

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended August 1, 2008

THE TORO COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

1-8649
(Commission File Number)

41-0580470
(I.R.S. Employer Identification Number)

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

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

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

Yes No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of Common Stock outstanding as of August 29, 2008 was 35,515,141.

THE TORO COMPANY

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
THE TORO COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Earnings (Unaudited)
(Dollars and shares in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	August 1, 2008	August 3, 2007	August 1, 2008	August 3, 2007
Net sales	\$ 492,635	\$ 478,707	\$ 1,536,944	\$ 1,544,448
Cost of sales	318,695	301,264	986,101	982,224
Gross profit	173,940	177,443	550,843	562,224
Selling, general, and administrative expense	110,874	110,598	352,934	348,722
Earnings from operations	63,066	66,845	197,909	213,502
Interest expense	(4,645)	(4,959)	(14,947)	(15,235)
Other (expense) income, net	(368)	1,954	532	5,821
Earnings before income taxes	58,053	63,840	183,494	204,088
Provision for income taxes	19,826	21,354	63,856	68,186
Net earnings	\$ 38,227	\$ 42,486	\$ 119,638	\$ 135,902
Basic net earnings per share of common stock	\$ 1.01	\$ 1.05	\$ 3.13	\$ 3.32
Diluted net earnings per share of common stock	\$ 0.99	\$ 1.02	\$ 3.06	\$ 3.23
Weighted-average number of shares of common stock outstanding – Basic	37,901	40,569	38,177	40,938
Weighted-average number of shares of common stock outstanding – Diluted	38,708	41,803	39,039	42,113

See accompanying notes to condensed consolidated financial statements.

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

	August 1, 2008	August 3, 2007	October 31, 2007
ASSETS			
Cash and cash equivalents	\$ 55,013	\$ 94,192	\$ 62,047
Receivables, net	364,988	379,788	283,115
Inventories, net	211,760	243,437	251,275
Prepaid expenses and other current assets	14,811	13,018	10,677
Deferred income taxes	56,147	58,499	57,814
Total current assets	<u>702,719</u>	<u>788,934</u>	<u>664,928</u>
Property, plant, and equipment	608,554	569,981	577,082
Less accumulated depreciation	<u>434,742</u>	<u>399,233</u>	<u>406,410</u>
	173,812	170,748	170,672
Deferred income taxes	6,485	1,861	5,185
Other assets	7,538	11,269	9,153
Goodwill	86,099	81,768	86,224
Other intangible assets, net	<u>15,682</u>	<u>5,526</u>	<u>14,675</u>
Total assets	<u>\$ 992,335</u>	<u>\$ 1,060,106</u>	<u>\$ 950,837</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	\$ 2,441	\$ -	\$ 1,611
Short-term debt	-	1,449	372
Accounts payable	86,824	83,366	90,966
Accrued liabilities	<u>258,246</u>	<u>266,383</u>	<u>248,521</u>
Total current liabilities	<u>347,511</u>	<u>351,198</u>	<u>341,470</u>
Long-term debt, less current portion	227,266	223,157	227,598
Deferred revenue and other long-term liabilities	15,836	10,354	11,331
Stockholders' equity:			
Preferred stock, par value \$1.00, authorized 1,000,000 voting and 850,000 non-voting shares, none issued and outstanding	-	-	-
Common stock, par value \$1.00, authorized 100,000,000 shares, issued and outstanding 36,123,341 shares as of August 1, 2008 (net of 17,908,879 treasury shares), 39,774,219 shares as of August 3, 2007 (net of 14,258,001 treasury shares), and 37,950,831 shares as of October 31, 2007 (net of 16,081,389 treasury shares)	36,123	39,774	37,951
Retained earnings	364,384	439,780	335,384
Accumulated other comprehensive income (loss)	<u>1,215</u>	<u>(4,157)</u>	<u>(2,897)</u>
Total stockholders' equity	<u>401,722</u>	<u>475,397</u>	<u>370,438</u>
Total liabilities and stockholders' equity	<u>\$ 992,335</u>	<u>\$ 1,060,106</u>	<u>\$ 950,837</u>

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in thousands)

	Nine Months Ended	
	August 1, 2008	August 3, 2007
Cash flows from operating activities:		
Net earnings	\$ 119,638	\$ 135,902
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Equity losses from investments	439	136
Provision for depreciation and amortization	32,196	30,263
Gain on disposal of property, plant, and equipment	(89)	(133)
Gain on sale of business	(113)	-
Stock-based compensation expense	4,366	5,474
Increase in deferred income taxes	(1,490)	(2,323)
Changes in operating assets and liabilities:		
Receivables, net	(79,252)	(86,942)
Inventories, net	39,663	101
Prepaid expenses and other assets	(3,712)	(3,693)
Accounts payable, accrued expenses, and deferred revenue and other long-term liabilities	14,059	4,948
Net cash provided by operating activities	<u>125,705</u>	<u>83,733</u>
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(34,304)	(32,863)
Proceeds from asset disposals	880	152
Increase in investment in affiliates	(250)	-
(Increase) decrease in other assets	(288)	734
Proceeds from sale of a business	1,048	-
Acquisitions, net of cash acquired	(1,000)	(1,088)
Net cash used in investing activities	<u>(33,914)</u>	<u>(33,065)</u>
Cash flows from financing activities:		
(Decrease) increase in short-term debt	(372)	998
Issuance of long-term debt, net of costs	-	121,465
Repayments of long-term debt	(1,124)	(75,000)
Excess tax benefits from stock-based awards	3,511	12,956
Proceeds from exercise of stock options	3,506	11,456
Purchases of Toro common stock	(86,679)	(70,382)
Dividends paid on Toro common stock	(17,170)	(14,729)
Net cash used in financing activities	<u>(98,328)</u>	<u>(13,236)</u>
Effect of exchange rates on cash	<u>(497)</u>	<u>1,237</u>
Net (decrease) increase in cash and cash equivalents	(7,034)	38,669
Cash and cash equivalents as of the beginning of the fiscal period	<u>62,047</u>	<u>55,523</u>
Cash and cash equivalents as of the end of the fiscal period	<u>\$ 55,013</u>	<u>\$ 94,192</u>

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)
August 1, 2008

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. Unless the context indicates otherwise, the terms “company” and “Toro” refer to The Toro Company and its subsidiaries. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting primarily of recurring accruals, considered necessary for a fair presentation of the financial position and results of operations. Since the company’s business is seasonal, operating results for the nine months ended August 1, 2008 cannot be annualized to determine the expected results for the fiscal year ending October 31, 2008. Additional factors that could cause our actual results to differ materially from our expected results, including any forward-looking statements made in this report, are described in our most recently filed Annual Report on Form 10-K (Item 1A) and later in this report under Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations– Forward-Looking Information.

The company’s fiscal year ends on October 31, and quarterly results are reported based on three month periods that generally end on the Friday closest to the quarter end. For comparative purposes, however, the company’s second and third quarters always include exactly 13 weeks of results so that the quarter end date for these two quarters is not necessarily the Friday closest to the quarter end.

For further information, refer to the consolidated financial statements and notes included in the company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2007. The policies described in that report are used for preparing quarterly reports.

Accounting Policies

In preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles, management must make decisions that impact the reported amounts and the 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, management applies judgments based on its understanding and analysis of the relevant circumstances, historical experience, and actuarial valuations. Actual amounts could differ from those estimated at the time the consolidated financial statements are prepared. Note 1 to the consolidated financial statements in the company’s most recent Annual Report on Form 10-K provides a summary of the significant accounting policies followed in the preparation of the financial statements. Other footnotes to the consolidated financial statements in the company’s Annual Report on Form 10-K describe various elements of the financial statements and the assumptions made in determining specific amounts.

Comprehensive Income

Comprehensive income and the components of other comprehensive income (loss) were as follows:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	August 1, 2008	August 3, 2007	August 1, 2008	August 3, 2007
Net earnings	\$ 38,227	\$ 42,486	\$ 119,638	\$ 135,902
Other comprehensive income (loss):				
Cumulative translation adjustments	(132)	1,239	996	4,563
Minimum pension liability adjustment, net of tax	-	-	175	-
Unrealized gain (loss) on derivative instruments, net of tax	903	(498)	2,941	(1,871)
Comprehensive income	<u>\$ 38,998</u>	<u>\$ 43,227</u>	<u>\$ 123,750</u>	<u>\$ 138,594</u>

Stock-Based Compensation

The company accounts for stock-based compensation awards in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), "Share-Based Payment." Option awards 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. Options are generally granted in the first quarter of the company's fiscal year. For certain non-officer employees, the options vest in full two years from the date of grant and have a five-year term. For officers, certain key employees, and members of our Board of Directors, the options vest one-third each year over a three-year period and have a ten-year term. Compensation expense equal to the grant date fair value is recognized for these awards over the vesting period. The company also issues performance share awards to officers and other key employees. The company determines the fair value of these performance share awards as of the date of grant and recognizes the expense over the three-year vesting period. Total compensation expense for option and performance share awards for the third quarter of fiscal 2008 and 2007 was \$1.1 million and \$1.6 million, respectively. Year-to-date compensation expense for option and performance share awards through the third quarter of fiscal 2008 and 2007 was \$4.4 million and \$5.5 million, respectively.

The fair value of each share-based option is estimated on the date of grant using a Black-Scholes valuation method that uses the assumptions noted in the table below. The expected life is a significant assumption as it determines the period for which the risk-free interest rate, volatility, and dividend yield must be applied. The expected life is the average length of time over which the employee groups are expected to exercise their options, which is based on historical experience with similar grants. Separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. Expected volatilities are based on the 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. Dividend yield is estimated over the expected life based on the company's dividend policy, historical dividends paid, expected increase in future cash dividends, and expected increase in the company's stock price. The following table illustrates the assumptions for options granted in the following fiscal periods.

	Fiscal 2008	Fiscal 2007
Expected life of option in years	3 – 6.5	3 – 6.5
Expected volatility	24.84% - 25.75%	24.96% - 26.44%
Weighted-average volatility	25.26%	25.65%
Risk-free interest rate	3.10% - 4.08%	4.420% - 4.528%
Expected dividend yield	0.92% - 0.95%	0.78% - 0.90%
Weighted-average dividend yield	0.94%	0.84%

The weighted-average fair value of options granted during fiscal 2008 and fiscal 2007 was \$13.87 per share and \$12.32 per share, respectively. The fair value of performance share awards granted during the first quarter of fiscal 2008 and 2007 was \$58.96 per share and \$44.90 per share, respectively. No performance share awards were granted during the second and third quarters of fiscal 2008 or fiscal 2007.

Inventories

Inventories are valued at the lower of cost or net realizable value, with cost determined by the last-in, first-out (LIFO) method for most inventories and first-in, first-out (FIFO) method for all other inventories. The company establishes a reserve for excess, slow-moving, and obsolete inventory that is equal to the difference between the cost and estimated net realizable value for that inventory. These reserves are based on a review and comparison of current inventory levels to the planned production as well as planned and historical sales of the inventory.

Inventories were as follows:

(Dollars in thousands)	August 1, 2008	August 3, 2007	October 31, 2007
Raw materials and work in process	\$ 59,615	\$ 61,454	\$ 64,583
Finished goods and service parts	195,034	222,843	229,581
Total FIFO value	254,649	284,297	294,164
Less: adjustment to LIFO value	42,889	40,860	42,889
Total	\$ 211,760	\$ 243,437	\$ 251,275

Per Share Data

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

(Shares in thousands)	Three Months Ended		Nine Months Ended	
	August 1, 2008	August 3, 2007	August 1, 2008	August 3, 2007
<i>Basic</i>				
Weighted-average number of shares of common stock	37,901	40,569	38,169	40,910
Assumed issuance of contingent shares	-	-	8	28
Weighted-average number of shares of common stock and assumed issuance of contingent shares	<u>37,901</u>	<u>40,569</u>	<u>38,177</u>	<u>40,938</u>
<i>Diluted</i>				
Weighted-average number of shares of common stock and assumed issuance of contingent shares	37,901	40,569	38,177	40,938
Effect of dilutive securities	807	1,234	862	1,175
Weighted-average number of shares of common stock, assumed issuance of contingent shares, and effect of dilutive securities	<u>38,708</u>	<u>41,803</u>	<u>39,039</u>	<u>42,113</u>

Options to purchase an aggregate of 1,457,742 and 737,620 shares of common stock outstanding during the third quarter and year-to-date period of fiscal 2008, respectively, were excluded from the diluted net earnings per share calculation because their exercise prices were greater than the average market price of the company's common stock during the same comparable periods.

Goodwill

The changes in the net carrying amount of goodwill for the first nine months of fiscal 2008 were as follows:

(Dollars in thousands)	Professional Segment	Residential Segment	Total
Balance as of October 31, 2007	\$ 75,457	\$ 10,767	\$ 86,224
Translation adjustment	(65)	(60)	(125)
Balance as of August 1, 2008	<u>\$ 75,392</u>	<u>\$ 10,707</u>	<u>\$ 86,099</u>

Other Intangible Assets

The components of other amortizable intangible assets were as follows:

(Dollars in thousands)	August 1, 2008		October 31, 2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	\$ 6,553	\$ (6,258)	\$ 6,553	\$ (6,155)
Non-compete agreements	1,939	(1,111)	1,400	(938)
Customer related	6,587	(902)	6,655	(504)
Developed technology	5,555	(2,259)	3,490	(1,536)
Other	800	(800)	800	(800)
Total	<u>\$ 21,434</u>	<u>\$ (11,330)</u>	<u>\$ 18,898</u>	<u>\$ (9,933)</u>
Total other intangible assets, net	<u>\$ 10,104</u>		<u>\$ 8,965</u>	

Amortization expense for intangible assets during the first nine months of fiscal 2008 was \$1,430,000. Estimated amortization expense for the remainder of fiscal 2008 and succeeding fiscal years is as follows: fiscal 2008 (remainder), \$386,000; fiscal 2009, \$1,499,000; fiscal 2010, \$1,206,000; fiscal 2011, \$1,132,000; fiscal 2012, \$1,099,000; fiscal 2013, \$926,000; and after fiscal 2013, \$3,856,000.

