extent that such conflict, breach, contravention, Lien or violation could not reasonably be expected to have a Material Adverse Effect or (B) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which the Borrower or its property is subject; or (iii) violate any Law; and

(e) this Amendment constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms.

4. **Entire Agreement.** This Amendment, together with all the other Loan Documents (collectively, the "Relevant Documents"), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations,

warranties or commitments, express or implied, have been made by any party to the other in relation to the subject matter hereof or thereof. None of the terms or conditions of this Amendment may be changed, modified, waived or canceled orally or otherwise, except in writing and in accordance with Section 10.01 of the Credit Agreement.

5. **Full Force and Effect of Credit Agreement.** Except as hereby specifically amended, waived, modified or supplemented, the Credit Agreement is hereby confirmed and ratified in all respects and shall be and remain in full force and effect according to its terms.

6. **Governing Law.** This Amendment shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, and shall be further subject to the provisions of Sections 10.14 and 10.15 of the Credit Agreement.

7. **Enforceability.** If any provision of this Amendment is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Amendment shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8. **References; Interpretation.** All references in any of the Loan Documents to the “Credit Agreement” shall mean the Credit Agreement, as amended hereby. This Amendment shall be deemed incorporated into, and a part of, the Credit Agreement, and shall constitute a “Loan Document” under and as defined in the Credit Agreement. The rules of interpretation set forth in Section 1.02 of the Credit Agreement shall be applicable to this Amendment.

9. **Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the Company, the Administrative Agent and each of the Lenders, and their respective successors, legal representatives, and assignees to the extent such assignees are permitted assignees as provided in Section 10.06 of the Credit Agreement.

10. **No Novation; Reaffirmation.** Neither the execution and delivery of this Amendment nor the consummation of any other transaction contemplated hereunder is intended to constitute a novation of the Credit Agreement or of any of the other Loan Documents or any obligations thereunder. The Borrower hereby (a) affirms and confirms each of the Loan Documents to which it is a party and its Obligations thereunder, and (b) agrees that, notwithstanding the effectiveness of this Amendment, each Loan Document shall continue to be in full force and effect.

11. **Counterparts.** This Amendment may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic means (including .pdf) shall be effective as delivery of a manually executed counterpart of this Amendment.

[Remainder of page is intentionally left blank; signature pages follow.]

IN WITNESS WHEREOF, the parties have duly executed this Amendment on the day and year first written above.

THE TORO COMPANY

By: /s/ Angela C. Drake
Name: Angela C. Drake
Title: Vice President, Chief Financial Officer

By: /s/ Julie A. Kerekes
Name: Julie A. Kerekes
Title: Treasurer and Senior Managing Director, Global Tax & Investor Relations

The Toro Company
AMENDMENT NO. 1 TO TERM LOAN CREDIT AGREEMENT
Signature Page

BANK OF AMERICA, N.A., as
Administrative Agent

By: /s/ Angela Larkin
Name: Angela Larkin
Title: Vice President

The Toro Company
AMENDMENT NO. 1 TO TERM LOAN CREDIT AGREEMENT
Signature Page

BANK OF AMERICA, N.A., as a Lender

By: /s/ A. Quinn Richardson
Name: A. Quinn Richardson
Title: Senior Vice President

The Toro Company
AMENDMENT NO. 1 TO TERM LOAN CREDIT AGREEMENT
Signature Page

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Steven Chen
Name: Steven Chen
Title: Vice President

The Toro Company
AMENDMENT NO. 1 TO TERM LOAN CREDIT AGREEMENT
Signature Page

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Tyrone Parker
Name: Tyrone Parker
Title: Vice President

The Toro Company
AMENDMENT NO. 1 TO TERM LOAN CREDIT AGREEMENT
Signature Page

BMO HARRIS BANK N.A., as a Lender

By: /s/ Corey Noland
Name: Corey Noland
Title: Director

The Toro Company
AMENDMENT NO. 1 TO TERM LOAN CREDIT AGREEMENT
Signature Page

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Ana Gaytan

Name: Ana Gaytan

Title: Assistant Vice President

The Toro Company
AMENDMENT NO. 1 TO TERM LOAN CREDIT AGREEMENT
Signature Page

JPMORGAN CHASE BANK, N.A. , as a Lender

By: /s/ Gregory T. Martin
Name: Gregory T. Martin
Title: Executive Director

The Toro Company
AMENDMENT NO. 1 TO TERM LOAN CREDIT AGREEMENT
Signature Page

TRUIST BANK, as a Lender

By: /s/ Jason Hembree
Name: Jason Hembree
Title: Vice President

The Toro Company
AMENDMENT NO. 1 TO TERM LOAN CREDIT AGREEMENT
Signature Page

CREDIT AND SECURITY AGREEMENT

dated as of

AUGUST 12, 2009

between

RED IRON ACCEPTANCE, LLC

and

TCF INVENTORY FINANCE, INC.

[PORTIONS HEREIN IDENTIFIED BY [*] HAVE BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE THE EXCLUDED INFORMATION IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.]**

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CREDIT AND SECURITY AGREEMENT

This CREDIT AND SECURITY AGREEMENT (this "Agreement"), dated as of August 12, 2009, is entered into by and among:

RED IRON ACCEPTANCE, LLC, a Delaware limited liability company ("Borrower"), and

TCF INVENTORY FINANCE, INC., a Minnesota corporation ("Lender" or "TCFIF").

RECITALS

- A. Borrower has requested Lender to provide a revolving credit facility to Borrower for general business purposes.
- B. Lender is willing to provide such revolving credit facility upon the terms and subject to the conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the above Recitals and the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION I INTERPRETATION

1.01 Definitions. Unless otherwise indicated in this Agreement or any other Credit Document, each term set forth in Schedule 1.01, when used in this Agreement or any other Credit Document, shall have the respective meaning given to that term in Schedule 1.01 or in the provision of this Agreement or other Credit Document referenced in Schedule 1.01.

1.02 GAAP. Unless otherwise indicated in this Agreement or any other Credit Document, all accounting terms used in this Agreement or any other Credit Document shall be construed, and all accounting and financial computations hereunder or thereunder shall be computed, in accordance with GAAP. If GAAP changes during the term of this Agreement such that any covenants contained herein would then be calculated in a different manner or with different components, Borrower and Lender agree to negotiate in good faith to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating Borrower's financial condition to substantially the same criteria as were effective prior to such change in GAAP; provided, however, that, until Borrower and Lender so amend this Agreement, all such covenants shall be calculated in accordance with GAAP as in effect immediately prior to such change.

1.03 Headings. Headings in this Agreement and each of the other Credit Documents are for convenience of reference only and are not part of the substance hereof or thereof.

1.04 Plural Terms. All terms defined in this Agreement or any other Credit Document in the singular form shall have comparable meanings when used in the plural form and vice versa.

1.05 Time. All references in this Agreement and each of the other Credit Documents to a time of day shall mean Chicago, Illinois time, unless otherwise indicated.

1.06 Governing Law. This Agreement and each of the other Credit Documents shall be governed by and construed in accordance with the laws of the state of Minnesota without reference to conflicts of law rules.

1.07 Construction. Each of this Agreement and the other Credit Documents is the result of negotiations among, and has been reviewed by, Borrower, Lender and their respective counsel. Accordingly, this Agreement and the other Credit Documents shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against Borrower or Lender.

1.08 Entire Agreement. This Agreement and each of the other Credit Documents, taken together, constitute and contain the entire agreement of Borrower and Lender and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

1.09 Calculation of Interest and Fees. All calculations of interest and fees under this Agreement and the other Credit Documents for any period shall include the first day and the last day of such period.

1.10 Other Interpretive Provisions. References in this Agreement to "Recitals," "Sections," "Exhibits" and "Schedules" are to recitals, sections, exhibits and schedules herein and hereto unless otherwise indicated. References in this Agreement and each of the other Credit Documents to any document, instrument or agreement (a) shall include all exhibits, schedules and other attachments thereto, (b) shall include all documents, instruments or agreements issued or executed in replacement thereof, and (c) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented in writing from time to time and in effect at any given time. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement or any other Credit Document shall refer to this Agreement or such other Credit Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Credit Document, as the case may be. The words "include" and "including" and words of similar import when used in this Agreement or any other Credit Document shall not be construed to be limiting or exclusive. The word "or" when used in this Agreement or any other Credit Document shall have the meaning represented by the phrase "and/or."

SECTION II CREDIT FACILITY

2.01 Revolving Loan Facility.

(a) Revolving Loan Availability. Subject to the terms and conditions of this Agreement, Lender agrees to advance to Borrower from time to time during the period beginning on the Closing Date and ending on October 31, 2014, or such earlier date on which the LLC Term shall end (such date or such earlier date, if applicable, the "Revolving Loan Maturity Date"), such loans as Borrower may request under this Section 2.01 (individually, a "Revolving Loan"); provided, however, that the aggregate principal amount of all Revolving Loans outstanding at any time shall not exceed the Commitment at such time. Except as otherwise provided herein, Borrower may borrow, repay and reborrow Revolving Loans until the Revolving Loan Maturity Date.

(b) Revolving Loan Borrowings. Borrower shall request each Revolving Loan by having a representative of Borrower request by telephone or other means acceptable to Lender a Revolving Loan, which request shall specify the principal amount of the requested Revolving Loan and the date of the requested Revolving Loan, which shall be a Business Day (any such

request, a “Revolving Loan Borrowing Request”). Any Revolving Loan Borrowing Request received after 11:00 a.m., Chicago time, on a Business Day may not be honored until the next following Business Day (or such later time as may be specified in the Revolving Loan Borrowing Request).

(c) Revolving Loan Interest Rates. Borrower shall pay interest on the unpaid principal amount of each Revolving Loan from the date of such Revolving Loan until the Maturity thereof, at a rate per annum equal to the TCFIF Rate from time to time in effect. All computations of interest on Revolving Loans shall be based on a year of 365 days for actual days elapsed.

(d) Scheduled Revolving Loan Payments. Unless sooner repaid, Borrower shall repay to Lender on the Revolving Loan Maturity Date the unpaid principal amount of each Revolving Loan made by Lender. Borrower shall pay accrued interest in arrears on the unpaid principal amount of each Revolving Loan (A) no later than the fifteenth day in each calendar month for the preceding calendar month, and (B) at Maturity.

(e) Purpose. Borrower shall use the proceeds of the Revolving Loans solely for Borrower’s general business needs (including (i) the purchase of certain receivables from Toro, TCC, Toro International, Exmark and their Affiliates, or from third parties that have purchased receivables from Toro or its Affiliates (the “Purchased Receivables”), (ii) the funding of Borrower’s financing programs for its customers, (iii) payment of expenses and other items incurred in the ordinary course of business (including payments of principal and interest under Section 2.01(d)) and (iv) distributions of “Distributable Cash” (as defined in the LLC Agreement) to the Members).

(f) Extension of Facility. So that the Members of Borrower may make a fully informed decision as to whether to continue Borrower’s existence beyond the then-current LLC Term, Lender agrees to provide to Borrower, no later than fourteen (14) months prior to the expiration of the then-current LLC Term, written notice indicating Lender’s intent with respect to the extension of the Revolving Loan facility and, if Lender intends to extend the Revolving Loan facility, the proposed material terms of such extension; provided, however, that failure to provide such notice by Lender shall not be a default of the terms of this Agreement and shall be deemed to be a declination of its willingness to extend the term of this Agreement.

2.02 Commitment, Commitment Reductions, Etc.

(a) Commitment. The aggregate principal amount of all Revolving Loans outstanding at a time shall not exceed the lesser of (x) the Borrowing Base and (y) \$450,000,000 (or, if reduced pursuant to Section 2.02(b) or otherwise; the lesser amount to which reduced) (such lesser amount, as so reduced from time to time, to be referred to herein as the “Commitment”).

(b) Reduction or Cancellation of the Commitment. Borrower may, upon three (3) Business Days’ written notice to Lender, permanently reduce the Commitment by the amount of \$1,000,000 or an integral multiple of \$1,000,000 in excess thereof or cancel the Commitment in its entirety; provided, however, that (i) Borrower may not reduce the Commitment prior to the Revolving Loan Maturity Date, if, after giving effect to such reduction, the aggregate principal amount of all Revolving Loans outstanding would exceed the Commitment, (ii) Borrower may not cancel the Commitment prior to the Revolving Loan Maturity Date, if, after giving effect to such cancellation, any Obligations would remain outstanding, and (iii) Borrower may reduce or cancel the Commitment in connection with a dissolution of Borrower under the terms of the LLC Agreement. Once reduced or cancelled, the Commitment may not be increased or reinstated without the prior written consent of Lender.

2.03 Prepayments.

(a) Optional Prepayments. At its option, Borrower may prepay, at any time and from time to time on a Business Day, any Revolving Loan in whole or in part.