The company also had \$5.6 million of non-amortizable intangible assets related to the Hayter and Rain Master brand names as of August 1, 2008 and October 31, 2007.

Segment Data

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

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

(Dollars in thousands)

Three months ended August 1, 2008	Professional	Residential	Other	Total
Net sales	\$ 351,598	\$ 132,143	\$ 8,894	\$ 492,635
Intersegment gross sales	9,626	2,317	(11,943)	-
Earnings (loss) before income taxes	71,113	3,436	(16,496)	58,053
Three months ended August 3, 2007	Professional	Residential	Other	Total
Net sales	\$ 332,014	\$ 132,981	\$ 13,712	\$ 478,707
Intersegment gross sales	11,972	1,655	(13,627)	-
Earnings (loss) before income taxes	70,887	8,246	(15,293)	63,840
Nine months ended August 1, 2008	Professional	Residential	Other	Total
Net sales	\$ 1,074,678	\$ 441,634	\$ 20,632	\$ 1,536,944
Intersegment gross sales	25,587	6,772	(32,359)	-
Earnings (loss) before income taxes	220,239	27,333	(64,078)	183,494
Total assets	526,153	217,576	248,606	992,335
Nine months ended August 3, 2007	Professional	Residential	Other	Total
Net sales	\$ 1,052,013	\$ 463,043	\$ 29,392	\$ 1,544,448
Intersegment gross sales	35,011	4,900	(39,911)	-
Earnings (loss) before income taxes	227,737	40,055	(63,704)	204,088
Total assets	522,963	210,660	326,483	1,060,106

The following table presents the details of the other segment operating loss before income taxes:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	August 1, 2008	August 3, 2007	August 1, 2008	August 3, 2007
Corporate expenses	\$ (15,303)	\$ (18,408)	\$ (59,191)	\$ (66,701)
Finance charge revenue	247	590	853	1,451
Elimination of corporate financing expense	2,528	4,072	7,778	11,178
Interest expense, net	(4,645)	(4,959)	(14,947)	(15,235)
Other	677	3,412	1,429	5,603
Total	\$ (16,496)	\$ (15,293)	\$ (64,078)	\$ (63,704)

Warranty Guarantees

The company's products are warranted to ensure customer confidence in design, workmanship, and overall quality. Warranty coverage ranges from a period of six months to seven years, and generally covers parts, labor, and other expenses for non-maintenance repairs. Warranty coverage generally does not cover operator abuse or improper use. An authorized Toro distributor or dealer must perform warranty work. Distributors, dealers, and contractors submit claims for warranty reimbursement and are credited for the cost of repairs, labor, and other expenses as long as the repairs meet prescribed standards. Warranty expense is accrued at the time of sale based 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, the historical length of time between the sale and resulting warranty claim, and other minor factors. Special warranty reserves are also accrued for major rework campaigns. The company also sells extended warranty coverage on select products for a prescribed period after the factory warranty period expires.

Warranty provisions, claims, and changes in estimates for the first nine-month periods in fiscal 2008 and 2007 were as follows:

(Dollars in thousands) Nine Months Ended	Beginning Balance	Warranty Provisions	Warranty Claims	Changes in Estimates	Ending Balance
August 1, 2008	\$ 62,030	\$ 35,829	\$ (29,421)	\$ (391)	\$ 68,047
August 3, 2007	\$ 65,235	\$ 37,409	\$ (30,539)	\$ (2,271)	\$ 69,834

Postretirement Benefit and Deferred Compensation Plans

The following table presents the components of net periodic benefit costs of the postretirement health-care benefit plan:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	August 1, 2008	August 3, 2007	August 1, 2008	August 3, 2007
Service cost	\$ 89	\$ 95	\$ 267	\$ 284
Interest cost	129	124	387	371
Prior service cost	(48)	(49)	(144)	(145)
Amortization of losses	53	55	159	163
Net expense	\$ 223	\$ 225	\$ 669	\$ 673

As of August 1, 2008, the company had made approximately \$375,000 of contributions in fiscal 2008. The company presently expects to contribute a total of \$500,000 to its postretirement health-care benefit plan in fiscal 2008, including contributions made through August 1, 2008.

The company maintains The Toro Company Investment, Savings and Employee Stock Ownership Plan for eligible employees. The company's expenses under this plan were \$4.0 million and \$12.2 million for the third quarter and year-to-date periods in fiscal 2008, respectively, and \$3.8 million and \$13.7 million for the third quarter and year-to-date periods in fiscal 2007, respectively.

During the first quarter of fiscal 2007, the company began to offer participants in the company's deferred compensation plans the option to invest their deferred compensation in multiple investment options. At the same time, the company elected to fund the majority of the deferred compensation plans, which amounted to \$18.0 million. The fair value of the company's investment in the deferred compensation plans as of August 1, 2008 was \$17.8 million, which reduced the company's deferred compensation liability reflected in accrued liabilities on the condensed consolidated balance sheet.

Income Taxes

As of November 1, 2007, the company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). This interpretation clarifies the accounting for income taxes by prescribing the minimum threshold a tax position is required to meet before being recognized in the financial statements, as well as guidance on de-recognition, measurement, classification, and disclosure of tax positions. The adoption of FIN 48 resulted in no cumulative effect of accounting change by the company as of November 1, 2007. As of August 1, 2008 and October 31, 2007, the company had \$5.4 million and \$5.6 million, respectively, of liabilities recorded related to unrecognized tax benefits. Accrued interest and penalties on these unrecognized tax benefits was \$0.9 million as of August 1, 2008 and October 31, 2007. As of October 31, 2007, the liability accrual including interest and penalties was classified as a component of accrued liabilities – income taxes on the company's consolidated balance sheet. In accordance with the adoption of FIN 48, the

liability accrual including interest and penalties was classified as a component of deferred revenue and other long-term liabilities on the company's condensed consolidated balance sheet as of February 1, 2008, May 2, 2008, and August 1, 2008. The company recognizes potential interest and penalties related to income tax positions as a component of provision for income taxes on the consolidated statements of earnings. Included in the liability balance as of August 1, 2008 are approximately \$3.0 million of unrecognized tax benefits that, if recognized, will affect the company's effective tax rate. The company does not anticipate that the total amount of unrecognized tax benefits will significantly change during the next twelve months. With few exceptions, the company is no longer subject to federal, state, or foreign income tax examinations for fiscal years prior to fiscal 2004.

Derivative Instruments and Hedging Activities

The company uses derivative instruments to manage exposure to foreign currency exchange rates. The company uses derivative instruments only in an attempt to limit underlying exposure to currency exchange rate fluctuations, and not for trading purposes. The company documents relationships between hedging instruments and the hedged items, as well as its risk-management objectives and strategy for undertaking various hedge transactions. The company assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used in hedging transactions are effective in offsetting changes in cash flows of the hedged item.

The company enters into foreign currency exchange contracts to hedge the risk from forecasted settlement in local currencies of trade sales and purchases. These contracts are designated as cash flow hedges with the fair value recorded in accumulated other comprehensive income and as a hedge asset or liability in prepaid expenses or accrued liabilities, as applicable. Once the forecasted transaction has been recognized as a sale or inventory purchase and a related asset or liability recorded in the consolidated balance sheet, the related fair value of the derivative hedge contract is reclassified from accumulated other comprehensive income to sales or cost of sales. During the three and nine months ended August 1, 2008, the amount of losses reclassified to earnings for such cash flow hedges was \$1.2 million and \$6.9 million, respectively. For the nine months ended August 1, 2008, the losses treated as a reduction to net sales for contracts to hedge trade sales were \$7.3 million and the gains treated as a reduction of cost of sales for contracts to hedge inventory purchases were \$0.4 million. As of August 1, 2008, the notional amount of such contracts outstanding was \$86.3 million. The unrecognized after-tax loss portion of the fair value of the contracts recorded in accumulated other comprehensive income as of August 1, 2008 was \$0.8 million.

The company also enters into other foreign currency exchange contracts to hedge intracompany financing transactions and other activities, which do not meet the hedge accounting criteria of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities;" therefore, changes in the fair value of these instruments are recorded in other income, net.

Contingencies

We are a party to litigation in the ordinary course of business. Litigation occasionally involves claims for punitive as well as compensatory damages arising out of use of our products. Although we are self-insured to some extent, we maintain insurance against certain product liability losses. We are also subject to administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment. Some of these claims assert damages and liability for remedial investigations and clean up costs. We are also typically involved in commercial disputes, employment disputes, and patent litigation cases in the ordinary course of business. To prevent possible infringement of our patents by others, we periodically review competitors' products. To avoid potential liability with respect to others' patents, we regularly review certain patents issued by the United States Patent and Trademark Office (USPTO) and foreign patent offices. We believe these activities help us minimize our risk of being a defendant in patent infringement litigation. We are currently involved in patent litigation cases, both where we are asserting patents and where we are defending against charges of infringement. While the ultimate results of the current cases are unknown at this time, we believe that the outcome of these cases is unlikely to have a material adverse effect on our consolidated financial condition or results of operations.

In June 2004, eight individuals who claim to have purchased lawnmowers in Illinois and Minnesota filed a lawsuit in Illinois state court against us and eight other defendants alleging that the horsepower labels on the products the plaintiffs purchased were inaccurate. The plaintiffs amended their complaint to add 89 additional plaintiffs and an engine manufacturer as an additional defendant. The amended complaint asserted violations of the federal Racketeer Influenced and Corrupt Organizations Act ("RICO") and statutory and common law claims arising from the laws of 48 states. The plaintiffs sought certification of a class of all persons in the United States who, beginning January 1, 1994 through the present, purchased a lawnmower containing a two-stroke or four-stroke gas combustible engine up to 30 horsepower that was manufactured or sold by the defendants. The amended complaint also sought an injunction, unspecified compensatory and punitive damages, treble damages under RICO, and attorneys' fees. In late May 2006, the case was removed to federal court in the Southern District of Illinois. In August 2006, all of the defendants, except MTD Products Inc. ("MTD"), filed motions to dismiss the claims in the amended complaint. Also in August 2006, the plaintiffs filed a motion for preliminary approval of a settlement agreement with

MTD and certification of a settlement class. All remaining non-settling defendants filed counterclaims against MTD for potential contribution amounts, and MTD filed cross claims against the non-settling defendants. In December 2006, another defendant, American Honda Motor Company (“Honda”), notified us that it had reached an agreement of settlement with the plaintiffs. In March 2007, the court entered an order dismissing plaintiffs’ complaint, subject to the ability to re-plead certain claims pursuant to a detailed written order to follow. On May 8, 2008, the court issued a memorandum and order that (i) dismissed the RICO claims in their entirety with prejudice; (ii) dismissed all non-Illinois state-law claims without prejudice and with instructions that such claims must be filed in local courts; and (iii) rejected the proposed settlement with MTD. The proposed Honda settlement was not under consideration by the court and was not addressed in the memorandum and order. In May 2008, the plaintiffs (i) re-filed the Illinois claims with the court; and (ii) commenced the process of filing non-Illinois claims in various local courts, including filings made in the federal courts in the District of New Jersey and the Northern District of California with essentially the same state law claims. On June 2, 2008, the plaintiffs filed a motion with the Judicial Panel on Multidistrict Litigation that (i) stated their intent to file lawsuits in all 50 states and the District of Columbia; and (ii) sought to have all of the cases transferred to the District of New Jersey for coordinated pretrial proceedings. On August 12, 2008, the Judicial Panel on Multidistrict Litigation issued an order denying the transfer request for coordinated pretrial proceedings. In July and August 2008, new lawsuits, some of which include new plaintiffs and new plaintiffs’ counsel, were filed in various local courts, including filings made in the federal courts in the Northern District of California, the Eastern District of Pennsylvania, the Eastern and Southern Districts of New York, the Western District of North Carolina, the Southern District of Florida, the District of Nebraska, the Northern District of Ohio, the District of Montana, the District of Minnesota, the District of South Dakota, the Middle District of Florida, and the Middle District of Alabama, in each case with essentially the same state law claims. We continue to evaluate these lawsuits and are unable to reasonably estimate the likelihood of loss or the amount or range of potential loss that could result from this litigation. Therefore, no accrual has been established for potential loss in connection with these lawsuits. We are also unable to assess at this time whether these lawsuits will have a material adverse effect on our annual consolidated operating results or financial condition, although an unfavorable resolution could be material to our consolidated operating results for a particular period.

In July 2005, Textron Innovations Inc., the patent holding company of Textron, Inc., filed a lawsuit in Delaware Federal District Court against us for patent infringement. Textron alleges that we willfully infringe certain claims of three Textron patents by selling our Groundsmaster® commercial mowers. Textron seeks damages for our past sales and an injunction against future infringement. In August and November 2005, we answered the complaint, asserting defenses and counterclaims of non-infringement, invalidity, and equitable estoppel. Following the Court’s order in October 2006 construing the claims of Textron’s patents, discovery in the case was closed in February 2007. In March 2007, following unsuccessful attempts to mediate the case, we filed with the USPTO to have Textron’s patents reexamined. The reexamination proceedings are pending in the USPTO. In April 2007, the Court granted our motion to stay the litigation and, in June 2007, denied Textron’s motion for reconsideration of the Court’s order staying the proceedings. We continue to evaluate this lawsuit and are unable to reasonably estimate the likelihood of loss or the amount or range of potential loss that could result from the litigation. Therefore, no accrual has been established for potential loss in connection with this lawsuit. While we do not believe that the lawsuit will have a material adverse effect on our consolidated financial condition, an unfavorable resolution could be material to our consolidated operating results for a particular period.