(b) Mandatory Prepayments. If, at any time, the aggregate principal amount of all Revolving Loans then outstanding exceeds the Commitment at such time, Borrower shall prepay Revolving Loans in an aggregate principal amount equal to such excess (i) by the twentieth (20th) day of the following month if such excess is greater than \$500,000 or (ii) if less, by the end of the last day of such month. Lender acknowledges that under the terms of Section 2.4 of the LLC Agreement, required capital contributions to Borrower at the end of each month will be based upon estimates and that Borrower's Borrowing Base compliance as determined as of the end of any month will be dependent upon the accuracy of such estimates. Borrower shall not be deemed to be in breach of this covenant as a result of reliance on such estimates so long as it complies with the provisions set forth in this Section 2.03(b).

2.04 Other Payment Terms.

(a) Place and Manner. Borrower shall make all payments due to Lender hereunder without setoff, counterclaim or deduction by payments at Lender's office, located at the address specified in Section 8.01, or to such other place or account as Lender may designate from time to time in writing to Borrower, in lawful money of the United States and in same day or immediately available funds not later than 2:00 p.m. on the date due. Borrower shall establish various bank accounts, including a parent account, an electronic disbursements account, a manual collections account, an electronic collections account, and one or more Lock Box accounts. Each day, funds will be transferred electronically between the parent account and the electronic disbursement, manual collections, electronic collections and the Lock Box accounts so as to result in a zero balance in all accounts other than the parent account. The balance in the parent account, if positive, will be transferred electronically to Lender and applied pursuant to Section 2.04(d).

(b) Date. Whenever any payment due hereunder shall fall due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest.

(c) Late Payments. If any amounts required to be paid by Borrower under this Agreement or the other Credit Documents (including principal or interest payable on any Revolving Loan or other amounts) remain unpaid when due, Borrower shall pay interest on the aggregate outstanding balance of such amounts from the due date thereof until such amounts are paid in full at a per annum rate equal to the TCFIF Rate from time to time in effect plus two percent (2.00%) (or, if less, the maximum amount permitted by law), such rate to change from time to time as the TCFIF Rate shall change. All computations of such interest shall be based on a year of 365 days for actual days elapsed.

(d) Application of Payments. All payments hereunder shall be applied first to unpaid costs and expenses then due and payable under this Agreement or the other Credit Documents, second to accrued interest then due and payable under this Agreement or the other Credit Documents and finally to reduce the principal amount of outstanding Revolving Loans.

(e) Application of Seller Credits. At Lender's request, Borrower shall pay all Seller Credits to Lender as soon as the same are received for application to the Obligations. At any time Lender is entitled to terminate the Commitment after the occurrence and during the continuance of an Event of Default under Section 6.01(f) or 6.01(g), Borrower authorizes Lender to collect such amounts directly from Sellers and, upon request of Lender, shall instruct Sellers to pay Lender directly.

2.05 Revolving Loan Note and Interest Account.

(a) Revolving Loan Note. The obligation of Borrower to repay the Revolving Loans and to pay interest thereon at the rates provided herein shall be evidenced by a promissory note in the form of Exhibit A (the “Revolving Loan Note”), which note shall be (i) in the original principal amount of \$450,000,000, (ii) dated the Closing Date and (iii) otherwise appropriately completed. Lender shall record on its general ledger the date and amount of each Revolving Loan and of each payment or prepayment of principal and each payment of interest or other amounts thereon made by Borrower.

(b) Interest Account. Borrower authorizes Lender to record in an account or accounts maintained by Lender on its books (the “Interest Account”) (i) the interest rates applicable to all Revolving Loans and the effective dates of all changes thereto, (ii) the date and amount of each principal and interest payment on each Revolving Loan and (iii) such other information as Lender may determine is necessary for the computation of interest payable by Borrower hereunder.

(c) Notations. Borrower agrees that all notations on the Schedule annexed to the Revolving Loan Note and the Interest Account shall constitute prima facie evidence of the matters noted absent manifest error; provided, however, that the failure of Lender to make any such notation shall not affect Borrower’s Obligations.

2.06 Revolving Loan Funding. Unless otherwise directed by Borrower, Lender shall disburse the proceeds of each Revolving Loan to Borrower by disbursement to such account at such bank as Borrower may designate from time to time in writing to Lender from time to time.

2.07 [Reserved]

2.08 Additional Compensation in Certain Circumstances; Increased Costs or Reduced Return Resulting from Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc. If any change in any Requirement of Law, guideline or interpretation or application thereof by any Governmental Authority charged with the interpretation or administration thereof or compliance with any request or directive (whether or not having the force of a Requirement of Law) of any central bank or other Governmental Authority:

(a) subjects Lender to any Taxes or changes the basis of taxation with respect to this Agreement, the Revolving Loans or payments by Borrower of principal, interest, fees, or other amounts due from Borrower hereunder,

(b) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, Lender, or

(c) imposes, modifies or deems applicable any capital adequacy or similar requirement (i) against assets (funded or contingent) of, or other credits or commitments to extend credit extended by, Lender, or (ii) otherwise applicable to the obligations of Lender under this Agreement,

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon Lender with respect to this Agreement or the making, maintenance or funding of any part of the Revolving Loans (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on Lender’s capital, taking into consideration Lender’s customary policies with respect to capital adequacy) by an amount which Lender in its sole discretion deems to be material, Lender shall from time to time notify Borrower of the amount determined in good faith by Lender to be necessary to compensate Lender for such increase in cost, reduction of income, additional

expense or reduced rate of return. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by Borrower to Lender ten (10) Business Days after such notice is given. If Lender fails to give such notice within three hundred sixty-five (365) days after it obtains knowledge of such event, Lender shall, with respect to compensation payable pursuant to this Section 2.08, only be entitled to payment for increase in cost, reduction of income, additional expense or reduced rate of return incurred from and after the date three hundred sixty five (365) days prior to the date that Lender does give such notice.

SECTION III CONDITIONS PRECEDENT

3.01 Conditions Precedent to Initial Revolving Loan. The obligation of Lender to make the initial Revolving Loan is subject to receipt by Lender, on or prior to the Closing Date, of the following documents, each in form and substance satisfactory to Lender:

- (a) This Agreement, duly executed by Borrower;
- (b) The Revolving Loan Note payable to Lender, duly executed by Borrower;
- (c) The Security Documents duly executed and delivered to Lender;
- (d) The organizational documents of each of the Members;
- (e) Certificate of Formation of Borrower;
- (f) The Joint Venture Agreement duly executed by the parties thereto;
- (g) The LLC Agreement duly executed by the parties thereto;
- (h) A certificate of the general manager of Borrower, dated the Closing Date, certifying that attached thereto are true and correct copies of resolutions duly adopted by the Board of Managers of Borrower and continuing in effect, which authorize the execution, delivery and performance by Borrower of this Agreement and the other Credit Documents executed or to be executed by Borrower and the consummation of the transactions contemplated hereby and thereby; and
- (i) A certificate of the general manager of Borrower, dated the Closing Date, certifying the incumbency, signatures and authority of the members of the Board of Managers of Borrower or other officers of Borrower authorized to execute, deliver and perform this Agreement and the other applicable Credit Documents on behalf of Borrower.

3.02 Conditions Precedent to Each Revolving Loan. The obligation of Lender to make each Revolving Loan, including the making of the initial Revolving Loan, is subject to the further conditions that Lender shall have received the appropriate Revolving Loan Borrowing Request requesting such Revolving Loan, or request therefor shall otherwise have been made to Lender's satisfaction, in accordance with the terms of this Agreement and that on the date such Revolving Loan is to be made and after giving effect to such Revolving Loan, the following shall be true and correct:

- (a) The representations and warranties set forth in Section 4.01 are true and correct in all material respects as if made on such date;
- (b) No Event of Default has occurred and is continuing that would permit the Lender to terminate the Commitment;

- (c) No Material Adverse Effect or Acceleration Event has occurred and is continuing; and
- (d) Each of the Credit Documents remains in full force and effect.

3.03 Covenant to Deliver. Borrower agrees (not as a condition but as a covenant) to deliver to Lender each item required to be delivered to Lender as a condition to the making of each Revolving Loan. Borrower expressly agrees that the making of any Revolving Loan prior to the receipt by Lender of any such item shall not constitute a waiver by Lender of Borrower's obligation to deliver such item.

SECTION IV REPRESENTATIONS AND WARRANTIES

4.01 Borrower's Representations and Warranties. To induce Lender to enter into this Agreement and to make Revolving Loans hereunder, Borrower represents and warrants to Lender that:

(a) Due Organization, Qualification, Etc. Borrower (i) is a limited liability company duly organized and validly existing under the laws of the state of Delaware; (ii) has the power and authority to own, lease and operate its properties and carry on its business as now conducted and as proposed to be conducted; and (iii) is duly qualified or licensed to do business in each jurisdiction where the nature of the business of Borrower requires such qualification or licensing and the failure to be so qualified or licensed could reasonably be expected to have a Material Adverse Effect.

(b) Authority. The execution, delivery and performance by Borrower of each Credit Document to be executed by Borrower and the consummation of the transactions contemplated thereby (i) are within the limited liability company power of Borrower and (ii) have been duly authorized by all necessary limited liability company actions on the part of Borrower (including Member action, if necessary).

(c) Enforceability. Each Credit Document executed, or to be executed, by Borrower has been, or will be, duly executed and delivered by Borrower and constitutes, or will constitute, a legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms.

(d) Non-Contravention. The execution and delivery by Borrower of the Credit Documents executed by Borrower and the performance and consummation of the transactions contemplated thereby do not (i) violate any Requirement of Law applicable to Borrower; (ii) violate any provision of, or result in the breach or the acceleration of, or entitle any other Person to accelerate (whether after the giving of notice or lapse of time or both), any Contractual Obligation of Borrower; or (iii) result in the creation or imposition of any Lien upon any property, asset or revenue of Borrower (except such Liens as may be created in favor of Lender pursuant to this Agreement or the other Credit Documents).

(e) Approvals. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Authority or other Person (including the partners, members or shareholders of any Person) that has not been obtained on or prior to the Closing Date is required in connection with the execution and delivery of the Credit Documents executed by Borrower and the consummation and performance of the transactions contemplated thereby.

(f) No Violation or Default. Borrower is not in violation of or in default with respect to (i) any Requirement of Law applicable to it or (ii) any Contractual Obligation of it (nor is there any waiver in effect which, if not in effect, would result in such a violation or default), where,

individually or in the aggregate, such violations or defaults could reasonably be expected to have a Material Adverse Effect.

(g) Litigation. No actions, suits, proceedings or investigations are pending or, to the knowledge of Borrower, threatened against Borrower at law or in equity in any court or before any other Governmental Authority which (i) could reasonably be expected to (individually or in the aggregate) have a Material Adverse Effect or (ii) seek to enjoin, either directly or indirectly, the execution, delivery or performance by Borrower of the Credit Documents or the transactions contemplated thereby.

(h) Title. Borrower owns and has good and marketable title in fee simple absolute to, or a valid leasehold interest in, all of its real properties and good title to its other respective assets and properties as reflected in the most recent Financial Statements delivered to Lender (except those assets and properties disposed of in the ordinary course of business or otherwise in compliance with this Agreement since the date of such Financial Statements) and all respective assets and properties acquired by Borrower since such date (except those disposed of in the ordinary course of business or otherwise in compliance with this Agreement), including all of the Collateral. Such assets and properties are subject to no Liens, except for Permitted Liens.

(i) Financial Statements. The Financial Statements of Borrower that have been delivered to Lender, (i) are in accordance with the books and records of Borrower, which have been maintained in accordance with good business practice; (ii) have been prepared in conformity with GAAP and (iii) fairly present the financial position of Borrower at such date. Borrower does not have any contingent obligations, liability for Taxes or other outstanding obligations which are material in the aggregate, except as disclosed in the Financial Statements most recently delivered to Lender pursuant to Section 5.01(a)(i) or (ii).

(j) Membership Interests. Outstanding Membership Interests of Borrower are owned as follows:

Toro Sub: 45%

TCFIF Sub: 55%

All outstanding Membership Interests of Borrower are duly authorized, validly issued and fully paid, subject to the "Purchase Capital Contribution" and the "Additional Capital Contribution" requirements set forth in Sections 2.03 and 2.04 of the LLC Agreement, respectively. There are no outstanding subscriptions, options, conversion rights, warrants or other agreements or commitments of any nature whatsoever (firm or conditional) regarding the Membership Interests of Borrower other than as contemplated by the Joint Venture Agreement or the LLC Agreement. All Membership Interests of Borrower have been offered and sold in compliance with all federal and state securities laws and all other Requirements of Law.

(k) No Agreements to Sell Assets, Etc. Borrower has no legal obligation, absolute or contingent, to any Person to sell the assets of Borrower (other than sales in the ordinary course of business), or to effect any merger, consolidation or other reorganization of Borrower or to enter into any agreement with respect thereto.

(l) Employee Benefit Plans. As of the date hereof, Borrower does not maintain or contribute to, nor has it any obligation under any Employee Benefit Plan of any type or nature whatsoever. Borrower does not contribute to and does not have any liability with respect to any Multiemployer Plan.

(m) Other Regulations. Borrower is not subject to regulation under the Investment Company Act of 1940, the Public Utility Holding Company Act of 1935, the Federal Power Act, any state public utilities code or to any federal or state statute or regulation limiting its ability to incur Indebtedness.