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

Nature of Operations

The Toro Company is in the business of designing, manufacturing, and marketing professional turf maintenance equipment and services, turf and agricultural micro-irrigation systems, landscaping equipment, and residential yard and irrigation products worldwide. We sell our products through a network of distributors, dealers, hardware retailers, home centers, mass retailers, and over the Internet, mainly through internet retailers. Our businesses are organized into two reportable business segments: professional and residential. A third segment called "other" consists of domestic company-owned distribution companies and corporate activities, including corporate financing activities. Our emphasis is to provide well-built, dependable, and innovative products supported by an extensive service network. A significant portion of our revenues has historically been attributable to new and enhanced products. As part of our "GrowLean" initiative, we are focusing our efforts on revenue growth, profit improvement, and asset management while maximizing our use of Lean methods to reduce costs and improve quality and efficiency in our manufacturing facilities and corporate offices. We believe we have opportunities to create a leaner, cohesive enterprise that has the potential to deliver sustainable long-term financial performance. The goals of this initiative are to grow net sales at an average annual rate of 8 percent or more and achieve a consistent after-tax annual return on net sales of 7 percent or more over the three-year period ending October 31, 2009. Our long-term asset management goal is to reduce average net working capital as a percent of net sales below 20 percent, or in the "teens." We define net working capital as accounts receivable plus inventory less trade payables.

RESULTS OF OPERATIONS

Overview

For the third quarter of fiscal 2008, our net earnings decreased 10.0 percent and our net sales increased 2.9 percent, as compared to the third quarter of fiscal 2007. Year-to-date net earnings were down 12.0 percent in fiscal 2008 compared to the same period last fiscal year on a slight year-to-date net sales decline of 0.5 percent. These results were attributable to the continued weakening of the domestic economy, higher commodity and fuel prices that hampered our gross margins, a higher effective tax rate, and lower other income. Our international business continued to grow with an increase in net sales of 15.3 percent and 12.0 percent for the third quarter and year-to-date periods of fiscal 2008, respectively, compared to the same periods last fiscal year, due in part to continued growth and demand for our products and a weaker U.S. dollar compared to other worldwide currencies in which we transact business. Despite the challenging domestic economic conditions we are facing in fiscal 2008, we have improved our asset management, as evidenced by a 13.0 percent decline in our inventory and a decline in our domestic field inventory levels as of the end of the third quarter of fiscal 2008 compared to the same period last fiscal year. These efforts contributed to a 50 percent improvement in our cash flows from operating activities for the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007.

We increased our third quarter cash dividend by 25 percent from \$0.12 to \$0.15 per share compared to the quarterly cash dividend paid in the third quarter of fiscal 2007. We also continued with our share repurchase program during the quarter by repurchasing 1.4 million shares of our common stock.

We expect the difficult domestic economic environment encountered in the first nine months of fiscal 2008 to persist for the remainder of the fiscal year. We have taken and continue to take proactive measures to help us manage through this tough economic environment, including adjusting production plans, controlling costs, adjusting product pricing, and managing our assets. We expect our fiscal 2008 net sales to be approximately equal to our fiscal 2007 net sales levels and anticipate our net earnings per share to be down 6 to 9 percent compared to our fiscal 2007 results. We continue to keep a cautionary eye on the domestic and global economies, commodity prices, weather, field inventory levels, retail demand, competitive actions, and other factors identified below under the heading "Forward-Looking Information," which could cause our actual results to differ from our outlook.

Net Earnings

Net earnings for the third quarter of fiscal 2008 were \$38.2 million or \$0.99 per diluted share compared to \$42.5 million or \$1.02 per diluted share for the third quarter of fiscal 2007, a net earnings per diluted share decrease of 2.9 percent. Year-to-date net earnings in fiscal 2008 were \$119.6 million or \$3.06 per diluted share compared to \$135.9 million or \$3.23 per diluted share last fiscal year, a net earnings per diluted share decrease of 5.3 percent. The primary factors contributing to these declines were lower gross margins, higher SG&A costs, a higher effective tax rate, and a decline in other income. Third quarter and year-to-date fiscal 2008 net earnings per diluted share were benefited by approximately \$0.08 per share and \$0.22 per share, respectively, compared to the same periods in fiscal 2007, as a result of reduced shares outstanding from repurchases of our common stock.

The following table summarizes the major operating costs and other income as a percentage of net sales:

	Three Months Ended		Nine Months Ended	
	August 1, 2008	August 3, 2007	August 1, 2008	August 3, 2007
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	(64.7)	(62.9)	(64.2)	(63.6)
Gross profit	35.3	37.1	35.8	36.4
Selling, general, and administrative expense	(22.5)	(23.1)	(23.0)	(22.6)
Interest expense	(0.9)	(1.0)	(1.0)	(1.0)
Other (expense) income, net	(0.1)	0.4	0.1	0.4
Provision for income taxes	(4.0)	(4.5)	(4.1)	(4.4)
Net earnings	7.8%	8.9%	7.8%	8.8%

Net Sales

Worldwide consolidated net sales for the third quarter of fiscal 2008 increased 2.9 percent compared to the third quarter of fiscal 2007. However, net sales for the year-to-date period of fiscal 2008 declined slightly by 0.5 percent from the same period in the prior fiscal year. International sales were strong as a result of continued growth and demand for our products in international markets. A weaker U.S. dollar compared to other worldwide currencies in which we transact business benefited our net sales by approximately \$7.5 million and \$27.2 million for the third quarter and year-to-date periods of fiscal 2008, respectively. Professional segment net sales were up for the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007 due to the introduction of new products, strong growth in the international golf market, and increased demand before product price increases that took effect August 1, 2008. This sales increase was hampered by the continued weakening of the domestic economy and customers' reluctance to place orders due to the uncertain economic environment, which has resulted in lower field inventory levels for our domestic businesses. Residential segment net sales declined for the third quarter and year-to-date periods of fiscal 2008 compared to the same periods in fiscal 2007 as a result of the continued weakening of the domestic economy and, with respect to the year-to-date period, a late spring in key markets. However, the residential segment net sales decline was somewhat tempered by higher snow thrower product sales in North America due to heavy snowfalls during the winter season of 2007-2008 and strong preseason demand as a result low field inventory levels entering the upcoming 2008-2009 winter season. Other segment net sales were also down for the third quarter and year-to-date periods of fiscal 2008 compared to the same periods in fiscal 2007 due mainly to the sale of a portion of the operations of one of our company-owned distributorships.

Gross Profit

As a percentage of net sales, gross profit for the third quarter of fiscal 2008 decreased to 35.3 percent compared to 37.1 percent in the third quarter of fiscal 2007. Gross profit as a percent of net sales for the year-to-date period of fiscal 2008 also declined to 35.8 percent compared to 36.4 percent in year-to-date period of fiscal 2007. These decreases in gross profit were primarily driven by: (i) higher commodity costs; (ii) increased freight expense from higher fuel prices; and (iii) higher manufacturing costs from lower plant utilization as we curtailed production to lower inventory levels. Somewhat offsetting those negative factors were: (i) a favorable product mix; (ii) a weaker U.S. dollar compared to other worldwide currencies in which we transact business; and (iii) a continued focus on cost reduction efforts and productivity improvements as part of our GrowLean initiative.

Selling, General, and Administrative Expense

Selling, general, and administrative expense increased slightly by 0.2 percent and 1.2 percent for the third quarter and year-to-date periods of fiscal 2008, respectively, compared to the same periods in fiscal 2007. SG&A expense as a percentage of net sales for the third quarter decreased to 22.5 percent compared to 23.1 percent in the third quarter of fiscal 2007 due mainly to a decline in incentive compensation expense, somewhat offset by increased spending for marketing and engineering. However, SG&A expense as a percentage of net sales for the year-to-date period of fiscal 2008 increased to 23.0 percent compared to 22.6 percent in the same period last fiscal year. This result was also attributable to increased spending for marketing and our continued investments in engineering, somewhat offset by a decline in incentive compensation expense.

Interest Expense

Interest expense for the third quarter and year-to date periods of fiscal 2008 was down 6.3 percent and 1.9 percent compared to the same periods in fiscal 2007. These decreases were due to interest expense paid last year on \$75 million of notes that were repaid in June 2007 and a decline in average interest rates, somewhat offset by higher average debt levels.

Other (Expense) Income, Net

Other income, net for the third quarter of fiscal 2008 decreased \$2.3 million compared to the third quarter of fiscal 2007. Other income, net for the year-to-date period of fiscal 2008 declined by \$5.3 million compared to the same period last fiscal year. These decreases were due to the following factors: (i) foreign currency exchange rate losses in fiscal 2008 compared to foreign currency exchange rate gains in fiscal 2007; (ii) a decline in financing charge revenue; and (iii) lower interest income.

Provision for Income Taxes

The effective tax rate for the third quarter of fiscal 2008 was 34.2 percent compared to 33.4 percent for the third quarter of fiscal 2007. The effective tax rate for the year-to-date period of fiscal 2008 was 34.8 percent compared to 33.4 percent for the same period in the prior fiscal year. The increase in the effective tax rate was due to the expiration of the federal research and experimentation tax credit on December 31, 2007, as well as the accelerated phase-out of benefits for foreign export incentives as compared to the phase-in benefit for the domestic manufacturing deduction.

In 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 describes when an uncertain tax item should be recorded in the financial statements and for how much, provides guidance on recording interest and penalties, and prescribes accounting and reporting for income taxes in interim periods. FIN 48 was effective for us on November 1, 2007. The adoption of FIN 48 had no material impact on our consolidated financial position or results of operations for fiscal 2008.

BUSINESS SEGMENTS

As described previously, we operate in two reportable business segments: professional and residential. A third reportable segment called "other" consists of company-owned domestic distributorships, corporate activities, and financing functions. Operating earnings for each of our two business segments is defined as earnings from operations plus other income, net. Operating loss for our third "other" segment includes earnings (loss) from operations, corporate activities, including corporate financing activities, other income, net, and interest expense.

The following table summarizes net sales by segment:

(Dollars in thousands)	Three Months Ended			
	August 1, 2008	August 3, 2007	\$ Change	% Change
Professional	\$ 351,598	\$ 332,014	\$ 19,584	5.9%
Residential	132,143	132,981	(838)	(0.6)
Other	8,894	13,712	(4,818)	(35.1)
Total *	\$ 492,635	\$ 478,707	\$ 13,928	2.9%
* Includes international sales of:	\$ 138,682	\$ 120,319	\$ 18,363	15.3%

(Dollars in thousands)	Nine Months Ended			
	August 1, 2008	August 3, 2007	\$ Change	% Change
Professional	\$ 1,074,678	\$ 1,052,013	\$ 22,665	2.2%
Residential	441,634	463,043	(21,409)	(4.6)
Other	20,632	29,392	(8,760)	(29.8)
Total *	\$ 1,536,944	\$ 1,544,448	\$ (7,504)	(0.5)%
* Includes international sales of:	\$ 494,909	\$ 441,793	\$ 53,116	12.0%

The following table summarizes operating earnings (loss) before income taxes by segment:

(Dollars in thousands)	Three Months Ended			
	August 1, 2008	August 3, 2007	\$ Change	% Change
Professional	\$ 71,113	\$ 70,887	\$ 226	0.3%
Residential	3,436	8,246	(4,810)	(58.3)
Other	(16,496)	(15,293)	(1,203)	(7.9)
Total	\$ 58,053	\$ 63,840	\$ (5,787)	(9.1)%

(Dollars in thousands)	Nine Months Ended			
	August 1, 2008	August 3, 2007	\$ Change	% Change
Professional	\$ 220,239	\$ 227,737	\$ (7,498)	(3.3)%
Residential	27,333	40,055	(12,722)	(31.8)
Other	(64,078)	(63,704)	(374)	(0.6)
Total	\$ 183,494	\$ 204,088	\$ (20,594)	(10.1)%

Professional
Net Sales. Worldwide net sales for the professional segment in the third quarter and year-to-date periods of fiscal 2008 increased 5.9 percent and 2.2 percent, respectively, compared to the same periods last fiscal year. These increases were primarily due to continued growth in international markets, particularly in the golf market, the introduction of new products, and increased demand before product price increases that took effect August 1, 2008. The professional segment net sales increase was somewhat hampered by lower domestic shipments resulting from decreased demand due to the continued weakening of the domestic economy. In addition, sales of professionally installed residential/commercial irrigation systems were down due also to the continued weakening of the domestic economy and the resulting poor domestic housing market. Despite the challenging domestic economic conditions we are facing in fiscal 2008, we managed our assets better by reducing our professional segment

domestic field inventory levels as of the end of the third quarter of fiscal 2008 compared to the end of the same period last fiscal year.

Operating Earnings. Operating earnings for the professional segment in the third quarter of fiscal 2008 increased slightly by 0.3 percent compared to the third quarter of fiscal 2007; however, professional segment operating earnings for the year-to-date period of fiscal 2008 decreased 3.3 percent compared to the same period last fiscal year. Expressed as a percentage of net sales, professional segment operating margin decreased to 20.2 percent compared to 21.4 percent in the third quarter of fiscal 2007, and the fiscal 2008 year-to-date professional segment operating margin decreased to 20.5 percent compared to 21.6 percent from the same period last fiscal year. These profit declines were primarily attributable to lower gross margins due to the same factors discussed previously in the Gross Profit section. Higher SG&A expense as a percentage of net sales also adversely affected operating earnings, which was due primarily to increased marketing spending and investments in engineering.

Residential

Net Sales. Worldwide net sales for the residential segment in the third quarter and year-to-date periods of fiscal 2008 were down 0.6 percent and 4.6 percent, respectively, compared to the same periods last fiscal year. These decreases were due primarily to lower demand for walk power mowers as a result of the continued weakening of the domestic economy, as well as a reduction in product placement and increased competitive pressure for walk power mowers. Sales of electric trimmers were also down due to lost placement at a key retailer; however electric blower sales were up due to additional placement and an increase in retail demand. However, the residential segment net sales decline was somewhat tempered by higher snow thrower product sales in North America due to heavy snowfalls during the winter season of 2007-2008 and strong preseason demand as a result low field inventory levels entering the upcoming 2008-2009 winter season.