(n) Governmental Charges and Other Indebtedness. Borrower has filed or caused to be filed all tax returns which are required to be filed by it. Borrower has paid, or made provision for the payment of, all taxes and other Governmental Charges which have or may have become due pursuant to said returns or otherwise and all other Indebtedness which has become due, except for such Governmental Charges or Indebtedness, if any, which are being contested in good faith and as to which adequate reserves (determined in accordance with GAAP) have been provided or which could not reasonably be expected to have a Material Adverse Effect if unpaid.

(o) Subsidiaries, Etc. Borrower has no Subsidiaries, is not a partner in any partnership and is not a joint venturer in any joint venture.

(p) No Material Adverse Effect. No event has occurred and no condition exists which could reasonably be expected to have a Material Adverse Effect.

(q) Records Regarding Collateral. Borrower keeps and maintains its books and records regarding its accounts and chattel paper at its chief executive office in Hoffman Estates, Illinois or at its office in Bloomington, Minnesota. The only locations at which any Collateral is located are at its offices in Bloomington, Minnesota and Hoffman Estates, Illinois.

(r) Accounts. All of Borrower's accounts are bona fide existing receivables created by Toro, an Affiliate of Toro or a distributor of Toro in the regular course of business of Toro or such Affiliate or distributor to their respective account debtors or acquired by Toro or an Affiliate of Toro in connection with the acquisition of the business of another party.

(s) Accuracy of Information Furnished. None of the Credit Documents and none of the other certificates, statements or information furnished to Lender by or on behalf of Borrower in connection with the Credit Documents or the transactions contemplated hereby or thereby contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.02 Reaffirmation. Borrower shall be deemed to have reaffirmed, in all material respects, for the benefit of Lender, each representation and warranty contained in Section 4.01 on and as of the date each Revolving Loan is made.

SECTION V COVENANTS

5.01 Affirmative Covenants. Until the termination of this Agreement and the satisfaction in full by Borrower of all Obligations, Borrower shall comply, and shall cause compliance, with the following affirmative covenants unless Lender shall otherwise consent in writing:

(a) Financial Statements, Reports, Etc. Borrower shall furnish to Lender the following, each in such form and such detail as Lender shall reasonably request:

(i) Within thirty (30) Business Days after the last day of each calendar month, copies of the unaudited Financial Statements of Borrower for such month as of the last day of such month;

- (ii) Within one hundred twenty (120) days after the close of each fiscal year of Borrower, copies of the unaudited Financial Statements of Borrower;
- (iii) As soon as possible and in no event later than five (5) Business Days after any manager or officer of Borrower knows of the occurrence or existence of (A) any actual or threatened litigation, suits, claims or disputes against Borrower involving potential monetary damages payable by Borrower of \$100,000 or more (individually or in the aggregate), (B) any other event or condition which could reasonably be expected to have a Material Adverse Effect, or (C) any Event of Default or Default; a written statement of the general manager of Borrower setting forth the details of such event, condition, Event of Default or Default and the action which Borrower proposes to take with respect thereto; and
- (iv) Such other instruments, agreements, certificates, opinions, statements, documents and information relating to the operations or condition (financial or otherwise) of Borrower, and compliance by Borrower with the terms of this Agreement and the other Credit Documents, as Lender may from time to time reasonably request.
- (b) Books and Records. Borrower shall at all times keep proper books of record and account in which full, true and correct entries will be made of its transactions in accordance with GAAP.
- (c) Inspections; Information. Borrower shall permit any Person designated by Lender, upon reasonable notice and during normal business hours, to visit and inspect any of the properties and offices of Borrower, to examine the books of account of Borrower and to discuss the affairs, finances and accounts of Borrower with, and to be advised as to the same by, their managers, officers, auditors and accountants, all at such times and intervals as Lender may reasonably request. Borrower shall permit Lender, upon reasonable notice and during normal business hours, to inspect the Collateral and Borrower shall furnish to Lender, upon request of Lender, such information regarding the Collateral and Borrower's business as Lender may from time to time reasonably request.
- (d) Governmental Charges and Other Indebtedness. Borrower shall promptly pay and discharge when due (i) all taxes and other Governmental Charges imposed on Borrower prior to the date upon which penalties accrue thereon, (ii) all Indebtedness which, if unpaid, could become a Lien upon the property of Borrower and (iii) all other Indebtedness which, if unpaid, could reasonably be expected to have a Material Adverse Effect, except such taxes and Indebtedness as may in good faith be contested or disputed, or for which arrangements for deferred payment have been made, provided that in each such case appropriate reserves are maintained to the reasonable satisfaction of Lender.
- (e) Use of Proceeds. Borrower shall use the proceeds of the Revolving Loans only for the purposes set forth in Section 2.01(e).
- (f) General Business Operations. Borrower shall (i) preserve and maintain its limited liability company existence and all of its rights, privileges and franchises reasonably necessary to the conduct of its business, (ii) conduct its business activities in compliance with all Requirements of Law and Contractual Obligations applicable to it, the violation of which could reasonably be expected to have a Material Adverse Effect, (iii) keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted, and (iv) maintain its chief executive office and principal place of business in Hoffman Estates, Illinois.
- (g) Collateral. Borrower shall keep all Collateral at the locations identified in Section 4.01(q) and shall keep all tangible Collateral in good order, repair and operating condition. Borrower shall not sell, rent, lease, transfer, consign, dispose or otherwise convey any of the

Collateral except for sales or other dispositions in the ordinary course of Borrower's business. Borrower shall not change its name or change its chief executive office or the office where it keeps its books and records with respect to accounts and chattel paper without giving at least thirty (30) days' prior written notice to Lender.

(h) Borrowing Base. Upon request of Lender, Borrower promptly shall provide to Lender a written report, prepared in reasonable detail and with supporting documentation, setting forth the calculation of the Borrowing Base.

5.02 Negative Covenants. Until the termination of this Agreement and the satisfaction in full by Borrower of all Obligations, Borrower shall comply, and shall cause compliance, with the following negative covenants unless Lender shall otherwise consent in writing:

(a) Indebtedness. Borrower shall not create, incur, assume or permit to exist any Indebtedness except for Permitted Indebtedness.

(b) Liens. Borrower shall not create, incur, assume or permit to exist any Lien on or with respect to any of its assets or property of any character, whether now owned or hereafter acquired, except for Permitted Liens. Borrower shall keep all Collateral free and clear of all Liens except Liens in favor of Lender.

(c) Asset Dispositions. Borrower shall not sell, lease, transfer or otherwise dispose of any of its assets or property, whether now owned or hereafter acquired, except in the ordinary course of its business and except as otherwise contemplated by the Credit Documents. Notwithstanding the foregoing, in the event Borrower elects to transfer to any Seller any Purchased Receivables acquired from such parties pursuant to any reconveyance rights that it may have under the terms of any agreement with such Seller, it shall be permitted to do so free and clear of any Lien granted hereunder upon payment of any amount due from the original transferor thereof as set forth in the agreement governing the original purchase by Borrower of such Purchased Receivables.

(d) Mergers, Acquisitions, Etc. Borrower shall not consolidate with or merge into any other Person or permit any other Person to merge into it, or acquire all or substantially all of the assets of any other Person, except, with respect to TCC, pursuant to the initial Receivable Purchase Agreement described in Section 7.02.

(e) Distributions, Etc. Except for Permitted Distributions, Borrower shall not (i) make any distributions of any kind whatsoever to its Members; (ii) purchase, redeem, retire, defease or otherwise acquire for value any of its Membership Interests held by any Person; (iii) return any capital to any of its Members; or (iv) set apart any sum for any such purpose.

(f) Capital Expenditures. Borrower shall not pay or incur Capital Expenditures which exceed in the aggregate in any fiscal year \$50,000.

(g) Investments. Borrower shall not make any Investments other than loans, advances or purchases of Indebtedness in the ordinary course of Borrower's business.

(h) Change in Business. Borrower shall not engage, either directly or indirectly through Subsidiaries, in any business substantially different from its business as conducted on the date hereof or as expected to be conducted after the date hereof; provided, however, that Borrower shall be permitted to engage in the business of providing floorplan financing and open account inventory financing of any and all products manufactured or distributed from time to time after the date hereof by Toro, or any of its Affiliates, including parts, accessories, software and software updates to support equipment or services, advertising materials, advertising placements,

training materials, point of sale or merchandising materials, extended service contracts, licenses for scheduling software and online services, to the extent permitted by the LLC Agreement.

(i) Security Issuances. Borrower shall not issue, offer or sell any Equity Securities of it other than as contemplated by the Joint Venture Agreement or the LLC Agreement.

(j) [Reserved]

(k) Subsidiaries, Etc. Borrower shall not create or permit to exist any Subsidiaries, and Borrower shall not become a partner in any partnership or a joint venturer in any joint venture.

(l) Transactions With Affiliates. Borrower shall not enter into any Contractual Obligation with any Affiliate or engage in any other transaction with any Affiliate except upon terms at least as favorable to Borrower as an arms-length transaction with unaffiliated Persons and except for Contractual Obligations and transactions expressly contemplated by the Joint Venture Agreement or the LLC Agreement.

(m) Accounting Changes. Borrower shall not change (i) its fiscal year (currently January 1 through December 31) or (ii) its accounting practices except as required by GAAP.

(n) Tangible Net Worth Covenant. Borrower shall not permit its Tangible Net Worth as at the last day of any calendar month (after giving effect to any capital contributions made by the Members with respect to such calendar month in accordance with the terms of the LLC Agreement) to be less than its Required Equity Investment as of such date; provided that Borrower shall not be deemed to be in breach of this covenant so long as (i) the actual Tangible Net Worth is no more than \$ [***] less than its Required Equity Investment as of such date, or (ii) if the actual Tangible Net Worth is more than \$ [***] less than its Required Equity Investment as of such date, then each Member shall make a capital contribution on or before the twentieth (20th) day of the following month in the amount of such difference. Lender acknowledges that under the terms of Section 2.4 of the LLC Agreement, required capital contributions to Borrower at the end of each month will be based upon estimates. In the case of a deficit of less than \$[***], Borrower shall take such deficiency into account when determining the required capital contributions to be made by the Members for the following month.

SECTION VI DEFAULT

6.01 Events of Default. The occurrence or existence of any one or more of the following shall constitute an “Event of Default” hereunder:

(a) Borrower shall fail to pay when due any principal, interest or other payment required under the terms of this Agreement or any of the other Credit Documents; or

(b) Borrower shall fail to observe or perform in any material respect any covenant, obligation, condition or agreement set forth in Sections 5.01(d)(iii), 5.02(c), 5.02(d), 5.02(f), 5.02(h), 5.02(i), 5.02(j) or 5.02(k); or

(c) Borrower shall fail to observe or perform any other covenant, obligation, condition or agreement contained in this Agreement or the other Credit Documents and such failure shall continue for thirty (30) days after notice thereof is given by Lender to Borrower or such longer period of time as is reasonably necessary to allow Borrower to so observe or perform such covenant, obligation, condition or agreement but, in any event, not more than seventy-five (75) days after notice thereof is given by Lender to Borrower; provided, that with respect to a failure by Borrower to observe or perform the Tangible Net Worth covenant pursuant to Section

5.02(n), such failure shall have only continued for five (5) days after notice thereof is given by Lender to Borrower; or

(d) Any representation, warranty, certificate, or other statement (financial or otherwise) made or furnished by or on behalf of Borrower to Lender in or in connection with this Agreement or any of the other Credit Documents, or as an inducement to Lender to enter into this Agreement, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished; or

(e) Borrower shall (i) fail to make any payment when due under the terms of any bond, debenture, note or other evidence of Indebtedness to be paid by such Person (excluding this Agreement and the other Credit Documents but including any other evidence of Indebtedness of Borrower to Lender) and such failure shall continue beyond any period of grace provided with respect thereto, or (ii) default in the observance or performance of any other agreement, term or condition contained in any such bond, debenture, note or other evidence of Indebtedness, and the effect of such failure or default in either case is to cause, or permit the holder or holders thereof to cause Indebtedness in an aggregate amount of \$100,000 or more to become due prior to its stated date of maturity; or

(f) Borrower shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors, (iv) become insolvent (as such term may be defined or interpreted under any applicable statute), (v) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (vi) take any action for the purpose of effecting any of the foregoing; or

(g) Proceedings for the appointment of a receiver, trustee, liquidator or custodian of Borrower or of all or a substantial part of the property of Borrower, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to Borrower or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and not dismissed within sixty (60) days of commencement; or

(h) A final, non-appealable judgment or order for the payment of money in excess of \$100,000 (exclusive of amounts covered by insurance issued by an insurer not an Affiliate of Borrower) shall be rendered against Borrower and the same shall remain unsatisfied, unstayed or unvacated for a period of thirty (30) days after entry thereof, or any judgment, writ, assessment, warrant of attachment, or execution or similar process shall be issued or levied against a substantial part of the property of Borrower, and such judgment, writ, assessment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within thirty (30) days after filing; or

(i) Any Credit Document or any material term thereof shall cease to be a legal, valid and binding obligation of Borrower enforceable in accordance with its terms; or

(j) Toro Sub and TCFIF Sub shall cease to be the sole members of Borrower or Toro Sub closes on its acquisition of the interest of TCFIF Sub in Borrower pursuant to the exercise of the Toro Sub Purchase Option under Section 9.03 of the LLC Agreement; or

(k) Borrower shall have been finally dissolved, wound up and liquidated, whether at scheduled maturity or otherwise or the business of Borrower shall have been discontinued

pursuant to an election made as described in the third sentence of Section 10.04 of the LLC Agreement;

(l) Lender's security interest in any material portion of the Collateral shall at any time cease to be a valid and perfected, first priority, security interest.