Operating Earnings. Operating earnings for the residential segment in the third quarter of fiscal 2008 decreased 58.3 percent compared to the third quarter of fiscal 2007, and fiscal 2008 year-to-date operating earnings were down 31.8 percent compared to the same period last fiscal year. Expressed as a percentage of net sales, residential segment operating margin declined to 2.6 percent compared to 6.2 percent in the third quarter of fiscal 2007, and fiscal 2008 year-to-date residential segment operating margin decreased to 6.2 percent compared to 8.7 percent last fiscal year. The profit declines were due to lower gross margins primarily from higher commodity costs. Higher SG&A expense as a percentage of net sales also adversely affected operating earnings, which was due to increased marketing spending and fixed SG&A costs spread over lower sales volumes.

Other

Net Sales. Net sales for the other segment include sales from our wholly owned domestic distribution companies less sales from the professional and residential segments to those distribution companies. In addition, elimination of the professional and residential segments' floor plan interest costs from Toro Credit Company are also included in this segment. Net sales for the other segment were down for the third quarter and year-to-date period of fiscal 2008 compared to the same periods last fiscal year by \$4.8 million, or 35.1 percent, and \$8.8 million, or 29.8 percent, respectively, as a result of the continued weakening of the domestic economy and the sale of a portion of the operations of one of our company-owned distributorships in the first quarter of fiscal 2008.

Operating Losses. Operating losses for the other segment were higher for the third quarter and year-to-date period of fiscal 2008 by \$1.2 million, or 7.9 percent, and \$0.4 million, or 0.6 percent, respectively, compared to the same periods last fiscal year. The increased losses were due primarily to foreign currency exchange rate losses this year compared to foreign currency exchange rate gains last year and a decline in financing charge revenue, somewhat offset by a decrease in incentive compensation expense.

FINANCIAL POSITION

Working Capital

We have taken proactive measures to help us manage through the tough economic environment, which include adjusting production plans, controlling costs, and managing our assets. Receivables as of the end of the third quarter of fiscal 2008 were down 3.9 percent compared to the end of the third quarter of fiscal 2007 and average days sales outstanding for receivables improved to 69 days based on sales for the last twelve months ended August 1, 2008, compared to 75 days for the twelve months ended August 3, 2007. Inventory levels were also down as of the end of the third quarter of fiscal 2008 by 13.0 percent compared to the end of the third quarter of fiscal 2007 as we curtailed production levels and continued our focus to improve asset management.

Liquidity and Capital Resources

Our businesses are seasonally working capital intensive and require funding for purchases of raw materials used in production, replacement parts inventory, capital expenditures, expansion and upgrading of existing facilities, as well as for financing receivables from customers. We believe that cash generated from operations, together with our fixed rate long-term debt, bank credit lines, and cash on hand, will provide us with adequate liquidity to meet our anticipated operating requirements. We believe that the funds available through existing financing arrangements and forecasted cash flows will be sufficient to provide the necessary capital resources for our anticipated working capital needs, capital expenditures, investments, debt repayments, quarterly cash dividend payments, and stock repurchases for at least the next twelve months.

Our Board of Directors approved a cash dividend of \$0.15 per share for the third quarter of fiscal 2008 paid on July 11, 2008, which was an increase over our cash dividend of \$0.12 per share for the third quarter of fiscal 2007.

On May 21, 2008, our Board of Directors authorized the repurchase of an additional 4,000,000 shares of our common stock in open-market or in privately negotiated transactions. This program has no expiration date but may be terminated by our Board of Directors at any time.

Cash Flow. Cash provided by operating activities for the first nine months of fiscal 2008 improved 50.1 percent compared to the first nine months of fiscal 2007 due primarily to a decrease in inventory levels and a lower increase in receivables for the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007, somewhat offset by a decline in net earnings. Cash used in investing activities was higher by \$0.8 million, or 2.6 percent, compared to the first nine months of fiscal 2007, due mainly to increased investments in property, plant, and equipment, somewhat offset by cash received from the sale of a portion of the operations of one of our company-owned distributorships in the first quarter of fiscal 2008. Cash used in financing activities increased \$85.1 million compared to the first nine months of fiscal 2007 due to the following factors: (i) we received additional net proceeds from the issuance of senior notes in the principal amount of \$125 million in April 2007 less the payment of long-term notes in the principal amount of \$75 million in June 2007; (ii) a decline in proceeds and tax benefits from stock-based awards; and (iii) an increase in funds used for repurchases of our common stock.

Credit Lines and Other Capital Resources. Our business is seasonal, with accounts receivable balances historically increasing between January and April as a result of higher sales volumes and extended payment terms made available to our customers, and decreasing between May and December when payments are received. The seasonality of production and shipments causes our working capital requirements to fluctuate during the year. Our peak borrowing usually occurs between January and April. Seasonal cash requirements are financed from operations and with short-term financing arrangements, including a \$225.0 million unsecured senior five-year revolving credit facility that expires in January 2012. Interest expense on this credit line is determined based on a LIBOR rate plus a basis point spread defined in the credit agreement. In addition, our non-U.S. operations maintain unsecured short-term lines of credit of approximately \$21 million. These facilities bear interest at various rates depending on the rates in their respective countries of operation. We also have a letter of credit subfacility as part of our credit agreement. Average short-term debt was \$79.0 million in the first nine months of fiscal 2008 compared to \$65.2 million in the first nine months of fiscal 2007, an increase of 21.1 percent. Last year we received additional net proceeds from the issuance of \$125 million senior notes in April 2007 that we used to pay down short-term debt last year, which was the primary contributor to the increase in average short-term debt in the first nine months of fiscal 2008 compared to the same period last fiscal year. As of August 1, 2008, we had \$246.1 million of unutilized availability under our credit agreements.

Significant financial covenants in our credit agreement are interest coverage and debt-to-capitalization ratios. We were in compliance with all covenants related to our credit agreements as of August 1, 2008, and expect to be in compliance with all covenants during the remainder of fiscal 2008.

Off-Balance Sheet Arrangements and Contractual Obligations

Our off-balance sheet arrangements generally relate to customer financing activities, inventory purchase commitments, deferred compensation arrangements, and operating lease commitments. Third party financing companies purchased \$172.1 million of receivables from us during the first nine months of fiscal 2008, of which \$86.0 million was outstanding as of August 1, 2008. See our most recently filed Annual Report on Form 10-K for further details regarding our off-balance sheet arrangements and contractual obligations. No material change in this information occurred during the first nine months of fiscal 2008.

Inflation

We are subject to the effects of inflation and changing prices. In the first nine months of fiscal 2008, average prices paid for most commodities we purchase were significantly higher compared to the first nine months of fiscal 2007, which resulted in our gross margin as a percent of net sales to be lower in the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007. We expect average prices paid for commodities we purchase, mainly steel, resin, and fuel, to increase for the remainder of fiscal 2008. We plan to attempt to mitigate the impact of prior and anticipated increases in commodity costs and other inflationary pressures by increasing prices on most products, engaging in proactive vendor negotiations, internal cost reduction efforts, and reviewing alternative sourcing options.

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements in conformity with U.S. generally accepted accounting principles, 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 judgments based on our understanding and analysis of the relevant circumstances, historical experience, and actuarial valuations. 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 to the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2007. 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 at the time the accounting estimate is made, and (ii) different estimates reasonably could have been used, or changes in the estimate that are reasonably likely to occur from period to period, may have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. Our critical accounting estimates include the following:

Warranty Reserve. Warranty coverage on our products ranges from a period of six months to seven years, and generally covers parts, labor, and other expenses for non-maintenance repairs. Warranty coverage generally does not cover operator abuse and improper use. At the time of sale, we accrue a warranty reserve by product line for estimated costs in connection with future warranty claims. We also establish reserves for major rework campaigns. The amount of our warranty reserves 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. We periodically assess the adequacy of our warranty reserves based on changes in these factors and record any necessary adjustments if actual claim experience indicates that adjustments are necessary. Actual claims could be higher or lower than amounts estimated, as the amount and value of warranty claims are subject to variation due to such factors as performance of new products, significant manufacturing or design defects not discovered until after the product is delivered to customers, product failure rates, and higher or lower than expected service costs for a repair. We believe that analysis of historical trends and knowledge of potential manufacturing or design problems provide sufficient information to establish a reasonable estimate for warranty claims at the time of sale. However, since we cannot predict with certainty future warranty claims or costs associated with servicing those claims, our actual warranty costs may differ from our estimates. An unexpected increase in warranty claims or in the costs associated with servicing those claims may result in an increase in our warranty accrual and a decrease in our net earnings.

Sales Promotions and Incentives. At the time of sale to a customer, we record an estimate for sales promotion and incentive costs, which are classified as a reduction from gross sales or as a component of SG&A. Examples of sales promotion and incentive programs include rebate programs on certain professional products sold to distributors, volume discounts, retail financing support, floor planning, cooperative advertising, commissions, and other sales discounts and promotional programs. The estimates for sales promotion and incentive costs are based on the terms of the arrangements with customers, historical payment experience, field inventory levels, volume purchases, and expectations for changes in relevant trends in the future. Actual results may differ from these estimates if competitive factors dictate the need to enhance or reduce sales promotion and incentive accruals or if the customer usage and field inventory levels vary from historical trends. 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.

Inventory Valuation. We value our inventories at the lower of the cost of inventory or net realizable value, with cost determined by either the last-in, first-out (LIFO) method for most U.S. inventories or the first-in, first-out (FIFO) method for all other inventories. We establish reserves for excess, slow moving, and obsolete inventory based on inventory levels, expected product lives, and forecasted sales demand. Valuation of inventory can also be affected by significant redesign of existing products or replacement of an existing product by an entirely new generation product. In assessing the ultimate realization of inventories, we are required to make judgments as to future demand requirements compared with inventory levels. Reserve requirements are developed according to our projected demand requirements based on historical demand, competitive factors, and technological and product life cycle changes. It is possible that an increase in our reserve may be required in the future if there is a significant decline in demand for our products and we do not adjust our manufacturing production accordingly.

We also record a reserve for inventory shrinkage. Our inventory shrinkage reserve represents anticipated physical inventory losses that are recorded based on historical loss trends, ongoing cycle-count and periodic testing adjustments, and inventory

levels. Though management considers reserve balances adequate and proper, changes in economic conditions in specific markets in which we operate could have an effect on the reserve balances required.

Accounts and Notes Receivable Valuation. We value accounts and notes receivable net of an allowance for doubtful accounts. Each fiscal quarter, we prepare an analysis of our ability to collect outstanding receivables that provides a basis for an allowance estimate for doubtful accounts. In doing so, we evaluate the age of our receivables, past collection history, current financial conditions of key customers, and economic conditions. Based on this evaluation, we establish a reserve for specific accounts and notes receivable that we believe are uncollectible, as well as an estimate of uncollectible receivables not specifically known. Portions of our accounts receivable are protected by a security interest in products held by customers, which minimizes our collection exposure. A deterioration in the financial condition of any key customer or a significant slow down in the economy could have a material negative impact on our ability to collect a portion or all of the accounts and notes receivable. We believe that an analysis of historical trends and our current knowledge of potential collection problems provide us with sufficient information to establish a reasonable estimate for an allowance for doubtful accounts. However, since we cannot predict with certainty future changes in the financial stability of our customers or in the general economy, our actual future losses from uncollectible accounts may differ from our estimates. In the event we determined that a smaller or larger uncollectible accounts reserve is appropriate, we may record a credit or charge to SG&A in the period that we made such a determination.

New Accounting Pronouncements to be Adopted

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133." SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 with the intent to provide users of financial statements with an enhanced understanding of: (i) how and why an entity uses derivative instruments; (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations." SFAS No. 141R applies to all business combinations and requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired to be recorded at "full fair value." We will adopt the provisions of SFAS No. 141R for any business combination occurring on or after November 1, 2009, as required.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures concerning fair value. We will adopt the provisions of SFAS No. 157 for financial assets and liabilities and nonfinancial assets and liabilities measured at fair value on a recurring basis during the first quarter of fiscal 2009, as required. We will adopt the provisions of SFAS No. 157 for nonfinancial assets and liabilities that are not required or permitted to be measured on a recurring basis during the first quarter of fiscal 2010, as required. We are currently evaluating the requirements of SFAS No. 157, and we do not expect this new pronouncement will have a material impact on our consolidated financial condition or results of operations.

No other new accounting pronouncement that has been issued but not yet effective for us during the third quarter of fiscal 2008 has had or is expected to have a material impact on our consolidated financial statements.

Forward-Looking Information

This Quarterly Report on Form 10-Q contains not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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 web sites, or otherwise. Statements that are not historical are forward-looking and reflect expectations and assumptions. We try to identify forward-looking statements in this report and elsewhere by using words such as “expect”, “looking ahead”, “outlook”, “optimistic”, “plan”, “anticipate”, “estimate”, “believe”, “could”, “should”, “may”, “possible”, “intend”, and similar expressions. Our forward-looking statements generally relate to our future performance, including our anticipated operating results and liquidity requirements, our business strategies and goals, and the effect of laws, rules, regulations, and new accounting pronouncements and outstanding litigation, on our business, operating results, and financial condition.

Forward-looking statements involve risks and uncertainties. These risks and uncertainties include factors that affect all businesses operating in a global market as well as matters specific to Toro. The following are some of the factors known to us that could cause our actual results to differ materially from what we have anticipated in our forward-looking statements:

- Changes in economic conditions and outlook in the United States and around the world, including but not limited to slow domestic and worldwide economic growth rates; slow downs or reductions in home ownership, construction, and home sales; consumer spending levels; employment rates; interest rates; inflation; consumer confidence; and general economic and political conditions and expectations in the United States and the foreign countries in which we conduct business.
- Increases in the cost and availability of raw materials and components that we purchase and increases in our other costs of doing business, including transportation costs, may adversely affect our profit margins and business.
- Weather conditions may reduce demand for some of our products and adversely affect our net sales.
- Our professional segment net sales are dependent upon the level of growth in the residential and commercial construction markets, growth of homeowners who outsource lawn care, the amount of investment in golf course renovations and improvements, new golf course development, golf course closures, and the amount of government spending for grounds maintenance equipment.
- Our residential segment net sales are dependent upon the amount of product placement at retailers, changing buying patterns of customers, and The Home Depot, Inc. as a major customer.
- If we are unable to continue to enhance existing products and develop and market new products that respond to customer needs and preferences and achieve market acceptance, or if we experience unforeseen product quality or other problems in the development, production, and usage of new and existing products, we may experience a decrease in demand for our products, and our business could suffer.
- We face intense competition in all of our product lines with numerous manufacturers, including from some competitors that have greater financial and other resources than we do. We may not be able to compete effectively against competitors’ actions, which could harm our business and operating results.
- A significant percentage of our consolidated net sales is generated outside of the United States, and we intend to continue to expand our international operations. Our international operations require significant management attention and financial resources; expose us to difficulties presented by international economic, political, legal, accounting, and business factors; and may not be successful or produce desired levels of net sales.
- Fluctuations in foreign currency exchange rates could result in declines in our reported net sales and net earnings.
- We manufacture our products at and distribute our products from several locations in the United States and internationally. Any disruption at any of these facilities or our inability to cost-effectively expand existing and/or move production between manufacturing facilities could adversely affect our business and operating results.
- We intend to grow our business in part through additional acquisitions and alliances, stronger customer relations, and new partnerships, which are risky and could harm our business, particularly if we are not able to successfully integrate such acquisitions, alliances, and partnerships.
- We rely on our management information systems for inventory management, distribution, and other functions. If our information systems fail to adequately perform these functions or if we experience an interruption in their operation, our business and operating results could be adversely affected.
- A significant portion of our net sales are financed by third parties. Some Toro dealers and Exmark distributors and dealers finance their inventories with third party financing sources. The termination of our agreements with these third parties, any material change to the terms of our agreements with these third parties or in the availability or terms of credit offered to our customers by these third parties, or any delay in securing replacement credit sources, could adversely affect our sales and operating results.

- Our reliance upon patents, trademark laws, and contractual provisions to protect our proprietary rights may not be sufficient to protect our intellectual property from others who may sell similar products. Our products may infringe the proprietary rights of others.
- Our business, properties, and products are subject to governmental regulation with which compliance may require us to incur expenses or modify our products or operations and may expose us to penalties for non-compliance. Governmental regulation may also adversely affect the demand for some of our products and our operating results.
- We are subject to product liability claims, product quality issues, and other litigation from time to time that could adversely affect our operating results or financial condition, including without limitation the pending litigation against us and other defendants that challenges the horsepower ratings of lawnmowers, of which we are currently unable to assess whether such litigation would have a material adverse effect on our consolidated operating results or financial condition, although an adverse result might be material to our operating results in a particular period.
- If we are unable to retain our key employees, and attract and retain other qualified personnel, we may not be able to meet strategic objectives and our business could suffer.
- The terms of our credit arrangements and the indentures governing our senior notes and debentures could limit our ability to conduct our business, take advantage of business opportunities, and respond to changing business, market, and economic conditions. In addition, if we are unable to comply with the terms of our credit arrangements and indentures, especially the financial covenants, our credit arrangements could be terminated and our senior notes and debentures could become due and payable.
- Our business is subject to a number of other factors that may adversely affect our operating results, financial condition, or business, such as natural or man-made disasters that may result in shortages of raw materials, higher fuel costs, and an increase in insurance premiums; financial viability of some distributors and dealers and their ability to obtain adequate financing, changes in distributor ownership, changes in channel distribution of our products, relationships with our distribution channel partners, our success in partnering with new dealers, and our customers' ability to pay amounts owed to us; ability of management to adapt to unplanned events; and continued threat of terrorist acts and war that may result in heightened security and higher costs for import and export shipments of components or finished goods, reduced leisure travel, and contraction of the U.S. and world economies.

For more information regarding these and other uncertainties and factors that could cause our actual results to differ materially from what we have anticipated in our forward-looking statements or otherwise could materially adversely affect our business, financial condition, or operating results, see our most recent filed Annual Report on Form 10-K.

All forward-looking statements included in this report are expressly qualified in their entirety by the foregoing cautionary statements. We wish to 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 above, as well as others that we may consider immaterial or do not anticipate at this time. The foregoing risks and uncertainties 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 assume no obligation to update forward-looking statements to reflect actual results 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 annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K we file with or furnish to the Securities and Exchange Commission.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk stemming from changes in foreign currency exchange rates, interest rates, and commodity prices. Changes in these factors could cause fluctuations in our net earnings and cash flows. See further discussions on these market risks below.

Foreign Currency Exchange Rate Risk. In the normal course of business, we actively manage the exposure of our foreign currency market risk by entering into various hedging instruments, authorized under company policies that place controls on these activities, with counterparties that are highly rated financial institutions. Our hedging activities involve the primary use of

forward currency contracts. We use 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 changes, and not for trading purposes. We are exposed to foreign currency exchange rate risk arising from transactions in the normal course of business, such as sales and loans to wholly owned subsidiaries as well as sales to third party customers, and purchases from suppliers. Because our products are manufactured or sourced primarily from the United States, a stronger U.S. dollar generally has a negative impact on results from operations outside the United States while a weaker dollar generally has a positive effect. Our primary currency exchange rate exposures are with the Euro, the Japanese yen, the Australian dollar, the Canadian dollar, the British pound, and the Mexican peso against the U.S. dollar.

We enter into various contracts, principally forward contracts that change in value as foreign currency exchange rates change, to protect the value of existing foreign currency assets, liabilities, anticipated sales, and probable commitments. Decisions on whether to use such contracts are made based on the amount of exposures to the currency involved, and an assessment of the near-term market value for each currency. Worldwide foreign currency exchange rate exposures are reviewed monthly. The gains and losses on these contracts offset changes in the value of the related exposures. Therefore, changes in market values of these hedge instruments are highly correlated with changes in market values of underlying hedged items both at inception of the hedge and over the life of the hedge contract. During the three and nine months ended August 1, 2008, the amount of losses reclassified to earnings for such cash flow hedges was \$1.2 million and \$6.9 million, respectively. For the nine months ended August 1, 2008, the losses treated as a reduction to net sales for contracts to hedge trade sales were \$7.3 million and the gains treated as a reduction of cost of sales for contracts to hedge inventory purchases were \$0.4 million.

The following foreign currency exchange rate contracts held by us have maturity dates in fiscal 2008 and fiscal 2009. All items are non-trading and stated in U.S. dollars. Some derivative instruments we enter into do not meet the hedging criteria of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities;" therefore, changes in their fair value are recorded in other income, net. The average contracted rate, notional amount, pre-tax value of derivative instruments in accumulated other comprehensive income (AOCI), and fair value impact of derivative instruments in other income, net for the nine months ended August 1, 2008 were as follows:

Dollars in thousands (except average contracted rate)	Average Contracted Rate	Notional Amount	Value in Accumulated Other Comprehensive Income (Loss)	Fair Value Impact Gain (Loss)
Buy US dollar/Sell Australian dollar	0.8933	\$ 48,985.6	\$ (1,454.7)	\$ (1,312.1)
Buy US dollar/Sell Canadian dollar	0.9964	6,624.1	190.9	(146.4)
Buy US dollar/Sell Euro	1.5263	101,421.1	(397.2)	(6,937.0)
Buy US dollar/Sell British pound	1.9783	4,945.7	-	2.5
Buy Mexican peso/Sell US dollar	10.3571	22,950.4	351.1	515.5

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, and would not impact net earnings.

Interest Rate Risk. Our market risk on interest rates relates primarily to LIBOR-based short-term debt from commercial banks as well as the potential increase in fair value of long-term debt resulting from a potential decrease in interest rates. However, we do not have a cash flow or earnings exposure due to market risks on long-term debt. We generally do not use interest rate swaps to mitigate the impact of fluctuations in interest rates. See our most recently filed Annual Report on Form 10-K (Item 7A). There has been no material change in this information.

Commodity Price Risk. Some raw materials used in our products are exposed to commodity price changes. The primary commodity price exposures are with steel, aluminum, fuel, petroleum-based resin, and linerboard. Further information regarding rising prices for commodities is presented in Part I, Item 2 of this Quarterly Report on Form 10-Q, in the section entitled "Inflation."

We enter into fixed-price contracts for future purchases of natural gas in the normal course of operations as a means to manage natural gas price risks. These contracts meet the definition of "normal purchases and normal sales" and, therefore, are not considered derivative instruments for accounting purposes.

Item 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to reasonably ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we are required to apply our judgment in evaluating the cost-benefit relationship of possible internal controls. Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered in this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of such period to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that material information relating to our company and our consolidated subsidiaries is made known to management, including our Chief Executive Officer and Chief Financial Officer, particularly during the period when our periodic reports are being prepared. There was no change in our internal control over financial reporting that occurred during our fiscal third quarter ended August 1, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are a party to litigation in the ordinary course of business. Litigation occasionally involves claims for punitive as well as compensatory damages arising out of use of our products. Although we are self-insured to some extent, we maintain insurance against certain product liability losses. We are also subject to administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment. Some of these claims assert damages and liability for remedial investigations and clean up costs. We are also typically involved in commercial disputes, employment disputes, and patent litigation cases in the ordinary course of business. To prevent possible infringement of our patents by others, we periodically review competitors' products. To avoid potential liability with respect to others' patents, we regularly review certain patents issued by the United States Patent and Trademark Office (USPTO) and foreign patent offices. We believe these activities help us minimize our risk of being a defendant in patent infringement litigation. We are currently involved in patent litigation cases, both where we are asserting patents and where we are defending against charges of infringement. While the ultimate results of the current cases are unknown at this time, we believe that the outcome of these cases is unlikely to have a material adverse effect on our consolidated financial condition or results of operations.

In June 2004, eight individuals who claim to have purchased lawnmowers in Illinois and Minnesota filed a lawsuit in Illinois state court against us and eight other defendants alleging that the horsepower labels on the products the plaintiffs purchased were inaccurate. The plaintiffs amended their complaint to add 89 additional plaintiffs and an engine manufacturer as an additional defendant. The amended complaint asserted violations of the federal Racketeer Influenced and Corrupt Organizations Act ("RICO") and statutory and common law claims arising from the laws of 48 states. The plaintiffs sought certification of a class of all persons in the United States who, beginning January 1, 1994 through the present, purchased a lawnmower containing a two-stroke or four-stroke gas combustible engine up to 30 horsepower that was manufactured or sold by the defendants. The amended complaint also sought an injunction, unspecified compensatory and punitive damages, treble damages under RICO, and attorneys' fees. In late May 2006, the case was removed to federal court in the Southern District of Illinois. In August 2006, all of the defendants, except MTD Products Inc. ("MTD"), filed motions to dismiss the claims in the amended complaint. Also in August 2006, the plaintiffs filed a motion for preliminary approval of a settlement agreement with MTD and certification of a settlement class. All remaining non-settling defendants filed counterclaims against MTD for potential contribution amounts, and MTD filed cross claims against the non-settling defendants. In December 2006, another defendant, American Honda Motor Company ("Honda"), notified us that it had reached an agreement of settlement with the plaintiffs. In March 2007, the court entered an order dismissing plaintiffs' complaint, subject to the ability to re-plead certain claims pursuant to a detailed written order to follow. On May 8, 2008, the court issued a memorandum and order that (i) dismissed the RICO claims in their entirety with prejudice; (ii) dismissed all non-Illinois state-law claims without prejudice and with instructions that such claims must be filed in local courts; and (iii) rejected the proposed settlement with MTD. The proposed Honda settlement was not under consideration by the court and was not addressed in the memorandum and order. In

May 2008, the plaintiffs (i) re-filed the Illinois claims with the court; and (ii) commenced the process of filing non-Illinois claims in various local courts, including filings made in the federal courts in the District of New Jersey and the Northern District of California with essentially the same state law claims. On June 2, 2008, the plaintiffs filed a motion with the Judicial Panel on Multidistrict Litigation that (i) stated their intent to file lawsuits in all 50 states and the District of Columbia; and (ii) sought to have all of the cases transferred to the District of New Jersey for coordinated pretrial proceedings. On August 12, 2008, the Judicial Panel on Multidistrict Litigation issued an order denying the transfer request for coordinated pretrial proceedings. In July and August 2008, new lawsuits, some of which include new plaintiffs and new plaintiffs' counsel, were filed in various local courts, including filings made in the federal courts in the Northern District of California, the Eastern District of Pennsylvania, the Eastern and Southern Districts of New York, the Western District of North Carolina, the Southern District of Florida, the District of Nebraska, the Northern District of Ohio, the District of Montana, the District of Minnesota, the District of South Dakota, the Middle District of Florida, and the Middle District of Alabama, in each case with essentially the same state law claims. We continue to evaluate these lawsuits and are unable to reasonably estimate the likelihood of loss or the amount or range of potential loss that could result from this litigation. Therefore, no accrual has been established for potential loss in connection with these lawsuits. We are also unable to assess at this time whether these lawsuits will have a material adverse effect on our annual consolidated operating results or financial condition, although an unfavorable resolution could be material to our consolidated operating results for a particular period.

In July 2005, Textron Innovations Inc., the patent holding company of Textron, Inc., filed a lawsuit in Delaware Federal District Court against us for patent infringement. Textron alleges that we willfully infringe certain claims of three Textron patents by selling our Groundsmaster® commercial mowers. Textron seeks damages for our past sales and an injunction against future infringement. In August and November 2005, we answered the complaint, asserting defenses and counterclaims of non-infringement, invalidity, and equitable estoppel. Following the Court's order in October 2006 construing the claims of Textron's patents, discovery in the case was closed in February 2007. In March 2007, following unsuccessful attempts to mediate the case, we filed with the USPTO to have Textron's patents reexamined. The reexamination proceedings are pending in the USPTO. In April 2007, the Court granted our motion to stay the litigation and, in June 2007, denied Textron's motion for reconsideration of the Court's order staying the proceedings. We continue to evaluate this lawsuit and are unable to reasonably estimate the likelihood of loss or the amount or range of potential loss that could result from the litigation. Therefore, no accrual has been established for potential loss in connection with this lawsuit. While we do not believe that the lawsuit will have a material adverse effect on our consolidated financial condition, an unfavorable resolution could be material to our consolidated operating results for a particular period.