6.02 Remedies.

(a) Upon (i) the occurrence or existence of any Event of Default (other than an Event of Default referred to in Section 6.01(f) or 6.01(g) or an Event of Default caused solely by TCFIF or an Affiliate of TCFIF, including any failure by TCFIF to make a capital contribution to Borrower required pursuant to the terms of the LLC Agreement or any willful violation on the part of the general manager of Borrower while such general manager is TCFIF's employee, which such failure or violation shall be deemed to have been caused solely by TCFIF) and at any time thereafter during the continuance of such Event of Default, (ii) the occurrence or existence of a Material Adverse Effect or (iii) the occurrence of an Acceleration Event, Lender may, by written notice to Borrower, (a) terminate the Commitment and the obligation of Lender to make Revolving Loans and/or (b) declare all outstanding Obligations payable by Borrower hereunder to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Revolving Loan Note to the contrary notwithstanding. Notwithstanding the occurrence or existence of an Event of Default under Sections 6.01(b)–(e), 6.01(h), 6.01(i) or 6.01(l), Lender shall not be permitted to terminate the Commitment or declare the Obligations due and payable and shall continue to make Revolving Loans hereunder so long as there shall not occur or exist a Material Adverse Effect or Acceleration Event or an Event of Default under any of Sections 6.01(a), 6.01(f), 6.01(g), 6.01(j) or 6.01(k).

(b) Upon the occurrence or existence of any Event of Default described in Section 6.01(f) or 6.01(g), immediately and without notice, (i) the Commitment and the obligations of Lender to make Revolving Loans shall automatically terminate and (ii) all outstanding Obligations payable by Borrower hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Revolving Loan Note to the contrary notwithstanding.

(c) In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default at any time Lender is permitted to terminate the Commitment, Lender may exercise any other right, power or remedy granted to it by the Credit Documents or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

SECTION VII GRANT OF SECURITY INTEREST AND PROVISIONS REGARDING COLLATERAL

7.01 Grant of Security Interest. As security for the payment of all Revolving Loans now or hereafter made by Lender to Borrower hereunder or under the Revolving Loan Note, and as security for the payment or other satisfaction of all other Obligations, Borrower hereby grants to the Lender a Lien and a security interest in and to the following property of Borrower, whether now or hereafter owned, existing, licensed, leased, consigned, acquired or arising, wherever now or hereafter located (all such property is herein referred to collectively as the "Collateral" (each capitalized term used in this Section 7.01 and not otherwise defined in this Agreement shall have in this Agreement the meaning given to it by the UCC)):

(a) The Purchased Receivables, and any and all other Accounts, Goods, Health Care Insurance Receivables, General Intangibles, Payment Intangibles, Deposit Accounts, Chattel

Paper (including Electronic Chattel Paper), Documents, contracts, advices of credit, money, Commercial Tort Claims, Equipment, Inventory, Fixtures and Supporting Obligations, together with all products of and Accessions to any of the foregoing and all Proceeds of any of the foregoing (including all insurance policies and proceeds thereof);

(b) to the extent, if any, not listed in clause (a) above, each and every other item of personal property and fixtures, whether now existing or hereafter arising or acquired, including all licenses, contracts and agreements and all collateral for the payment or performance of any contract or agreement, together with all products and Proceeds (including all insurance policies and proceeds) or any Accessions to any of the foregoing;

(c) all present and future business records and information, including computer tapes and other storage media containing the same, together with all Proceeds of any of the foregoing;

(d) all replacements, substitutions, additions or Accessions to or for any of the foregoing; and

(e) all rights of Borrower in, to and under all policies of insurance, including claims of rights to payments thereunder and proceeds therefrom, including credit insurance and business interruption insurance.

In furtherance of the foregoing grant of security, upon the request of Lender, Borrower will make proper entries in its books and records, disclosing the above-described grant of a security interest in the Collateral, including the assignment of its accounts to Lender. To the extent any of the Collateral is evidenced by chattel paper, a promissory note, a trade acceptance or any other instrument for the payment of money, unless Lender shall otherwise agree, Borrower will deliver the original of same to Lender, appropriately endorsed to Lender's order and, regardless of the form of such endorsement, Borrower hereby expressly waives presentment, demand, notice of dishonor, protest and notice of protest and all other notices with respect thereto.

7.02 Lock Box. On or before the date Borrower makes the initial purchase of Purchased Receivables pursuant to the terms of the initial Receivable Purchase Agreement to be entered into by and among Toro, and certain of its Affiliates and Borrower, Borrower shall either (a) establish one or more post office lock box arrangements with Lender on terms acceptable to the Lender (each, a "Lock Box") for the collection of payments from its respective account debtors or other amounts owing to it or (b) enter into agreements acceptable to Lender with each financial institution where Borrower deposits such collections on the date of this Agreement or will hereafter deposit such collections. In connection with any Lock Box, if required by Lender, Borrower shall direct its account debtors to send their payments directly to such Lock Box, and all invoices issued thereafter by Borrower shall direct its account debtors to send their payments directly to such Lock Box.

7.03 Special Provisions Regarding Accounts. Lender is authorized and empowered (which authorization and power, being coupled with an interest, is irrevocable until the last to occur of (i) termination of this Agreement, the Commitment and any other obligations of Lender under this Agreement and (ii) indefeasible payment in full in cash, and performance in full, of all of the Obligations) at any time in its sole and absolute discretion:

(a) To request, in the name of Lender, Borrower, or in the name of a third party, confirmation from any account debtor or party obligated under or with respect to any Collateral of the amount shown by the accounts or other Collateral to be payable, or any other matter stated therein;

(b) To endorse in Borrower's name and to collect, any chattel paper, checks, notes, drafts, instruments or other items of payment tendered to or received by Lender in payment of any account or other obligation owing to Borrower;

(c) At any time Lender is entitled to terminate the Commitment after the occurrence and during the continuance of an Event of Default, to notify, either in Lender's name or Borrower's name, and/or to require Borrower to notify, any account debtor or other Person obligated under or in respect of any Collateral or of the fact of Lender's Lien thereon and of the collateral assignment thereof to Lender;

(d) At any time Lender is entitled to terminate the Commitment after the occurrence and during the continuance of an Event of Default, to direct, either in Lender's name or Borrower's name, and/or to require Borrower to direct, any account debtor or other Person obligated under or in respect of any Collateral to make payment directly to Lender of any amounts due or to become due thereunder or with respect thereto; and

(e) At any time Lender is entitled to terminate the Commitment after the occurrence and during the continuance of an Event of Default, to demand, collect, surrender, release or exchange all or any part of any Collateral or any amounts due thereunder or with respect thereto, or compromise or extend or renew for any period (whether or not longer than the initial period) any and all sums which are now or may hereafter become due or owing upon or with respect to any of the Collateral, or enforce, by suit or otherwise, payment or performance of any of the Collateral, in Lender's own name or Borrower's name.

Under no circumstances shall Lender be under any duty to act in regard to any of the foregoing matters. The costs relating to any of the foregoing matters, including attorneys' fees and out-of-pocket expenses, and the cost of any bank account or accounts which may be required hereunder, shall be borne solely by Borrower whether the same are incurred by Lender or Borrower.

7.04 Lender's Power of Attorney. Borrower appoints the Lender, or any Person whom the Lender may from time to time designate, as Borrower's attorney and agent-in-fact with power: (a) at any time Lender is entitled to terminate the Commitment after the occurrence and during the continuance of an Event of Default, to notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Lender; (b) at any time Lender is entitled to terminate the Commitment after the occurrence and during the continuance of an Event of Default, to receive, open and dispose of all mail addressed to Borrower; (c) to send requests for verification of Borrower's accounts or other Collateral to its account debtors; (d) to open an escrow account under Lender's sole control for the collection of Borrower's accounts or other Collateral, if not required contemporaneously with the execution hereof; and (e) to do all other things which Lender is permitted to do under this Agreement or any other Credit Document or which are necessary to carry out this Agreement and the other Credit Documents. Neither Lender nor any of the directors, officers, employees or agents of Lender will be liable for any acts of commission or omission nor for any error in judgment or mistake of fact or law, unless the same shall have resulted from gross negligence or willful misconduct. The foregoing appointment and power, being coupled with an interest, is irrevocable until the last to occur of (x) termination of this Agreement, the Commitment and any other obligations of Lender under this Agreement and (y) indefeasible payment in full in cash, and performance in full, of all Obligations. Borrower expressly waives presentment, demand, notice of dishonor and protest of all instruments and any other notice to which it might otherwise be entitled.

7.05 No Liability for Safekeeping. Lender shall not be liable or responsible in any way for the safekeeping of any Collateral of Borrower delivered to it, to any bailee appointed by or for it, to any warehouseman, or under any other circumstances. Lender shall not be responsible for

collection of any proceeds or for losses in collected proceeds held by Borrower in trust for Lender. Any and all risk of loss for any or all of the foregoing shall be upon Borrower, except for such loss as shall result from Lender's gross negligence or willful misconduct.

7.06 Supplemental Documentation Relating to Collateral; Further Assurances. At Lender's request, Borrower shall execute and/or deliver to Lender, at any time or times hereafter, such agreements, documents, financing statements, warehouse receipts, bills of lading, notices of assignment of accounts, schedules of accounts assigned, certificates of origin or title and other written matter necessary or reasonably requested by Lender to perfect and maintain perfected Lender's security interest in the Collateral owned by it in form and substance acceptable to Lender, and pay or cause to be paid all taxes, fees and other costs and expenses associated with any recording or filing of any such documentation. Borrower hereby irrevocably makes, constitutes and appoints Lender (and all Persons designated by Lender for that purpose) as Borrower's true and lawful attorney (and agent-in-fact) (which appointment and power, being coupled with an interest, is irrevocable until the last to occur of (a) termination of this Agreement, the Commitment and all other obligations of Lender under this Agreement and (b) indefeasible payment in full in cash, and performance in full, of all Obligations) to sign the name of Borrower on any of such documentation and to deliver any of such documentation to such Persons as Lender, in its sole and absolute discretion, may elect. Borrower agrees that a carbon, photographic, photostatic, or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement. Borrower shall fully cooperate with Lender and perform all additional acts reasonably requested by Lender to effect the purposes of this Section VII.

7.07 Rights and Remedies. In addition to the rights and remedies of Lender set forth in Section 6.02, at any time Lender is entitled to terminate the Commitment upon the occurrence of and during the continuance of an Event of Default, Lender (i) shall have all rights and remedies of a secured party under the UCC and other applicable law and all the rights and remedies set forth in this Agreement, and Borrower waives notice of intent to accelerate, and of acceleration of, the Obligations; (ii) Lender may enter any premises of Borrower, with or without process of law, without force, to search for, take possession of, and remove the Collateral, or any part thereof; (iii) if Lender requests, Borrower shall cease disposition of and shall assemble the Collateral and make it available to Lender, at Borrower's expense, at a convenient place or places designated by Lender; (iv) Lender may take possession of the Collateral or any part thereof on Borrower's premises and cause it to remain there at Borrower's expense, pending sale or other disposition. Any notice of a disposition shall be deemed reasonably and properly given if given to Borrower at least ten (10) days before such disposition. If Borrower fails to perform any of its Obligations under this Agreement, Lender may perform the same in any form or manner Lender in its discretion deems necessary or desirable, and all monies paid by Lender in connection therewith shall be additional Obligations and shall be immediately due and payable without notice together with interest payable on demand at the rate set forth in Section 2.04(c). All of Lender's rights and remedies shall be cumulative.

SECTION VIII MISCELLANEOUS

8.01 Notices. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon Lender or Borrower under this Agreement or the other Credit Documents shall be in writing and faxed, mailed or delivered to each party at its facsimile number or address set forth below (or to such other facsimile number or address for any party as indicated in any notice given by that party to the other party). All such notices and communications shall be effective (a) when sent by an overnight service of recognized standing, on the Business Day following the deposit with such service; (b) 72 hours after being mailed, first class postage prepaid and addressed as aforesaid through the United States Postal Service; (c) when delivered by hand, upon delivery; (d) when faxed, upon confirmation of receipt;

provided, however, that any notice delivered to Lender under Section II shall not be effective until received by Lender; and (e) upon receipt of electronic mail (with a notice contemporaneously given by another method specified in this Section 8.01).