Item 1A. RISK FACTORS

We are affected by risks specific to us as well as factors that affect all businesses operating in a global market. The significant factors known to us that could materially adversely affect our business, financial condition, or operating results or could cause our actual results to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statement made in this report, are described in our most recently filed Annual Report on Form 10-K (Item 1A). There has been no material change in those risk factors.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table shows our third quarter of fiscal 2008 stock repurchase activity.

Period	Total Number of Shares Purchased (1)(2)	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)(2)
May 3, 2008 through May 30, 2008	40,000	\$ 38.63	40,000	4,383,289
May 31, 2008 through June 27, 2008	544,612	36.85	544,612	3,838,677
June 28, 2008 through August 1, 2008	<u>863,922(3)</u>	32.74	<u>860,000</u>	2,978,677
Total	<u><u>1,448,534</u></u>	\$ 34.44	<u><u>1,444,612</u></u>	

- (1) On May 22, 2007, our Board of Directors authorized the repurchase of 3,000,000 shares of our common stock in open-market or in privately negotiated transactions. This program has no expiration date but may be terminated by our Board of Directors at any time. We purchased an aggregate of 423,289 shares during the periods indicated above under this program. There are no shares remaining for repurchase under this program.
- (2) On May 21, 2008, our Board of Directors authorized the repurchase of an additional 4,000,000 shares of our common stock in open-market or in privately negotiated transactions. This program has no expiration date but may be terminated by our Board of Directors at any time. We purchased an aggregate of 1,021,323 shares during the periods indicated above under this program. There are 2,978,677 shares remaining for repurchase under this program.
- (3) Includes 3,922 units (shares) of our common stock purchased in open-market transactions at an average price of \$30.87 per share on behalf of a rabbi trust formed by us to pay benefit obligations to participants in deferred compensation plans. These 3,922 shares were not repurchased under our repurchase programs described in footnotes (1) and (2) above.

Item 5. OTHER INFORMATION

On June 17, 2008, our Board of Directors adopted amendments to our Bylaws to increase the notice period and expand the information required to be provided by a shareholder who submits a nomination for election to our Board of Directors or other proposal for business to be brought before a meeting of shareholders. The amendments increase the standard advance notice period for shareholder nominations or proposals to not less than 90 days and not more than 120 days prior to the first anniversary of the preceding year's annual meeting of shareholders, as compared to the prior advance notice period of not less than 45 days and not more than 90 days. In addition, the amendments require a shareholder who submits a nomination or other proposal to disclose, among other things, information about the proposed nominee and his or her relationships with the shareholder submitting the nomination, information about any agreements, arrangements or understandings the shareholder may have with the proposed nominee or other parties relating to the nomination or other proposal, and information about the interests that the shareholder has related to Toro and our shares, including as a result of, among other things, derivative securities, voting arrangements, short positions or other interests. A shareholder who submits a nomination or proposal is required to update the information previously disclosed as of the record date for the meeting of shareholders and as of the date that is eight business days prior to the date of the meeting of shareholders.

Item 6. EXHIBITS

- (a) Exhibits
- 3(i) and 4(a) Restated Certificate of Incorporation of The Toro Company (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated June 17, 2008, Commission File No. 1-8649).
- 3(ii) and 4(b) Amended and Restated Bylaws of The Toro Company (incorporated by reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K dated June 17, 2008, Commission File No. 1-8649).
- 4(c) Specimen Form of Common Stock Certificate (filed herewith).
- 4(d) Indenture dated as of January 31, 1997, between Registrant and First National Trust Association, as Trustee, relating to the Registrant's 7.80% Debentures due June 15, 2027 (incorporated by reference to Exhibit 4(a) to Registrant's Current Report on Form 8-K dated June 24, 1997, Commission File No. 1-8649).
- 4(e) Indenture dated as of April 20, 2007, between Registrant and The Bank of New York Trust Company, N.A., as Trustee, relating to the Registrant'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(f) 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 Registrant's 6.625% Notes due May 1, 2037 (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K dated April 23, 2007, Commission File No. 1-8649).
- 4(g) 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 dated April 23, 2007, Commission File No. 1-8649).
- 10(a) The Toro Company Deferred Compensation Plan, Amended and Restated Effective January 1, 2009 (filed herewith).
- 10(b) The Toro Company Deferred Compensation Plan for Officers, Amended and Restated Effective January 1, 2009 (filed herewith).
- 10(c) The Toro Company Deferred Compensation Plan for Non-Employee Directors, Amended and Restated Effective January 1, 2009 (filed herewith).
- 10(d) The Toro Company Supplemental Benefit Plan, Amended and Restated Effective January 1, 2009 (filed herewith).
- 31(a) Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002) (filed herewith).
- 31(b) 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).

SIGNATURES

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

THE TORO COMPANY
(Registrant)

Date: September 5, 2008

By /s/ Stephen P. Wolfe

Stephen P. Wolfe

Vice President, Finance

and Chief Financial Officer

(duly authorized officer and principal financial officer)

**Certification pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael J. Hoffman, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 reporting 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 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: September 5, 2008

/s/ Michael J. Hoffman

Michael J. Hoffman

Chairman of the Board, President and Chief Executive Officer

(Principal Executive Officer)

**Certification pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Stephen P. Wolfe, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 reporting 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 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: September 5, 2008

/s/ Stephen P. Wolfe
Stephen P. Wolfe
Vice President, Finance
and 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 Quarterly Report of The Toro Company (the "Company") on Form 10-Q for the quarterly period ended August 1, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Michael J. Hoffman, Chairman of the Board, President and Chief Executive Officer of the Company, and Stephen P. Wolfe, Vice President, Finance and 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/ Michael J. Hoffman

Michael J. Hoffman
Chairman of the Board, President and Chief Executive Officer
September 5, 2008

/s/ Stephen P. Wolfe

Stephen P. Wolfe
Vice President, Finance
and Chief Financial Officer
September 5, 2008

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.

NUMBER

MM



[FAMILY GRAPHIC]

COMMON STOCK

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

SHARES

[SEASONS GRAPHIC]

The Toro Company

CUSIP 891092 10 8

THIS CERTIFIES THAT

SEE REVERSE FOR CERTAIN DEFINITIONS

IS THE REGISTERED HOLDER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK PAR VALUE \$1.00 EACH, OF

The Toro Company transferable on the books of the Corporation by the holder hereof, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Certificate of Incorporation and By-Laws of the Corporation, and all amendments thereto, to all of which the holder, by accepting this Certificate, assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

In Witness Whereof, the Corporation has caused this Certificate to be signed in facsimile by its duly authorized officers, and a facsimile of its corporate seal to be hereunto affixed.

Dated:

COUNTERSIGNED AND REGISTERED:

WELLS FARGO BANK, N.A.

SEAL

/s/ Michael J. Hoffman

CHAIRMAN, PRESIDENT AND CEO

TRANSFER AGENT AND REGISTRAR

BY/s/ Todd J. May

AUTHORIZED SIGNATURE

/s/ Timothy P. Dordell

VICE PRESIDENT, SECRETARY AND GENERAL COUNSEL

THE TORO COMPANY

THE SHARES ARE SUBJECT TO RIGHTS, PREFERENCES AND RESTRICTIONS. A FULL STATEMENT OF THE RIGHTS, PREFERENCES AND RESTRICTIONS GRANTED TO OR IMPOSED UPON THE SHARES OF ALL CLASSES OR SERIES, AND A STATEMENT OF THE AUTHORITY VESTED BY THE CERTIFICATE OF INCORPORATION IN THE BOARD OF DIRECTORS UNDER SUBCHAPTER V, SECTION 151, OF THE DELAWARE GENERAL CORPORATION LAW, TO FIX THE RIGHTS OF SERIES OF SHARES THEN UNALLOTTED WILL BE FURNISHED TO ANY STOCKHOLDER WITHOUT CHARGE AND UPON REQUEST MADE TO THE OFFICE OF THE SECRETARY OF THE COMPANY.

THE FOLLOWING ABBREVIATIONS, WHEN USED IN THE INSCRIPTION ON THE FACE OF THIS CERTIFICATE, SHALL BE CONSTRUED AS THOUGH THEY WERE WRITTEN OUT IN FULL ACCORDING TO APPLICABLE LAWS OR REGULATIONS:

TEN COM — as tenants in common
TEN ENT — as tenants by the entireties
JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT — (Cust) Custodian (Minor)
under Uniform Gifts to Minors Act (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED hereby sell, assign and transfer unto

(PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE)

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE)

Shares of Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

Attorney to transfer the said shares on the books of the within-named Corporation.

Dated

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST

CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE
CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR
ENLARGEMENT OR ANY CHANGE WHATEVER.

THE TORO COMPANY
DEFERRED COMPENSATION PLAN

Amended and Restated Effective January 1, 2009

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THE TORO COMPANY

DEFERRED COMPENSATION PLAN

Amended and Restated Effective January 1, 2009

The Toro Company hereby amends and restates its Deferred Compensation Plan. This amendment and restatement is effective for all amounts deferred on or after January 1, 2005 that remain unpaid as of January 1, 2009. All grandfathered amounts earned and vested as of December 31, 2004 shall continue to be governed by the 2004 Plan in accordance with then applicable IRS guidance. All amounts earned or vested from January 1, 2005 through December 31, 2008 shall be governed by this amendment and restatement, as modified by the operations of the Plan during such period in accordance with Code Section 409A and then applicable IRS guidance (including transition relief). The Plan is maintained by The Toro Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. The Plan is unfunded for purposes of Title I of ERISA.

I. DEFINITIONS

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

"2004 Plan" means the terms of the Plan in place as of December 31, 2004.

"Beneficiary." means the person or persons selected by the Participant to receive the benefits provided under the Plan in the event of the Participant's death.

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

"Change of Control" means:

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

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

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

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

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

"Committee" means the Compensation and Human Resources Committee of the Board or any successor committee and its delegates with respect to the Plan.

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"Common Stock" means the Company's common stock, par value \$1.00 per share, and related preferred share purchase rights.

"Company" means The Toro Company, a Delaware corporation. Except as used in Articles VII and VIII, "Company" also includes any participating Subsidiary.

"Compensation" means all amounts received by a Participant from the Company that are subject to federal income tax withholding; provided that (a) Compensation shall not include any amount received by a Participant on account of the grant or exercise of an option to purchase Common Stock, or on account of any other amount received in connection with The Toro Company Performance Share Plan or successor plan or otherwise based on the value of Common Stock; (b) Compensation shall include an amount equal to any reductions in a Participant's gross income as a result of salary reductions under Section 125, 132(f)(4) or 402(e)(3) of the Code; and (c) Compensation includes cash payments to which an employee may be entitled under The Toro Company Annual Management Incentive Plan I or II, or successor plan.

"Director" means the person serving as Director of Compensation and Benefits of the Company.

"Disability" means the Participant is (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; (b) receiving income replacement benefits for a period of not less than three months under an accident and health plan covering Company employees because of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; (c) determined to be totally disabled by the Social Security Administration or Railroad Retirement Board; or (d) determined to be disabled in accordance with the Company's Long Term Disability Plan, provided that such plan's definition complies with Treasury Regulation Section 1.409A-3(i)(4).

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

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

"IRS" means the Internal Revenue Service.

"Participant" means an eligible employee who has executed a deferred compensation agreement.

"Plan" means the Deferred Compensation Plan, including any amendments thereto.

"Plan Year" means the calendar year.

"Retirement Plan" means The Toro Company Investment, Savings and Employee Stock Ownership Plan or any successor or replacement plan.

"Specified Employee" means a Participant who, as of the date of the Participant's separation from service for any reason and unless the Company has designated otherwise in accordance with Treasury Regulation Section 1.409A-1(i), is an elected officer of the Company. If a Participant is an elected officer as of December 31, the Participant shall be treated as a Specified Employee for the entire 12-month period beginning on the next following April 1.

"Stable Return Fund Measure" means the earnings rate paid or credited from time to time on assets held in the Stable Return Fund under the Retirement Plan.

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

"Trust" means the trust established or maintained by the Company that is used in connection with the Plan to assist the Company in meeting its obligations under the Plan.

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

"Unforeseeable Emergency" means a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary or the Participant's dependent (as defined in Code Section 152, without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, (a) imminent foreclosure of or eviction from the Participant's primary residence may constitute an Unforeseeable Emergency; (b) the need to pay for medical expenses, including nonrefundable deductibles, as well as for the costs of prescription drug medications, may constitute an Unforeseeable Emergency; (c) the need to pay for the funeral expenses of a spouse, a Beneficiary or a dependent (as defined in Code Section 152, without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B)) may also constitute an Unforeseeable Emergency; and (d) the purchase of a home and the payment of college tuition are not Unforeseeable Emergencies.

II. ELIGIBILITY AND PARTICIPATION

All management or highly compensated employees who are at the director level or above with the Company are eligible to become Participants.

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An eligible employee will become a Participant upon submission of a completed election form, in the form approved by the Committee, to the Director.

Once an employee has become a Participant, the Participant's account under the Plan will remain in effect until distributed as provided herein, even if for any subsequent Plan Year or portion thereof the employee ceases to meet the eligibility requirements of this Article II or ceases to be a Participant for any other reason.

III. DEFERRED COMPENSATION

3.1 Deferral Election

(a) A Participant may elect to defer Compensation for a calendar year by completing and submitting a deferral election in a manner and on the form prescribed by the Committee. Such election must be submitted to the Director by December 31 to be effective in the following year. Notwithstanding the foregoing, elections to defer cash bonus Compensation, including but not limited to payments under The Toro Company Annual Management Incentive Plan I or II, must be made on a Fiscal Year basis. A Participant may elect to defer bonus Compensation by completing and submitting a deferral election as provided above by the end of the Fiscal Year immediately preceding the Fiscal Year in which the services giving rise to the bonus are to be performed. An election shall take effect as of January 1 of the year following the year in which it is received or the first day of the Company's Fiscal Year following the Fiscal Year in which the deferral election is received by the Director.

(b) A Participant shall not be eligible to defer Compensation for any calendar year or bonus Compensation for any Fiscal Year following the year in which the Participant no longer satisfies the eligibility requirements of the Plan, unless the Committee in its discretion permits such a deferral.

3.2 Accounts

The Company shall establish and maintain an account for each Participant and shall credit such account with amounts deferred by the Participant pursuant to Section 3.1 and the Participant's deferral election.

3.3 Company Credits

The Company shall credit a Participant's account as of December 31 each year with an amount equal to the difference between (a) the amount that would have been credited to the Participant's account under the Retirement Plan for the Plan Year had the Participant not made an election to defer Compensation for the year under Section 3.1 of the Plan, and (b) the amount actually credited to the Participant's account under the Retirement Plan for the Plan Year. To prevent duplication of benefits, credits under this Section 3.3 shall not be made with respect to any year or partial year in which the Participant or any account of the Participant receives comparable credits under the Company's Supplemental Benefit Plan or any other Company plan.

IV. EARNINGS ON PARTICIPANT ACCOUNTS

Amounts held in an account maintained for a Participant shall be credited with earnings at a rate and in a manner authorized by the Committee from time to time; provided that the earnings rate shall be based on a Participant's selection from among fund choices made available by the Committee from time to time, and provided further that such choices shall not include a Common Stock fund. Earnings shall be credited as of the end of each business day that the Committee authorizes the Plan's recordkeeping system to determine the value of gains and losses. Notwithstanding the foregoing, for Participants who did not make a one-time election as of October 31, 2006 to allocate all funds in all accounts, past and future, so that earnings are based on the rate of return from one or more of the funds made available by the Committee as described above, the earnings shall be determined based on the Stable Return Fund Measure.

V. DISTRIBUTIONS

5.1 Available Methods of Distribution

Available methods of distribution are (i) approximately equal annual, quarterly or monthly installment payments over a period not to exceed ten years or (ii) a single lump-sum distribution.

5.2 Distribution Elections; Absence of a Valid Election

(a) Except as provided in Section 5.3, the amount of the Participant's deferred compensation account shall be distributed on the Participant's retirement, resignation or termination from employment with the Company, or on the Disability or death of the Participant, whichever occurs first. Distributions shall be made in accordance with the Participant's distribution election most recently filed with the Director with respect to each Plan Year; provided that any election change filed one year or less before the date of the Participant's retirement, resignation or separation from service shall be disregarded in accordance with Section 5.5.

(b) In the absence of a valid election, the Company shall pay the accrued amount in a single lump sum after the Participant's retirement, resignation or termination from employment with the Company, or on the Disability or death of the Participant, whichever occurs first. In the event of the Participant's death before such lump sum distribution has occurred, the amount will be distributed in a lump sum to any designated Beneficiary or to the estate or legal representative of the Participant.

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5.3 Other Distributions

(a) Notwithstanding Section 5.1, a Participant may irrevocably elect, in the Participant's deferral election, to receive a single sum distribution of the Participant's Accounts in a specified year no earlier than two years following the year to which such deferral election applies.

(b) A Participant who incurs an Unforeseeable Emergency, as determined by the Committee based on the relevant facts and circumstances, may make a written request to the Company for a hardship withdrawal from the Participant's account. Upon receiving such a request, the Committee (i) shall cancel a Participant's deferrals under the Plan for the remainder of the Plan Year, and (ii) may make a distribution from the Participant's account. Withdrawals of amounts because of an Unforeseeable Emergency are permitted to the extent reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local or foreign income taxes or penalties reasonably anticipated to result from the distribution). A distribution on account of an Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under the Plan. Notwithstanding the foregoing, in the event that a Participant has received a hardship distribution from any defined contribution plan with a 401(k) cash or deferred arrangement maintained by the Company, regardless of whether the Participant has requested a distribution as a result of an Unforeseeable Emergency under the Plan, the Participant's deferrals under the Plan shall be cancelled through the end of the current Plan Year, or the end of the subsequent Plan Year if the six-month period under Treasury Regulation Section 1.401(k)-1(d)(3)(iv)(E)(2) does not end in the current Plan Year.

5.4 Timing of Certain Distributions

Except in the event of the Participant's death or Disability, benefits payable under the Plan shall be paid beginning in January of the calendar year immediately following the calendar year in which the distributable event occurs. In the event of a Participant's death or Disability, benefits shall be distributed beginning in the first month following the month in which the Participant's death occurred or the determination of Disability is made.

5.5 Limitation on Election of Distribution Method

(a) A Participant may change the Participant's election only one time with respect to each applicable Plan Year after making an initial election with respect to distributions under the Plan. Such distribution election change must be in accordance with Section 5.5(b).

(b) Except as limited by Section 5.5(a), a Participant may change the Participant's election at any time subject to the following: (i) any change shall not take effect until at least 12 months after the date on which the election change is made, and (ii) in the case of an election change relating to payments other than on account of an Unforeseeable Emergency,

death or Disability of the Participant, the payment shall be deferred for a period of not less than five years from the date such payment would otherwise have been paid (or in the case of installment or annuity payments, five years from the date the first amount would otherwise have been paid).

(c) As provided in Section 5.2(b), if a Participant fails to elect a method of payment in the Participant's initial deferral election, benefits payable under the Plan to or on behalf of a Participant shall be paid in a single distribution to the Participant, or in the event of the Participant's death, to the Participant's designated Beneficiary under the Plan. Any change in this default election must comply with Sections 5.5(a) and (b).

5.6 Additional Code Section 409A Limitations

In the case of a Participant who is a Specified Employee as of the date of the Participant's termination from employment, all payments under the Plan to which the Participant is otherwise entitled due to retirement, resignation or other separation from service for any other reason shall be delayed to the extent necessary so that the first payment made to the Participant is not made earlier than six months following such separation date (or if earlier than the end of that six-month period, the date of death of the Specified Employee) as required under Treasury Regulation Section 1.409A-3(i)(2). With respect to any payments hereunder that are subject to Code Section 409A and that are payable on account of a termination of employment, the determination of whether the Participant has had a termination of employment shall be made in accordance with Code Section 409A and its requirements for a separation from service.

VI. BENEFICIARY DESIGNATION

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

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

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VII. ADMINISTRATION OF THE PLAN

7.1 Company's Authority

The Plan shall be administered by the Company, which shall have the authority, duty and power to interpret and construe the provisions of the Plan as it deems appropriate. The Company shall have the duty and responsibility of maintaining records, making the requisite calculations and dispersing the payments hereunder except to the extent delegated to a third party. The Company's interpretations, determinations, regulations and calculations shall be final and binding on all persons and parties concerned.

7.2 Reliance

The Company shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Company with respect to the Plan.

7.3 Individual Statements

The Company or its service provider shall furnish individual statements of accrued benefits to each Participant, or current Beneficiary, at least annually, in such form as determined by the Company.

7.4 Claims

The employee benefit plan procedures in this Section 7.4 are intended to comply with Section 503 of ERISA and Section 2560.503-1 of the Department of Labor Regulations and pertain to claims by Participants and Beneficiaries ("claimants") for Plan benefits, consideration of such claims and review of claim denials. For purposes of these procedures, a "claim" is a request for a benefit by a Participant or Beneficiary under the Plan. A claim is filed when the requirements of these procedures have been met.

(a) If a claim is wholly or partially denied, notice of the decision, meeting the requirements of Section 7.4(b), shall be furnished to the claimant within a reasonable period of time after receipt of the claim by the Company. If notice of the denial of a claim is not furnished in accordance with this Section 7.4(a) within a reasonable period of time, the claim shall be deemed denied and the claimant shall be permitted to proceed to the review stage described in Section 7.4(c). For purposes of this Section 7.4(a), the period of time for notification to the claimant will not exceed 90 days (45 days for Disability claims) after receipt of the claim by the Company, unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period (45 days for Disability claims). In no event shall such extension exceed a period of 90 days (30 days for Disability claims) from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and

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the date by which the Company expects to render the final decision (see the paragraph below for the contents of the extension notice with respect to Disability claims).

In addition, with respect to Disability claims, if, prior to the end of the first 30-day extension period, the Company determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided that the Company notifies the claimant, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. Both notices of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the claimant shall be afforded at least 45 days within which to provide the specified information.

(b) The Company shall provide to every claimant who is denied a claim for benefits written notice setting forth in a manner calculated to be understood by the claimant:

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent provisions of the Plan on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;
- (iv) appropriate information as to the steps to be taken if the Participant or Beneficiary wishes to submit a claim for review; and
- (v) in the case of an adverse benefit determination regarding Disability benefits, if an internal rule, guideline, protocol or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol or other similar criterion; or a statement that such rule, guideline, protocol or other similar criterion was relied upon in making the adverse determination and that a copy of such rule, guideline, protocol or other criterion will be provided free of charge to the claimant upon request.

(c) If a claim is denied in whole or in part and if the claimant is dissatisfied with the disposition of the claim, the claimant or the claimant's duly authorized representative shall have a reasonable opportunity to appeal the denied claim to the Company or to a person designated by the Company, and shall have a full and fair review of the claim and its denial. Under this review procedure, a claimant or the claimant's duly authorized representative may:

- (i) request a review upon written application to the Company;

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- (ii) review pertinent documents; and
- (iii) submit issues and comments in writing.

A claimant must file such a request for review of a denied claim within a reasonable period of time, not to exceed 60 days (180 days for Disability claims) after receipt by the claimant of written notification of denial of a claim.

(d) A decision by the Company shall be made promptly and shall not ordinarily be made later than 60 days (45 days for Disability claims) after the receipt by the Company of a request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than 120 days (90 days for Disability claims) after receipt of a request for review. If an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent provisions of the Plan on which the decision is based. The decision on review shall be furnished to the claimant within the period of time described in this Section 7.4(d). If the decision on review is not furnished within such time, the claim shall be deemed denied on review.

VIII. AMENDMENT OR TERMINATION

8.1 Amendment

The Company reserves the power to amend or terminate the Plan at any time by action of the Committee, ratified by the Board; provided that no amendment or modification shall decrease the then current balances of a Participant's accounts. No amendment or modification of the Plan shall affect the rights of any Participant or Beneficiary who has become entitled to the distribution of benefits under the Plan as of the date of the amendment or modification.

8.2 Termination

Although the Company anticipates that the Plan will continue for an indefinite period of time, it reserves the right to terminate the Plan at any time with respect to any or all Participants. Termination of the Plan shall not adversely affect the rights under the Plan of any Participant or Beneficiary who has become entitled to the payment of any Plan benefits as of the date of termination. Any acceleration of the time and form of payment as a result of the termination of the Plan shall be in accordance with Treasury Regulation Section 1.409A-3(j)(4)(ix).

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IX. GENERAL PROVISIONS

9.1 Trust

The Company has established a Trust that may be used to pay benefits arising under the Plan and costs, charges and expenses relating thereto. To the extent that the funds held in the Trust are insufficient to pay such benefits, costs, charges and expenses, the Company shall pay them.

9.2 No Alienation

Except as the Committee determines is required by law or order of a court of competent jurisdiction, neither the benefits payable hereunder nor the right to receive future benefits under the Plan may be anticipated, alienated, sold, transferred, assigned, pledged, encumbered, or subjected to any charge or legal process, and no interest or right to receive a benefit may be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, any person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

9.3 Unfunded Plan

The Plan shall at all times be considered entirely unfunded both for tax purposes and for purposes of Title I of ERISA. Funds invested under the Plan, including amounts held in the Trust, shall continue for all purposes to be part of the general assets of the Company and available to the general creditors of the Company in the event of the Company's bankruptcy (when the Company is involved in a pending proceeding under the Federal Bankruptcy Code) or insolvency (when the Company is unable to pay its debts as they mature). In the event of the Company's bankruptcy or insolvency, the Board and the Company's Chief Executive Officer shall notify the Trustee in writing of such an occurrence within three business days following the Company's becoming aware of such occurrence. No Participant or any other person shall have any interests in any particular assets of the Company by reason of the right to receive a benefit under the Plan, and to the extent the Participant or any other person acquires a right to receive benefits under the Plan, such right shall be no greater than the right of any general unsecured creditor of the Company. The Plan constitutes a mere promise by the Company to make payments to the Participants in the future.

9.4 No Guaranty

Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that any funds in the Trust or the assets of the Company will be sufficient to pay any benefit hereunder.

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9.5 No Right of Employment

No Participant shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment and continuance of the Plan shall not be construed to give any Participant the right to be retained in the service of the Company.

9.6 Incompetency

If any person entitled to a benefit payment under the Plan is declared incompetent and a conservator or other person legally charged with the care of such person or of the estate of such person is appointed, any benefits under the Plan to which the person is entitled shall be paid to such conservator or other person legally charged with the care of the person or such person's estate. Except as provided above, when the Company determines that such person is unable to manage such person's affairs, the Company may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such Person and a complete discharge of any liability of the Company and the Plan therefor.

9.7 Corporate Changes

The Plan shall not be automatically terminated by a transfer or sale of assets of the Company or by the merger or consolidation of the Company into or with any other corporation or other entity, but the Plan shall continue after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan. In the event the Plan is not continued by the transferee, purchaser or successor entity, then the Plan shall terminate subject to the provisions of Article VIII.

9.8 Addresses

Each Participant shall keep the Company informed of the Participant's current address and the current address of the Participant's Beneficiary. The Company shall not be obligated to search for any person.

9.9 Limitations on Liability

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

9.10 Transfers to the Trust

On the occurrence of a Change of Control or if a Participant elects to direct the investment of amounts credited to the Participant's account pursuant to Article IV, the Company shall transfer cash or property to the account or accounts maintained in the name of each affected Participant or Participants for the Plan under the Trust in an amount equal to the present value of all accumulated or accrued benefits then payable to or on behalf of such Participant or Participants under the Plan, plus any applicable fees. The Company may also transfer cash or property to the accounts maintained for any Participant under the Trust in an amount equal to the present value of all accumulated or accrued benefits then payable under the Plan at any time in the sole discretion of the Company. Thereafter, the Company may, and after a Change of Control it shall, for each Plan Year, transfer cash or property no later than 30 days after the end of the Plan Year in which the initial transfer occurs, and thereafter on each anniversary thereof, to such account or accounts maintained for the affected Participant or Participants under the Trust an amount equal to the additional benefit accrued under the terms of the Plan during and in relation to the most recent Plan Year then ended. If a transfer occurs, the accounts of the Participants shall be credited with interest, or earnings and losses in accordance with Article IV.