Lender: TCF Inventory Finance, Inc.
2300 Barrington Road
Suite 600
Hoffman Estates, Illinois 60169
Attention: Vincent E. Hillery, General Counsel
Telephone: (847) 252-6616
Facsimile: (847) 295-6012
Email: vhillery@tcfif.com

with copies to: TCF National Bank
200 E. Lake Street
Wayzata, MN 55391
Attention: General Counsel
Telephone: (952) 475-6498
Facsimile: (952) 475-7975
Email: jgreen@tcfbank.com

and

Kaplan, Strangis and Kaplan, P.A.
5500 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402
Attention: Harvey F. Kaplan, Esq.
Telephone: (612) 375-1138
Facsimile: (612) 375-1143
Email: hfk@kskpa.com

Borrower: Red Iron Acceptance, LLC
8111 Lyndale Avenue South
Bloomington, MN 55420
Attention: General Manager
Telephone: 952-888-8801
Facsimile: 952-887-8258
Email:

with copies to: The Toro Company
8111 Lyndale Avenue South
Bloomington, MN 55420
Attention: Treasurer
Telephone: 952-887-8449
Facsimile: 952-887-8920
Email: Tom.Larson@toro.com

and

The Toro Company
8111 Lyndale Avenue South
Bloomington, MN 55420

Attention: General Counsel
Telephone: 952-887-8178
Facsimile: 952-887-8920
Email: Tim.Dordell@toro.com

and

Oppenheimer Wolff & Donnelly LLP
3300 Plaza VII Building
45 South Seventh Street
Attention: C. Robert Beattie, Esq.
Telephone: 612-607-7395
Facsimile: 612-607-7100
Email: RBeattie@Oppenheimer.com

Each Revolving Loan Borrowing Request shall be made to Lender's telephone number referred to above (or by such other means as Lender and Borrower shall agree) during Lender's normal business hours. In any case where this Agreement authorizes notices, requests, demands or other communications by Borrower to Lender to be made by telephone, facsimile or electronic mail, Lender may conclusively presume that anyone purporting to be a Person designated in any incumbency certificate or other similar document delivered by Borrower to Lender is such a Person.

8.02 Expenses. Borrower shall pay on demand all reasonable fees and expenses, including reasonable attorneys' fees and expenses, incurred by Lender in the enforcement or attempted enforcement of any of the Obligations or in preserving any of Lender's rights and remedies, including all such fees and expenses incurred in connection with any "workout" or restructuring affecting the Credit Documents or the Obligations or any bankruptcy or similar proceeding involving Borrower.

8.03 Indemnification. To the fullest extent permitted by law, Borrower agrees to protect, indemnify, defend and hold harmless Lender and its directors, officers, employees, agents and any Affiliates thereof ("Indemnitees") from and against any and all liabilities, losses, damages or expenses of any kind or nature and from any and all suits, claims or demands (including in respect of or for reasonable attorney's fees and other expenses) arising on account of or in connection with any matter or thing or action or failure to act by Indemnitees, or any of them, arising out of or relating to the Credit Documents, including any use by Borrower of any proceeds of the Revolving Loans, except to the extent such liability arises from the willful misconduct or gross negligence of the Indemnitees. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Lender believes is covered by this indemnity, Lender shall give Borrower notice of the matter and an opportunity to defend it, at Borrower's sole cost and expense, with legal counsel reasonably satisfactory to Lender. Any failure or delay of Lender to notify Borrower of any such suit, claim or demand shall not relieve Borrower of its obligations under this Section 8.03 but shall reduce such obligations to the extent of any increase in those obligations caused solely by an unreasonable failure or delay. The obligations of Borrower under this Section 8.03 shall survive the payment and performance of the Obligations, the termination of the Commitment and the termination of this Agreement.

8.04 Waivers; Amendments. Any term, covenant, agreement or condition of this Agreement or any other Credit Document may be amended or waived if such amendment or waiver is in writing and is signed by Borrower and Lender. No failure or delay by Lender in exercising any right hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right.

Unless otherwise specified in such waiver or consent, a waiver or consent given hereunder shall be effective only in the specific instance and for the specific purpose for which given.

8.05 Successors and Assigns.

(a) Binding Effect. This Agreement and the other Credit Documents shall be binding upon and inure to the benefit of Borrower, Lender, all future holders of the Revolving Loan Note and their respective successors and, solely in the case of Lender, its assigns permitted pursuant to Section 8.05(b). All references in this Agreement to any Person shall be deemed to include all successors and permitted assigns of such Person.

(b) Assignments. Borrower may not assign or transfer any of its rights or obligations under any Credit Document without the prior written consent of Lender. Lender may at any time, without the consent of Borrower, assign to one or more Affiliates (each an “Assignee”) all, or a proportionate part of all, of its rights and obligations under this Agreement and the other Credit Documents, and such Assignee shall assume such rights and obligations, pursuant to an assignment and assumption agreement executed by such Assignee and Lender; provided, however, that any Assignee of Lender shall be required to have at the time of assignment (i) a creditworthiness not less than the creditworthiness of Lender at such time and (ii) a credit facility, with TCF Bank as lender and Assignee as borrower, no less favorable than Lender’s credit facility with TCF Bank and supported by the same Performance Assurance Agreement from TCF Bank furnished in connection with Lender’s credit facility with TCF Bank, and such Assignee shall be able to perform the obligations of Lender hereunder. Upon execution and delivery of such instrument, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a commitment as set forth in such instrument of assumption, and Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this Section 8.05(b), Lender and Borrower shall make appropriate arrangements so that, if required, a new Revolving Loan Note is issued to the Assignee and the existing Revolving Loan Note is returned to Borrower.

(c) Information. Lender may disclose the Credit Documents and any financial or other information relating to Borrower to any Assignee or potential Assignee, subject to the terms of Section 8.12, and subject to Lender obtaining the agreement of such Assignee or potential Assignee to be bound by the terms of Section 8.12.

8.06 Setoff. In addition to any rights and remedies of Lender provided by law, Lender shall have the right, without prior notice to Borrower, any such notice being expressly waived by Borrower to the extent permitted by applicable law, at any time Lender is entitled to terminate the Commitment following the occurrence and during the continuance of a Default or an Event of Default, to set-off and apply against any Indebtedness, whether matured or unmatured, of Borrower to Lender (including the Obligations), any amount owing from Lender to Borrower. The aforesaid right of set-off may be exercised by Lender against Borrower or against any trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, receiver or execution, judgment or attachment creditor of Borrower or against anyone else claiming through or against Borrower or such trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off shall not have been exercised by Lender prior to the occurrence of a Default or an Event of Default. Lender agrees promptly to notify Borrower after any such set-off and application made by Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

8.07 No Third Party Rights. Subject to the terms of the Joint Venture Agreement, nothing expressed in or to be implied from this Agreement or any other Credit Document is intended to

give, or shall be construed to give, any Person, other than the parties hereto and thereto and their permitted successors and assigns, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement or any other Credit Document.

8.08 Partial Invalidity. If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

8.09 Jury Trial. EACH OF BORROWER AND LENDER, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING TO ANY CREDIT DOCUMENT IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO ANY CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY. THIS WAIVER IS A MATERIAL INDUCEMENT FOR OUR ENTERING INTO THIS AGREEMENT.

8.10 Submission to Jurisdiction. Each of Borrower and Lender hereby irrevocably submits to the non-exclusive jurisdiction of the Federal courts sitting in Minneapolis or St. Paul, Minnesota and any state court located in Hennepin County, Minnesota, and by execution and delivery of this Agreement, each of Borrower and Lender accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of such courts with respect to any litigation concerning the Credit Documents or the transactions contemplated thereby or any matters related thereto. Each of Borrower and Lender irrevocably waives any objection (including any objection to the laying of venue or any objection on the grounds of forum non conveniens) which it may now or hereafter have to the bringing of any proceeding with respect to this Agreement to the courts set forth above. Borrower agrees to the personal jurisdiction of such courts and that service of process may be made on it at the address indicated in Section 8.01 above. Nothing herein shall affect the right to serve process in any other manner permitted by law.

8.11 Counterparts. This Agreement may be executed in any number of identical counterparts, any set of which signed by all the parties hereto shall be deemed to constitute a complete, executed original for all purposes.

8.12 Disclosure of Information about Borrower. Lender agrees that it will not provide any information to any Person regarding the business and operations of Borrower without the prior written consent of Borrower, except for (i) disclosures to any Person to the extent necessary to permit an assignment permitted under the terms of Section 8.05, (ii) disclosures to Lender's accountants to the extent necessary in connection with such accountants' auditing responsibilities, (iii) disclosures to any Person of information which is or becomes generally available to the public other than as a result of a disclosure in violation of the terms of this Section 8.12, (iv) disclosures to any Person of information which Lender is legally compelled to disclose, provided that Lender agrees to use all reasonable efforts to notify Borrower of any such legal requirement to disclose sufficiently in advance of the disclosure to permit Borrower to challenge the legal requirement, and (v) disclosure to any Person to the extent otherwise permitted by the Joint Venture Agreement or the LLC Agreement.

8.13 No Recourse to Members of Borrower. Notwithstanding any provision of this Agreement to the contrary, recourse for the payment of the Obligations and any other liabilities and obligations of Borrower arising under any Credit Document shall be had only against the assets, property and rights of Borrower.

8.14 No Indirect or Consequential Damages. NO PARTY TO THIS AGREEMENT SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO THIS AGREEMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR PUNITIVE, EXEMPLARY OR, EXCEPT IN THE CASE OF FRAUD, BAD FAITH, WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, INDIRECT OR CONSEQUENTIAL DAMAGES THAT MAY BE ALLEGED AS A RESULT OF ANY TRANSACTION CONTEMPLATED HEREUNDER.

[Signature page follows]

IN WITNESS WHEREOF, Borrower and Lender have caused this Agreement to be executed as of the day and year first above written.

RED IRON ACCEPTANCE, LLC

By: /s/ Mark Wrend
Name: Mark Wrend
Title: Manager

TCF INVENTORY FINANCE, INC.

By: /s/ Rosario A. Perrelli
Name: Rosario A. Perrelli
Title: President and CEO

SCHEDULE 1.01

DEFINITIONS

“Acceleration Event” shall mean Toro, on a consolidated basis, permits its consolidated ratio of (x) Indebtedness to (y) Indebtedness plus stockholders’ equity to exceed (i) 0.60 to 1.0 as at the end of the first fiscal quarter of Toro’s fiscal year, (ii) 0.65 to 1.00 as at the end of the second fiscal quarter of Toro’s fiscal year, (iii) 0.60 to 1.0 as at the end of the third fiscal quarter of Toro’s fiscal year or (iv) 0.55 to 1.00 as at the end of Toro’s fiscal year.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. For purposes of this definition, “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Agreement” shall mean this Credit and Security Agreement.

“Assignee” shall have the meaning given to that term in Section 8.05(b).

“Borrower” shall have the meaning given to that term in clause (1) of the preamble to this Agreement.

“Borrowing Base” shall mean, with respect to Borrower at any time, the remainder of Tangible Assets less the sum of (i) all liabilities of Borrower at such time (other than the aggregate principal amount of Revolving Loans borrowed by Borrower at such time) and (ii) the Required Equity Investment. The Borrowing Base for Borrower shall be determined by Lender as at the last day of each calendar month (after giving effect to any capital contributions made by the Members of Borrower with respect to such calendar month in accordance with the terms of the LLC Agreement).

“Business Day” shall mean any day on which commercial banks are not authorized or required to close in Minneapolis, Minnesota or Chicago, Illinois.

“Capital Asset” shall mean, with respect to any Person, tangible property owned or leased (in the case of a Capital Lease) by such Person, or any expense incurred by any Person that is required by GAAP to be reported as an asset on such Person’s balance sheet.

“Capital Expenditures” shall mean, with respect to any Person and any period, all amounts expended and Indebtedness incurred or assumed by such Person during such period for the acquisition of real property and other Capital Assets (including amounts expended and Indebtedness incurred or assumed in connection with Capital Leases).

“Capital Leases” shall mean any and all lease obligations that, in accordance with GAAP, are required to be capitalized on the books of a lessee.

“Closing Date” shall mean August 12, 2009.

“Collateral” shall have the meaning given to that term in Section 7.01.

“Commitment” shall have the meaning given to that term in Section 2.02(a).

“Contractual Obligation” of any Person shall mean, any indenture, note, security, deed of trust, mortgage, security agreement, lease, guaranty, instrument, contract, agreement or other form of obligation or undertaking to which such Person is a party or by which such Person or any of its property is bound.

“Credit Documents” shall mean and include this Agreement, the Revolving Loan Note and each Security Document delivered to Lender in connection with this Agreement, as each of the foregoing may be amended from time to time.

“Default” shall mean any event or circumstance not yet constituting an Event of Default but which, with the giving of any notice or the lapse of any period of time or both, would become an Event of Default.

“Dollars” and “\$” shall mean the lawful currency of the United States of America and, in relation to any payment under this Agreement, same day or immediately available funds.

“Employee Benefit Plan” shall mean any employee benefit plan within the meaning of section 3(3) of ERISA maintained or contributed to by Borrower, other than a Multiemployer Plan.

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, limited liability company interests, participations, shares, partnership interests or other equity interests in and of such Person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as the same may from time to time be amended or supplemented, including any rules or regulations issued in connection therewith.

“Event of Default” shall have the meaning given to that term in Section 6.01.

“Exmark” shall mean Exmark Manufacturing Company Incorporated, a Nebraska corporation, a wholly owned subsidiary of Toro.

“Financial Statements” shall mean, with respect to any accounting period for any Person, statements of income of such Person for such period and balance sheets of such Person as of the end of such period and, with respect to any annual accounting period for any Person, statements of cash flows of such Person for such annual period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year if such period is less than a full fiscal year or, if such period is a full fiscal year, corresponding figures from the preceding fiscal year, all prepared in reasonable detail and in accordance with GAAP.

“GAAP” shall mean generally accepted accounting principles and practices as in effect in the United States of America from time to time, consistently applied.

“Governmental Authority” shall mean any domestic or foreign national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Governmental Charges” shall mean all levies, assessments, fees, claims or other charges imposed by any Governmental Authority upon or relating to (i) Borrower, (ii) the Revolving Loans, (iii) income or gross receipts of Borrower, (iv) the ownership or use of any of its assets by Borrower or (v) any other aspect of the business of Borrower.

“Governmental Rule” shall mean any law, rule, regulation, ordinance, order, code interpretation, judgment, decree, directive, guidelines, policy or similar form of decision of any Governmental Authority.

“Indebtedness” of any Person shall mean and include (a) all items of indebtedness and liabilities which, in accordance with GAAP, would be included in determining liabilities that are shown on the liability side of the balance sheet of such Person, (b) all indebtedness and liabilities of other Persons assumed or guaranteed by such Person or in respect to which such Person is secondarily or contingently liable whether by any agreement to acquire indebtedness and liabilities or to supply or advance funds or otherwise, and (c) all indebtedness and liabilities of other Persons secured by any Lien in any property of such Person (including Capital Leases).

“Indemnitees” shall have the meaning given to that term in Section 8.03.

“Interest Account” shall have the meaning given to that term in Section 2.05(b).

“Investment” of any Person shall mean any loan or advance of funds by such Person to any other Person (other than advances to employees of such Person for moving and travel expense, drawing accounts and similar expenditures in the ordinary course of business), any purchase or other acquisition of any Equity Securities or Indebtedness of any other Person, and any capital contribution by such Person to or any other investment by such Person in any other Person (including any Indebtedness incurred by such Person of the type described in clauses (b) and (c) of the definition of “Indebtedness” on behalf of any other Person).

“Joint Venture Agreement” shall mean that certain Agreement to Form Joint Venture, dated as of the date hereof, between TCFIF and Toro, as it may be amended from time to time.

“Lender” shall have the meaning given to that term in clause (2) of the preamble of this Agreement.

“LIBOR” shall mean the most recent 15 Business Day moving average of one-month interbank offered rates for dollar deposits in the London market, as reported to Lender by “The Bloomberg Financial Markets, Commodities and News,” a publicly available financial reporting service (“Bloomberg”). If Bloomberg no longer publishes such rates, the Lender may, in its discretion, choose a similar successor publicly available financial reporting service. LIBOR for any month will be based on the reported one-month LIBOR rate for the most recent 15 Business Days preceding the 25th day of the immediately preceding month.

“Lien” shall mean, with respect to any property, any security interest, mortgage, pledge, lien, claim, charge or other encumbrance in, of, or on such property or the income therefrom, including the interest of a vendor or lessor under a conditional sale agreement, Capital Lease or other title retention agreement, or any agreement to provide any of the foregoing, and the filing of any financing statement or similar instrument under the UCC or comparable law of any jurisdiction.

“LLC Agreement” shall mean that certain Limited Liability Company Agreement of Borrower, dated as of the date hereof, by and between Toro Sub and TCFIF Sub, as it may be amended from time to time.

“LLC Term” shall mean, at any time, the term of Borrower in effect at such time pursuant to the LLC Agreement.

“Lock Box” shall have the meaning given to that term in Section 7.02.

“Material Adverse Effect” shall mean a material adverse effect on (a) the business, assets, operations or financial or other condition of Borrower if the same could reasonably be expected to affect the ability of Borrower to pay or perform the Obligations in accordance with the terms of this Agreement and the other Credit Documents; (b) the ability of Borrower to pay or perform the Obligations in accordance with the terms of this Agreement and the other Credit Documents; (c) the rights and remedies of Lender under this Agreement or the other Credit Documents; or (d) the value of a material portion of the Collateral, the Lender’s security interest in a material portion of the Collateral or the general perfection or priority of a material portion such security interests.

“Maturity” shall mean, with respect to any Revolving Loan, interest or other amount payable by Borrower under this Agreement or the other Credit Documents, the date such Revolving Loan, interest or other amount becomes due, whether upon the stated maturity or due date, upon acceleration or otherwise.

“Member” shall mean either Toro Sub or TCFIF Sub, in their respective capacities as members of Borrower.

“Membership Interests” shall mean all membership interests, units, securities and interests assigned to members of a limited liability company, together with all voting rights associated therewith.

“Multiemployer Plan” shall mean any multiemployer plan within the meaning of section 3(37) of ERISA maintained or contributed to by Borrower.

“Obligations” shall mean and include all loans, advances, debts, liabilities, and obligations, howsoever arising, owed by Borrower to Lender of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising pursuant to the terms of this Agreement or any of the other Credit Documents, including all interest, fees (if any), charges, expenses, attorneys’ fees and accountants’ fees chargeable to Borrower or payable by Borrower hereunder or thereunder.

“Permitted Distributions” shall mean any distributions expressly contemplated or permitted by the Joint Venture Agreement or the LLC Agreement, provided, however, that any distribution otherwise permitted by the foregoing which would result in a Default or Event of Default shall not be deemed to be a Permitted Distribution.

“Permitted Indebtedness” shall mean and include:

- (a) Indebtedness incurred in the ordinary course of business other than indebtedness for borrowed money or Capital Leases;
- (b) Indebtedness of Borrower to Lender or an Affiliate of Lender; and
- (c) Indebtedness arising from the endorsement of instruments in the ordinary course of business.

“Permitted Liens” shall mean and include:

- (d) Liens for taxes or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith, provided provision is made to the reasonable satisfaction of Lender for the eventual payment thereof if subsequently found payable;

- (e) Liens of carriers, warehousemen, mechanics, materialmen, vendors, and landlords incurred in the ordinary course of business for sums not overdue or being contested in good faith, provided provision is made to the reasonable satisfaction of Lender for the eventual payment thereof if subsequently found payable;
- (f) Deposits to secure the performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, or to secure statutory obligations of surety or appeal bonds or to secure indemnity, performance or other similar bonds in the ordinary course of business;
- (g) Liens arising out of a judgment or award not exceeding \$100,000 (exclusive of any amounts covered by insurance issued by a Person not an Affiliate of Borrower) with respect to which an appeal is being prosecuted, a stay of execution pending appeal having been secured; and
- (h) Liens in favor of Lender.

“Person” shall mean and include an individual, a partnership, a corporation (including a business trust), a limited liability company, a joint stock company, an unincorporated association, a joint venture, a trust or other entity or a Governmental Authority.

“Purchased Receivables” shall have the meaning given to that term in Section 2.01(e).

“Required Equity Investment” shall mean the minimum amount of Investment in Borrower by the Members pursuant to the LLC Agreement.

“Requirement of Law” applicable to any Person shall mean (a) the articles or certificate of incorporation or organization, bylaws, operating agreement, limited liability company agreement, partnership agreement or other organizational or governing documents of such Person, (b) any Governmental Rule applicable to such Person, (c) any license, permit, approval or other authorization granted by any Governmental Authority to or for the benefit of such Person and (d) any judgment, decision or determination of any Governmental Authority or arbitrator, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Revolving Loan” shall have the meaning given to that term in Section 2.01(a).

“Revolving Loan Borrowing Request” shall have the meaning given to that term in Section 2.01(b).

“Revolving Loan Maturity Date” shall have the meaning given to that term in Section 2.01(a).

“Revolving Loan Note” shall have the meaning given to that term in Section 2.05(a).

“Security Documents” shall mean and include all instruments, agreements, certificates, opinions and documents (including Uniform Commercial Code financing statements) delivered to Lender in connection with any Collateral or to secure the Obligations.

“Seller” shall mean each of Toro, TCC, Toro International, Exmark and their respective Affiliates from whom Borrower purchases receivables.

“Seller Credits” shall mean all of the rights of Borrower to any price protection payments, rebates, discounts, credits, factory holdbacks, incentive payments, warranty payments,

commissions and other amounts that at any time are due to Borrower from a Seller that may arise with respect to, or in connection with, Purchased Receivables.

“Subsidiary” of any Person shall mean (a) any corporation of which more than 50% of the issued and outstanding Equity Securities having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries, (b) any partnership, joint venture, or other association of which more than 50% of the equity interest having the power to vote, direct or control the management of such partnership, joint venture or other association is at the time owned and controlled by such Person, by such Person and one or more of the other Subsidiaries or by one or more of such Person’s other subsidiaries and (c) any other Person included in the Financial Statements of such Person on a consolidated basis.

“Tangible Assets” shall mean, with respect to any Person at any time, the remainder at such time, determined in accordance with GAAP, of (a) the total assets of such Person minus (b) all intangible assets of such Person (to the extent included in calculating total assets in clause (a) above, including goodwill (including any amounts, however designated on the balance sheet, representing the cost of acquisition of businesses and Investments in excess of underlying tangible assets), trademarks, trademark rights, trade name rights, copyrights, patents, patent rights, licenses, unamortized debt discount, marketing expenses, organizational expenses, non-compete agreements and deferred research and development expenses).

“Tangible Net Worth” shall mean, with respect to any Person at any time, the remainder at such time, determined in accordance with GAAP, of (a) the Tangible Assets of such Person minus (b) the total liabilities of such Person.

“Taxes” shall mean present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (except net income taxes and franchise taxes imposed on Lender).

“TCC” means Toro Credit Company, a Minnesota corporation.

“TCFIF” shall have the meaning given to that term in clause (2) of the preamble of this Agreement.

“TCFIF Rate” shall mean [***]

“TCFIF Sub” shall mean TCFIF Joint Venture I, LLC, a Minnesota limited liability company.

“Toro” shall mean The Toro Company, a Delaware corporation.

“Toro International” shall mean Toro International Company, a Minnesota corporation.

“Toro Sub” shall mean Red Iron Holding Corporation, a Delaware corporation.

“UCC” shall mean the Uniform Commercial Code as in effect in the state of Minnesota.

EXHIBIT A

REVOLVING LOAN NOTE

\$450,000,000 [_____, 20__]
Hoffman Estates, Illinois

FOR VALUE RECEIVED, Red Iron Acceptance, LLC, a limited liability company organized under the laws of the state of Delaware ("Borrower"), hereby promises to pay to the order of TCF INVENTORY FINANCE, INC., a Minnesota corporation ("Lender"), the principal sum of FOUR HUNDRED FIFTY MILLION DOLLARS (\$450,000,000) or such lesser amount as shall equal the aggregate outstanding principal balance of the Revolving Loans made by Lender to Borrower pursuant to the Credit and Security Agreement referred to below (the "Credit Agreement"), on or before the Revolving Loan Maturity Date specified in the Credit Agreement; and to pay interest on said sum, or such lesser amount, at the rates and on the dates provided in the Credit Agreement.

Borrower shall make all payments hereunder to Lender as indicated in the Credit Agreement, in lawful money of the United States and in same day or immediately available funds.

Lender shall record on its general ledger the date and amount of each Revolving Loan and of each payment or prepayment of principal and each payment of interest or other amounts made by Borrower and Borrower agrees that all such notations shall constitute prima facie evidence absent manifest error of the matters noted; provided, however, that the failure of Lender to make any such notation shall not affect Borrower's Obligations.

This Note is the Revolving Loan Note referred to in the Credit and Security Agreement, dated as of August 12, 2009, between Borrower and Lender.

This Note is subject to the terms of the Credit Agreement, including the rights of prepayment and the rights of acceleration of Maturity. Without limiting the foregoing, the obligations of Borrower under this Note are secured as described in Section VII of the Credit Agreement.

Borrower shall pay fees and expenses of Lender as provided in the Credit Agreement. Borrower hereby waives notice of presentment, demand, protest or notice of any other kind. This Note shall be governed by and construed in accordance with the laws of the state of Minnesota without regard to conflict of law principles.

Red Iron Acceptance, LLC

By:___
Name:___
Title:___

[PORTIONS HEREIN IDENTIFIED BY [***] HAVE BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE THE EXCLUDED INFORMATION IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.]

**FIRST AMENDMENT
TO
CREDIT AND SECURITY AGREEMENT**

THIS FIRST AMENDMENT TO CREDIT AND SECURITY AGREEMENT, dated as of June 6, 2012 (this "Amendment"), is entered into by and between RED IRON ACCEPTANCE, LLC, a Delaware limited liability company ("Borrower"), and TCF INVENTORY FINANCE, INC. ("Lender"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement (as hereinafter defined).

RECITALS

A. Borrower and Lender are parties to that certain Credit and Security Agreement, dated as of August 12, 2009 (the "Credit Agreement").

B. The parties hereto have agreed to amend the Credit Agreement as provided herein.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Amendments.

(a) Extension of Maturity Date. The first sentence of Section 2.01(a) of the Credit Agreement is amended and restated in its entirety to read as follows:

“(a) Revolving Loan Availability. Subject to the terms and conditions of this Agreement, Lender agrees to advance to Borrower from time to time during the period beginning on the Closing Date and ending on October 31, 2017, or such earlier date on which the LLC Term shall end (such date or such earlier date, if applicable, the “Revolving Loan Maturity Date”), such loans as Borrower may request under this Section 2.01 (individually, a “Revolving Loan”); provided, however, that the aggregate principal amount of all Revolving Loans outstanding at any time shall not exceed the Commitment at such time.”

(b) Most Favored Customer Pricing.

(i) The following sentence is added to the end of Section 2.01(c) of the Credit Agreement:

“If Lender desires to decrease the TCFIF Rate in order to comply with the requirements of Section 2.8(b) of the Joint Venture Agreement, such decrease shall be effective as of the date TCFIF or an Affiliate of TCFIF”

provides financing of the nature described in such Section 2.8(b) at a non-default interest rate lower than the TCFIF Rate then in effect.”

(ii) The defined term “TCFIF Rate” in Schedule 1.01 of the Credit Agreement is amended and restated in its entirety to read as follows:

*“TCFIF Rate” shall mean [***], as such rate may be reduced pursuant to Section 2.01(c).”*

(c) Change of Illinois Office.

(i) Section 4.01(q) of the Credit Agreement is amended and restated in its entirety to read as follows:

“(q) Records Regarding Collateral. Borrower keeps and maintains its books and records regarding its accounts and chattel paper at its chief executive office in Schaumburg, Illinois or at its office in Bloomington, Minnesota. The only locations at which any Collateral is located are at its offices in Bloomington, Minnesota and Schaumburg, Illinois.”

(ii) Section 5.01(f)(iv) of the Credit Agreement is amended and restated in its entirety to read as follows:

“(iv) maintain its chief executive office and principal place of business in Schaumburg, Illinois.”

2. Affirmation of Credit Agreement; Further References. The parties hereto each acknowledge and affirm that the Credit Agreement, as hereby amended, is hereby ratified and confirmed in all respects, and all terms, conditions and provisions of the Credit Agreement, except as amended by this Amendment, shall remain unmodified and in full force and effect. All references in any document or instrument to the Credit Agreement (including references in the Credit Agreement to the terms thereof) are hereby amended to refer to the Credit Agreement as amended by this Amendment.

3. Entire Agreement. This Amendment, on and after the date hereof, contains all of the understandings and agreements of whatsoever kind and nature existing among the parties hereto with respect to this Amendment, the subject matter hereof, and the rights, interests, understandings, agreements and obligations of the parties hereto pertaining to the subject matter hereof with the effect that this Amendment shall control with respect to the specific subjects hereof.

4. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in portable document format (.pdf) shall be as effective as delivery of a manually executed counterpart hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the day and year first above written.

RED IRON ACCEPTANCE, LLC

By: /s/ Mark J. Wrend
Name: Mark J. Wrend
Its: Manager

TCF INVENTORY FINANCE, INC.

By: /s/ Rosario A. Perrelli
Name: Rosario A. Perrelli
Its: President and Chief Executive Officer

**SIXTH AMENDMENT
TO
CREDIT AND SECURITY AGREEMENT**

This Amendment, entered into as of August 31, 2023, and effective as of August 31, 2023, is by and between RED IRON ACCEPTANCE, LLC, a Delaware limited liability company ("Borrower"), and HUNTINGTON DISTRIBUTION FINANCE, INC. ("Lender"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement (as hereinafter defined).

RECITALS

A. Borrower and Lender are parties to a Credit and Security Agreement, dated as of August 12, 2009, as amended by a First Amendment to Credit and Security Agreement dated as of June 6, 2012, a Second Amendment to Credit and Security Agreement dated as of November 29, 2016, a Third Amendment to Credit and Security Agreement dated as of December 20, 2019, a Fourth Amendment to Credit and Security Agreement dated August 23, 2021, and a Fifth Amendment to Credit and Security Agreement dated October 25, 2022 (as so amended, the "Credit Agreement").

B. The parties hereto have agreed to amend the Credit Agreement as provided herein.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Amendments.

(a) Change in Commitment. Section 2.02(a) of the Credit Agreement shall be deleted and replaced with the following:

(a) Commitment. *The aggregate principal amount of all Revolving Loans outstanding at a time shall not exceed the lesser of (x) the Borrowing Base and (y) \$1,350,000,000 (or, if reduced pursuant to Section 2.02(b) or otherwise; the lesser amount to which reduced) (such lesser amount, as so reduced from time to time, to be referred to herein as the "Commitment").*

2. Fourth Amended and Restated Revolving Loan Note. As of the date of this Amendment, Borrower will enter into a Fourth Amended and Restated Revolving Loan Note in the form of Exhibit A to this Amendment (the "Fourth Amended and Restated Revolving Loan Note"). All references in any document or instrument to the Revolving Loan Note (other than the reference in Section 3.01(b) of the Credit Agreement, which will continue to refer to the promissory note issued on August 12, 2009) are hereby amended to refer to the Fourth Amended and Restated Revolving Loan Note.

3. Representations and Warranties. Borrower certifies to Lender that the representations and warranties of Borrower in Section IV of the Credit Agreement are true and correct in all respects as of the date of this Amendment.

4. Affirmation of Credit Agreement; Further References. The parties hereto each acknowledge and affirm that the Credit Agreement, as hereby amended, **is** hereby ratified and confirmed in all respects, and all terms, conditions and provisions of the Credit Agreement, except as amended by this Amendment, shall remain unmodified and in full force and effect. All references in any document or instrument to the Credit Agreement (including references in the Credit Agreement to the terms thereof) are hereby amended to refer to the Credit Agreement as amended through this Amendment.

5. Entire Agreement. This Amendment, on and after the date hereof, contains all of the understandings and agreements of whatsoever kind and nature existing among the parties hereto with respect to this Amendment, the subject matter hereof, and the rights, interests, understandings, agreements and obligations of the parties hereto pertaining to the subject matter hereof with the effect that this Amendment shall control with respect to the specific subjects hereof.

6. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in portable document format (.pdf) shall **be** as effective as delivery of a manually executed counterpart hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the day and year first above written.

RED IRON ACCEPTANCE, LLC

By: /s/ Jay R. Deverell

Name: Jay R. Deverell

Title: Manager

HUNTINGTON DISTRIBUTION FINANCE, INC.

By: /s/ Jay R. Deverell

Name: Jay R. Deverell

Title: President

[Signature page to Sixth Amendment to Credit and Security Agreement]

EXHIBIT A

FOURTH AMENDED AND RESTATED REVOLVING LOAN NOTE

\$1,350,000,000
Schaumburg, Illinois
August 31, 2023

THIS FOURTH AMENDED AND RESTATED REVOLVING LOAN NOTE (this "**Note**") completely amends and restates that certain Third Amended and Restated Revolving Note Loan dated as of October 25, 2022, executed by RED IRON ACCEPTANCE, LLC ("**Borrower**") and made payable to the order of HUNTINGTON DISTRIBUTION FINANCE, INC. ("**Lender**") and is issued in substitution and replacement thereof. This Note is the Revolving Loan Note referred to in the Credit and Security Agreement, dated as of August 12, 2009, between Borrower and Lender, as amended by the First Amendment to Credit and Security Agreement, dated as of June 6, 2012, the Second Amendment to Credit and Security Agreement, dated as of November 29, 2016, the Third Amendment to Credit and Security Agreement, dated as of December 20, 2019, the Fourth Amendment to Credit Agreement, dated August 23, 2021, the Fifth Amendment to Credit and Security Agreement, dated October 25, 2022 and the Sixth Amendment to Credit and Security Agreement, dated as of the date hereof (as amended, the "**Credit Agreement**").

FOR VALUE RECEIVED, Borrower hereby promises to pay to the order of Lender, the principal sum of ONE BILLION THREE HUNDRED AND FIFTY MILLION DOLLARS (\$1,350,000,000) or such lesser amount as shall equal the aggregate outstanding principal balance of the Revolving Loans made by Lender to Borrower pursuant to the Credit Agreement, on or before the Revolving Loan Maturity Date specified in the Credit Agreement; and to pay interest on said sum, or such lesser amount, at the rates and on the dates provided in the Credit Agreement.

This Note is subject to the terms of the Credit Agreement, including the rights of prepayment and the rights of acceleration of Maturity. Without limiting the foregoing, the obligations of Borrower under this Note are secured as described in Section VII of the Credit Agreement.

Borrower shall pay fees and expenses of Lender as provided in the Credit Agreement. Borrower hereby waives notice of presentment, demand, protest or notice of any other kind. This Note shall be governed by and construed in accordance with the laws of the state of Minnesota without regard to conflict of law principles.

This Note may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute but one and the same agreement. Delivery of an executed signature page counterpart to this Note via facsimile or other similar method of electronic transmission (including via email with attached .pdf) shall be effective as if it were delivery of a manually delivered, original, executed counterpart thereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Note as of the date first above written.

RED IRON ACCEPTANCE, LLC

By: EXHIBIT ONLY

Name: EXHIBIT ONLY

Its: EXHIBIT ONLY

ACCEPTED BY:

HUNTINGTON DISTRIBUTION FINANCE, INC.

BY: EXHIBIT ONLY

Name: EXHIBIT ONLY

ITS: EXHIBIT ONLY

THE TORO COMPANY
Subsidiaries of Registrant

The following are significant subsidiaries of The Toro Company as of October 31, 2023:

Name	State or Other Jurisdiction of Incorporation	Percentage of Voting Securities Owned
Anvil Land and Properties, Inc.	Oklahoma	100%
Bad Dawg Accessories, LLC	Arkansas	100%
Bureau Commercial Marketing SAS	France	90%
Envy Neighborhood Vehicle, LLC	Arkansas	100%
Exmark Manufacturing Company Incorporated	Nebraska	100%
Georgia Equipment Specialists, LLC	Georgia	100%
Gourmet Guru Grill, LLC	Arkansas	100%
Hayter Holdings Limited	United Kingdom	100%
International Underground Systems, SL	Spain	100%
Intimidator, LLC	Arkansas	100%
Irritrol Systems Europe Productions S.r.l.	Italy	100%
Irritrol Systems Europe S.r.l.	Italy	100%
Michigan Underground Specialists, LLC	Michigan	100%
MTI Distributing, Inc.	Minnesota	100%
Perrot-Polska s.p. zoo	Poland	100%
Radius HDD Direct LLC	Oklahoma	100%
Rain Master Irrigation Systems, Inc.	California	100%
Red Iron Acceptance, LLC	Delaware	45%
Red Iron Holding Corporation	Delaware	100%
Regnerbau Calw GmbH	Germany	100%
RF Products, LLC	Arkansas	100%
Spartan Mowers, LLC	Arkansas	100%
Texas Underground Xperts, Inc.	Texas	100%
The Charles Machine Works, Inc.	Oklahoma	100%
The Holiman Co. Inc.	Pennsylvania	100%
The ShopToro Company	Minnesota	100%
The Toro Company (Asia) Pte. Limited	Singapore	100%
The Toro Company (Canada), Inc.	New Brunswick, Canada	100%
Toro (China) Irrigation Equipment Co., Ltd.	People's Republic of China	100%
Toro Australia Group Sales Pty. Ltd.	Australia	100%
Toro Australia Pty. Limited	Australia	100%
Toro Company de Mexico, S. de R.L. de C.V.	Mexico	100%
Toro Credit Company	Minnesota	100%
Toro Europe N.V.	Belgium	100%
Toro Finance Company	California	100%
Toro Finance Ltd.	Cayman Islands	100%
Toro Germany I GmbH	Germany	100%
Toro Global Services Company	Minnesota	100%
Toro International Company	Minnesota	100%
Toro LLC	Delaware	100%
Toro Luxembourg S.à.r.l.	Luxembourg	100%
Toro Manufacturing and Sales, S.R.L.	Romania	100%
Toro Manufacturing LLC	Delaware	100%
Toro Mexico Holdings LLC	Minnesota	100%
Toro Mexico Sales S de R.L. de C.V.	Mexico	100%
Toro Principal Manufacturing (Singapore) Pte. Limited	Singapore	100%
Toro Purchasing Company	Minnesota	100%

Toro R&D Company	Minnesota	100%
Toro Sales Company	Minnesota	100%
Toro Technology Center India LLP	India	100%
Toro U.K. Limited	United Kingdom	100%
Toro Warranty Company	Minnesota	100%
Tover Overseas B.V.	Netherlands	100%
Tover Overseas I C.V.	Netherlands	100%
Turflynx, Unipessoal Lda	Portugal	100%
Venture Products, Inc.	Ohio	100%

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-263792, 333-47260, 333-89260, 333-119504, 033-59563, 333-11860, 333-100004, 333-87461, 333-165582, 333-204336, and 333-215251) on Form S-8 of our report dated December 20, 2023, with respect to the consolidated financial statements of The Toro Company and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Minneapolis, Minnesota
December 20, 2023

**Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Richard M. Olson, certify that:

1. I have reviewed this annual report on Form 10-K of The Toro Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 20, 2023

/s/ Richard M. Olson

Richard M. Olson
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

**Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Angela C. Drake, certify that:

1. I have reviewed this annual report on Form 10-K of The Toro Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 20, 2023

/s/ Angela C. Drake

Angela C. Drake

Vice President, Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of The Toro Company (the "Company") for the fiscal year ended October 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Richard M. Olson, Chairman of the Board, President and Chief Executive Officer of the Company, and Angela C. Drake, Vice President, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard M. Olson

Richard M. Olson
Chairman of the Board, President and Chief Executive Officer
Date: December 20, 2023

/s/ Angela C. Drake

Angela C. Drake
Vice President, Chief Financial Officer
Date: December 20, 2023

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Policy Name: **Clawback Policy**

Applies To: All Employees that Receive Performance Share Awards and Former Executive Officers

Purpose

The Toro Company (the "Company") is committed to conducting business with integrity in accordance with high ethical standards and in compliance with all applicable laws, rules and regulations, including those applicable to the presentation of the Company's financial information to the public. As a result, the Board of Directors of the Company (the "Board") has adopted this Clawback Policy (this "Policy"), which provides for the recovery of certain employee incentive compensation in the event of financial errors, including an accounting restatement, or other employee egregious misconduct that has a substantial detrimental effect on the Company or its subsidiaries or its results of operations.

This Policy is adopted pursuant to and intended to comply with Section 303A.14 of the New York Stock Exchange ("NYSE") Listed Company Manual with respect to the recovery of erroneously awarded compensation from the Company's current and former Executive Officers (as defined below) so long as the Company's securities are listed on the NYSE.

Policy Administration

This Policy will be administered by the Compensation & Human Resources Committee of the Board of Directors, or in the absence of such a committee, a majority of the "independent directors" (within the meaning of Section 303A.02 of the NYSE Listed Company Manual) serving on the Board (the "Committee"). Except as limited by law, the Committee will have full power, authority, and sole and exclusive discretion to construe, interpret and administer this Policy. The Committee will interpret this Policy consistent with Section 303A.14 of the NYSE Listed Company Manual and any NYSE guidance issued thereunder, the rules and regulations of the Securities and Exchange Commission (the "SEC"), and any other applicable laws, rules or regulations governing the mandatory recovery of compensation, as such laws, rules or regulations may change, be interpreted or evolve from time to time. Any determinations made by the Committee will be made in its sole discretion and will be final, conclusive and binding on all affected individuals.

In the event of any change in any federal or state law, rule or regulation, or rule, regulation, policy or listing standard of the SEC or any securities exchange on which the Company's securities are listed, which requires the Company to recover certain compensation from a Covered Employee (as defined below), the Committee will be required to seek recovery under this Policy to the fullest extent required by such laws, rules, regulations or listing standards.

Covered Employees

This Policy will cover the Company's current and former Executive Officers (as defined below) and all individuals that received or receive the grant of performance share awards as part of their annual compensation (collectively, the "Covered Employees").

Notwithstanding the generality of the foregoing and for the avoidance of doubt, this Policy will cover the Company's current and former Executive Officers who Received Erroneously Awarded Compensation (in each case, as such terms are defined below) regardless of whether the Executive Officer committed misconduct or contributed to the error.

The term “Executive Officer” as used in this Policy means the Company’s:

- President;
- Principal financial officer;
- Principal accounting officer (or if there is no such accounting officer, the controller);
- Any vice-president of the Company in charge of a principal business unit, division or function (such as sales, administration or finance);
- Any other officer who performs a policy-making function; or
- Any other person who performs similar policy-making functions for the Company and executive officers of the Company’s parents or subsidiaries if such individuals perform such policy-making functions for the Company.

Policy-making function is not intended to include policy-making functions that are not significant.

Identification of an Executive Officer for purposes of this Policy would include at a minimum executive officers identified by the Company pursuant to Item 401(b) of SEC Regulation S-K.

Compensation Covered

This Policy will apply to all incentive compensation paid, granted, earned, vested or otherwise awarded to a Covered Employee, including annual cash incentives and other short and long-term cash incentive awards, stock options, restricted stock units, performance share awards, and any other equity-based awards (“Incentive Compensation”).

Notwithstanding the generality of and in addition to the foregoing, as required under Section 303A.14 of the NYSE Listed Company Manual, this Policy will apply to all Incentive-Based Compensation Received by a person (in each case, as such terms are defined below):

- After beginning service as an Executive Officer of the Company and who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation;
- While the Company has a class of securities listed on the NYSE or another national securities exchange or a national securities association; and
- During the three completed fiscal years immediately preceding the date that the Company is required to prepare a Restatement (as defined below), plus any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years; provided, however, that a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year; and provided, further, that the Company’s obligation to recover erroneously awarded compensation is not dependent on if or when the restated financial statements are filed.

For purposes of this Policy, a “Restatement” means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

For purpose of determining the relevant recovery period, the date that the Company is required to prepare a Restatement is the earlier to occur of: (i) the date the Company's Board, a committee of the Board or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement; or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare a Restatement.

Discretionary Authority to Recover Incentive Compensation From Covered Employees

In the event the Committee determines that a financial metric used to determine the vesting or payment of Incentive Compensation to a Covered Employee was calculated incorrectly, whether or not the Company is required to restate its financial statements, and without regard to whether such miscalculation was due to fraud or intentional misconduct, then the Committee may require (but is not obligated to require) reimbursement of certain Incentive Compensation received by such Covered Employee during the three-year period preceding the date on which the Company discovers the error or is required to prepare an accounting restatement, and/or authorize the cancellation of unpaid or unvested Incentive Compensation, as determined by the Committee pursuant to this Policy.

In addition, if the Committee determines that the Covered Employee has engaged in egregious conduct that is substantially detrimental to the Company, the Committee may require (but is not obligated to require) the Covered Employee to reimburse the Company for all or a portion of Incentive Compensation previously vested or paid to such Covered Employee during the one-year period preceding the date on which the Company discovers such conduct and/or authorize the cancellation of unpaid or unvested Incentive Compensation, as determined by the Committee pursuant to this Policy. "Egregious conduct substantially detrimental to the Company" will mean any one of the following:

- any act or omission which would constitute "Cause" for termination under the terms of the Covered Employee's employment agreement, if any;
- the material breach of a written policy applicable to the Covered Employee, including, but not limited to, the Code of Conduct;
- the material breach of any non-competition, non-solicitation or confidentiality agreement or agreement governing the ownership or assignment of intellectual property rights with the Company that is applicable to the Covered Employee;
- egregious misconduct by the Covered Employee including, but not limited to, fraud, criminal activities, falsification of Company records, theft, violent acts or threats of violence, or a violation of law, unethical conduct or inappropriate behavior that causes substantial reputational harm to the Company or exposes the Company to substantial legal liability; or
- the commission of an act or omission which causes the Covered Employee or the Company to be in violation of federal or state securities laws, rules or regulations.

In the event a recovery under this section of this Policy is triggered by an incorrect financial metric used to determine the vesting or payment of Incentive Compensation to a Covered Employee, then the recovery amount will be up to the amount of Incentive Compensation received by the Covered Employee that exceeds the amount of Incentive Compensation that otherwise would have been received based on the correct financial metric or restated results, as determined by the Committee in its sole discretion.

In the event a recovery under this section of this Policy is triggered by egregious conduct substantially detrimental to the Company by the Covered Employee, then the Committee will determine the amount of Incentive Compensation to recover from such Covered Employee based on the following factors:

- the amount of Incentive Compensation received by the Covered Employee that exceeds the amount of Incentive Compensation that otherwise would have been received or granted had the Covered Employee's egregious conduct substantially detrimental to the Company been known;
- the relative fault or degree of involvement by the Covered Employee;
- the overall work performance of the Covered Employee;
- the relative impact of the Covered Employee's conduct on the Company and the magnitude of any restatement, loss or variance from budget or plan;
- the cost or difficulty of obtaining recovery, including but not limited to whether the Covered Employee has any outstanding equity-based awards that may be cancelled, whether the Covered Employee continues to be employed by the Company or its subsidiaries, and the language of this Policy in effect on the relevant date; and/or
- any other facts and circumstances determined relevant by the Committee, in its sole discretion.

Mandatory Authority and Obligation to Recover Erroneously Awarded Compensation From Executive Officers

In the event of a Restatement and if required under Section 303A.14 of the NYSE Listed Company Manual, the Company must reasonably promptly recover any Erroneously Awarded Compensation (as defined below) in compliance with this Policy and Section 303A.14 of the NYSE Listed Company Manual, except to the extent one of the three conditions below is met and the Committee has made a determination that recovery would be impracticable.

- The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered and the Company has made a reasonable attempt to recover any amount of erroneously awarded compensation, has documented such reasonable attempt(s) to recover and provided that documentation to the NYSE.
- Recovery would violate home country law where that law was adopted prior to November 28, 2022 and the Company has obtained an opinion of home country counsel, acceptable to the NYSE, that recovery would result in such a violation and has provided such opinion to the NYSE.
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or 411(a) of the U.S. Internal Revenue Code and regulations thereunder.

The term "Erroneously Awarded Compensation" as used in this Policy means that amount of Incentive-Based Compensation Received (as such terms are defined below) that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts, and must be computed without regard to any taxes paid.

For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation

directly from the information in a Restatement the amount must be based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive-based Compensation was Received. The Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the NYSE.

The term “Incentive-Based Compensation” as used in this Policy means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a financial reporting measure.

The term “Financial Reporting Measures” as used in this Policy means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. Financial reporting measures include, without limitation, stock price and total shareholder return, and may include non-GAAP financial measures. A financial reporting measure need not be presented within the Company’s financial statements or included in an SEC filing to constitute a financial reporting measure for this purpose.

Incentive-Based Compensation is deemed “Received” as such term is used in this Policy by an Executive Officer in the Company’s fiscal period during which the financial reporting measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

Notwithstanding the generality of the foregoing, “Incentive-Based Compensation” is intended to be interpreted and construed broadly and includes with respect to any plan that takes into account incentive-based compensation (other than a tax-qualified plan) any amount contributed to a notional account based on erroneously awarded compensation and any earnings accrued to date on that notional account. Such plans include without limitation long-term disability plans, life insurance plans, supplemental executive retirement plans and other compensation, if it is based on incentive-based compensation.

Method of Recovery

The Committee will determine, in its sole discretion, the method for recovering Incentive Compensation or Erroneously Awarded Compensation hereunder, which may include, without limitation, any one or more of the following:

- requiring reimbursement of cash Incentive Compensation previously paid;
- seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards;
- cancelling or rescinding some or all outstanding vested or unvested equity-based awards;
- adjusting or withholding from unpaid compensation or other set-off;
- cancelling or setting-off against planned future grants of equity-based awards; and/or
- any other method authorized by applicable law or contract.

Enforceability

In addition to the adoption of this Policy, the Company will take steps to implement an agreement to this Policy by all Covered Employees. In furtherance of the foregoing, each

Covered Employee subject to this Policy is required to sign and return to the Company the Acknowledgement Form attached hereto as Exhibit A pursuant to which such Covered Employee will agree to be bound by the terms and comply with this Policy.

Policy Not Exclusive

Any recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, incentive or equity compensation plan or award or other agreement and any other legal rights or remedies available to the Company. Notwithstanding the generality of the foregoing, to the extent that the requirements under the provisions of Section 304 of the Sarbanes-Oxley Act of 2002 or other applicable law are broader than the provisions in this Policy, the provisions of such law will apply.

No Indemnification

The Company will not indemnify or agree to indemnify any Covered Employee against the loss of Erroneously Awarded Compensation or Incentive Compensation that is subject to this Policy nor will the Company pay or agree to pay any insurance premium to cover the loss of Erroneously Awarded Compensation or Incentive Compensation.

Effective Date and Relationship to Prior Policy

The effective date of this Policy is October 2, 2023 (the "Effective Date") and will apply to all:

- Incentive Compensation that is approved, awarded or granted to Covered Employees on or after the Effective Date, except as otherwise agreed by any Covered Employee or pursuant to the terms of any Company plan regarding Incentive Compensation; and
- Incentive-Based Compensation Received by the Company's current or former Executive Officers on or after the Effective Date.

This Policy supersedes and replaces The Toro Company Clawback Policy, as adopted by the Board on January 19, 2022, with respect to all Incentive Compensation received by any Covered Employee on or after the Effective Date and all Incentive-Based Compensation Received by the Company's current and former Executive Officers on or after the Effective Date.

Required Disclosures

The Company will file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including the disclosure required by the applicable SEC filings and will provide all required SEC and other disclosures regarding this Policy and in the event of a Restatement.

Amendment and Termination

The Committee may amend, modify or terminate this Policy in whole or in part at any time in its sole discretion and may adopt such rules and procedures that it deems necessary or appropriate to implement this Policy or to comply with applicable laws, rules and regulations, including without limitation Section 303A.14 of the NYSE Listed Company Manual.

Successors

This Policy shall be binding and enforceable against all Covered Employees and their respective beneficiaries, heirs, executors, administrators, or other legal representatives.