9.11 Inspection

Each Participant shall receive a copy of the Plan and the Company will make available for inspection by any Participant or designated Beneficiary a copy of any rules and regulations that are used by the Company in administering the Plan.

9.12 Withholding

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

9.13 Singular and Plural

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

9.14 Severability

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

9.15 Unsecured General Creditor

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

9.16 Discharge of Obligations

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

9.17 Governing Law

To the extent that it is not governed by United States federal law, the Plan shall be construed, administered and governed in all respects under and by the applicable laws of the State of Delaware, excluding any conflicts of law rule or principle that might otherwise refer construction or interpretation of the Plan or a deferral election to the substantive law of another jurisdiction.

9.18 Successors

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

9.19 Court Order

Notwithstanding Section 9.2, the Committee is authorized to make any payments directed by a qualified domestic relations order (as defined in Code Section 414(p)(1)(B)). If a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Committee, in its sole discretion, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.

9.20 No Assurance of Tax Consequences

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

9.21 Code Section 409A

The Plan document is intended to comply with the requirements of Code Section 409A (including accompanying regulations and current IRS guidance) and conform to the current operation of the Plan. The terms of the Plan shall be interpreted, operated and administered in a manner consistent with this intention to the extent the Committee deems necessary to comply with Code Section 409A and any official guidance issued thereunder.

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IN WITNESS WHEREOF, an authorized officer of the Company has signed this document on the 21st day of July, 2008, to be effective January 1, 2009.

THE TORO COMPANY

By: Michael J. Hoffman

Its: Chairman, President and CEO

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THE TORO COMPANY
DEFERRED COMPENSATION PLAN
FOR OFFICERS

Amended and Restated Effective January 1, 2009

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THE TORO COMPANY
DEFERRED COMPENSATION PLAN

FOR OFFICERS

Amended and Restated Effective January 1, 2009

The Toro Company hereby amends and restates its Deferred Compensation Plan for Officers, originally effective as of January 21, 1998. This amendment and restatement is effective for all amounts deferred on or after January 1, 2005 that remain unpaid as of January 1, 2009. All grandfathered amounts earned and vested as of December 31, 2004 shall continue to be governed by the 2004 Plan document in accordance with then applicable IRS guidance. All amounts earned or vested from January 1, 2005 through December 31, 2008 shall continue to be governed by this amendment and restatement, as modified by the operations of the Plan during such period in accordance with Internal Revenue Code Section 409A and then applicable IRS guidance (including transition relief).

The purpose of the Plan is to provide the opportunity for selected officers of the Company to defer receipt of compensation that may be payable under the Performance Share Plan and to acquire and retain Common Stock in the form of Units. This amendment eliminates references to the opportunity to defer compensation under AMIP II but retains references to existing accounts previously established in connection with that compensation.

I. DEFINITIONS

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

"2004 Plan" means the terms of the Plan in place as of December 31, 2004.

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

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

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

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

"Beneficiary." means the person or persons selected by the Participant to receive the benefits provided under the Plan in the event of the Participant's death.

"Change of Control" means:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within

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the meaning of Rule 13d-3 under the Exchange Act) of 15% or more of either (i) the then-outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (w) any acquisition directly from the Company, (x) any acquisition by the Company, (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (z) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; or

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

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

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

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

"Committee" means the Compensation and Human Resources Committee of the Board, or any successor committee, and its delegates with respect to the Plan.

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

"Company" means The Toro Company, a Delaware corporation. Except as used in Articles VII and VIII, "Company" also includes any participating Subsidiary.

"Deferral Election" shall mean a Participant's election under Section 2.3, made in a manner and on the form prescribed by the Committee.

"Disability" means the Participant is (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; (b) receiving income replacement benefits for a period of not less than three months under an accident and health plan covering Company employees because of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; (c) determined to be totally disabled by the Social Security Administration or Railroad Retirement Board; or (d) determined to be disabled in accordance with the Company's Long Term Disability Plan, provided that such plan's definition complies with Treasury Regulation Section 1.409A-3(i)(4).

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

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

"Fair Market Value" means the closing price of one share of Common Stock as reported by the New York Stock Exchange, except that where a different meaning is established in the Performance Share Plan for any particular purpose, that meaning shall govern for that purpose.

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

"IRS" means the Internal Revenue Service.

"Matching Units Account" means an Account previously established under the Plan in connection with AMIP II compensation, with entries denominated in Units (including fractions), but to which no additional Units may be credited.

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"Participant" means an Eligible Officer who delivers a Deferral Election in accordance with Sections 2.2 and 2.3 and for whom Units are actually credited to an Account. An individual shall not cease to be a Participant if the person ceases to be an Eligible Officer, as long as Units remain credited to such Participant's Accounts. A Beneficiary, a spouse or former spouse, or an executor or personal administrator of a Participant's estate shall not be treated as a Participant even if such individual or the Participant's estate has an interest in the Participant's benefits under the Plan.

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

"Performance Share Units Account" means an Account with entries denominated in Units that are credited in accordance with Section 3.2.

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

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

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

"Retained Units Account" means an Account previously established under the Plan in connection with AMIP II compensation, with entries denominated in Units (including fractions), but to which no additional Units may be credited.

"Specified Employee" means a Participant who, as of the date of the Participant's separation from service for any reason and unless the Company has designated otherwise in accordance with Treasury Regulation Section 1.409A-1(i), is an elected officer of the Company. If a Participant is an elected officer as of December 31, the Participant shall be treated as a Specified Employee for the entire 12-month period beginning on the next following April 1.

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

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

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

"**Unforeseeable Emergency**," means a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary or the Participant's dependent (as defined in Code Section 152, without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, (a) imminent foreclosure of or eviction from the Participant's primary residence may constitute an Unforeseeable Emergency; (b) the need to pay for medical expenses, including nonrefundable deductibles, as well as for the costs of prescription drug medications, may constitute an Unforeseeable Emergency; (c) the need to pay for the funeral expenses of a spouse, a Beneficiary or a dependent (as defined in Code Section 152, without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B)) may also constitute an Unforeseeable Emergency; and (d) the purchase of a home and the payment of college tuition are not Unforeseeable Emergencies.

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

II. ELIGIBILITY; PARTICIPATION; DEFERRAL

2.1 Eligibility

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

2.2 Participation

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

2.3 Deferral Election

(a) **Deadline for Delivery.** An Eligible Officer may elect to defer Performance Shares that may be delivered in settlement of a Performance Share Award by completing and submitting a Deferral Election to the Director of Compensation and Benefits, or successor position, on or before the date that is the last day of the Fiscal Year immediately prior to the commencement of the last Fiscal Year of the Award Term to which the Performance Share Award relates, provided that the Eligible Officer performs services continuously from the later of the beginning of the Award Term or the date the performance goals are established by the Committee through the date an election is made. In no event may a Deferral Election be made after such compensation has become "readily ascertainable" as defined in Treasury Regulation Section 1.409A-2(a)(8).

(b) **Amount to Be Deferred.** The Deferral Election shall relate to compensation that may be earned with respect to the Award Term to which a Performance Share Award relates. A Deferral Election may designate up to 100% of Performance Shares in a Performance Share Award to be deferred.

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

III. PARTICIPANTS' ACCOUNTS

3.1 General

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

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

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

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

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

3.2 Number of Units to Be Credited

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

IV. VESTING

All amounts credited to a Participant's Accounts shall be 100% vested at all times.

V. DISTRIBUTIONS

5.1 Distributable Events

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

- (a) death;
- (b) Disability; or
- (c) separation from service.

5.2 Distribution of Benefits

(a) Value of Benefits. In the event a Participant becomes eligible to receive a payment under the Plan, the Participant shall be entitled to receive the value of all the Participant's Accounts.

(b) Election of Method of Payment. Benefits payable to a Participant or, in the event of the Participant's death, to the Participant's designated Beneficiary under the Plan shall be paid in accordance with one of the available methods of payment referred to in Section 5.2(d) in accordance with the Participant's initial Deferral Election unless such Participant has elected to change the method of payment in accordance with Section 5.2(c).

(c) Change in Election of Method of Payment. A Participant may change the method of payment by electing another method available under the Plan at any time up to one year before the date of the Participant's retirement from the Company; provided, however, that a Participant may make only one such election change with respect to each applicable Plan year. Such election changes are also subject to the following: (i) any change shall not take effect until at least 12 months after the date on which the election change is made, and (ii) in the case of an election change relating to payments other than on account of an Unforeseeable Emergency, death or Disability of the Participant, the payment shall be deferred for a period of not less than

five years after the date such payment would otherwise have been paid (or in the case of installment payments, five years after the date the first installment would otherwise have been paid).

(d) Available Methods of Payment. Available methods of payment are (i) approximately equal annual, quarterly or monthly installment payments over a period not to exceed ten years or (ii) a single lump-sum distribution.

(e) Absence of Election of Method of Payment. If a Participant fails to elect a method of payment in the Participant's initial Deferral Election, benefits payable under the Plan to or on behalf of a Participant shall be paid in a single distribution to the Participant, or in the event of the Participant's death, to the Participant's designated Beneficiary under the Plan. Any change in this default election must comply with Section 5.2(c).

5.3 Other Distributions

(a) In-Service Distributions. Notwithstanding Section 5.1, a Participant may irrevocably elect, in the Participant's Deferral Election, to receive a single sum distribution of the Participant's Accounts in a specified year no earlier than two years following the year to which such Deferral Election applies.

(b) Unforeseeable Emergency Distribution. A Participant who incurs an Unforeseeable Emergency, as determined by the Committee based on the relevant facts and circumstances, may make a written request to the Company for a hardship withdrawal from the Participant's account. Upon receiving such a request, the Committee (i) shall cancel a Participant's deferrals under the Plan for the remainder of the Plan Year, and (ii) may make a distribution from the Participant's account. Withdrawals of amounts because of an Unforeseeable Emergency are permitted to the extent reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local or foreign income taxes or penalties reasonably anticipated to result from the distribution). A distribution on account of an Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under the Plan. Notwithstanding the foregoing, in the event that a Participant has received a hardship distribution from any defined contribution plan with a 401(k) cash or deferred arrangement maintained by the Company, regardless of whether the Participant has requested a distribution as a result of an Unforeseeable Emergency under the Plan, the Participant's deferrals under the Plan shall be cancelled through the end of the current Plan Year, or the end of the subsequent Plan Year if the six-month period under Treasury Regulation Section 1.401(k)-1(d)(3)(iv)(E)(2) does not end in the current Plan Year.

5.4 Commencement of Distributions

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

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

(b) Other Termination. Subject to Section 5.6, if a benefit is payable because of a Participant's separation from service with the Company for any reason other than death or Disability or pursuant to an early retirement election, payment shall begin in January immediately following the calendar year in which the separation from service occurs.

(c) In-Service Distribution. If a Participant has properly made an in-service distribution election under Section 5.3(a), payment shall begin in of January of the calendar year in which the Participant has elected to receive the in-service distribution, as set forth in Participant's Deferral Election.

5.5 Form of Payment

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

5.6 Additional Code Section 409A Limitations

In the case of a Participant who is a Specified Employee as of the date of the Participant's termination from employment, all payments under the Plan to which he or she is otherwise entitled due to early retirement, retirement, resignation or other separation from service for any other reason shall be delayed to the extent necessary so that the first payment made to the Participant is not made earlier than six months (or if earlier than the end of that six-month period, the date of death of the Specified Employee) as required under Treasury Regulation Section 1.409A-3(i)(2). With respect to any payments hereunder that are subject to Code Section 409A and that are payable on account of a termination of employment, the determination of whether the Participant has had a termination of employment shall be made in accordance with Code Section 409A and its requirements for a separation from service.

VI. BENEFICIARY DESIGNATION

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

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

of the deceased Participant's estate under applicable state law then in force governing the decedent's intestate property.

VII. ADMINISTRATION OF THE PLAN

7.1 Administrator

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

7.2 Authority of Administrator

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

7.3 Operation of Plan

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

7.4 Claims Procedures

The Company intends to make payments under the Plan without requiring that a Participant submit a claim form. However, a Participant who believes a payment is due under the Plan may submit a claim for payments. For claims procedure purposes, an individual designated by the Company as the "Claims Manager" shall administer the claims process on behalf of the Company. The procedures in Section 7.4 are intended to comply with Section 503

of ERISA and Section 2560.503-1 of the Department of Labor Regulations and pertain to claims by Participants and Beneficiaries ("claimants") for Plan benefits, consideration of such claim and review of claim denials. For these purposes, a "claim" is a request for benefits under the Plan and must be made by the claimant in writing filed with the Claims Manager and must state the claimant's name and the nature of benefits payable. A claim is filed when the requirements of these procedures have been met.

(a) If a claim is wholly or partially denied, notice of the decision, meeting the requirements of Section 7.4(b), shall be furnished to the claimant within a reasonable period of time after receipt of the claim by the Company. If notice of the denial of a claim is not furnished in accordance with this Section 7.4(a) within a reasonable period of time, the claim shall be deemed denied and the claimant shall be permitted to proceed to the review stage described in Section 7.4(c). For purposes of this Section 7.4(a), the period of time for notification to the claimant will not exceed 90 days (45 days for Disability claims) after receipt of the claim by the Company, unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period (45 days for Disability claims). In no event shall such extension exceed a period of 90 days (30 days for Disability claims) from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Company expects to render the final decision (see the paragraph below for the contents of the extension notice with respect to Disability claims).

In addition, with respect to Disability claims, if, prior to the end of the first 30-day extension period, the Company determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided that the Company notifies the claimant, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. Both notices of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the claimant shall be afforded at least 45 days within which to provide the specified information.

(b) The Company shall provide to every claimant who is denied a claim for benefits written notice setting forth in a manner calculated to be understood by the claimant:

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent provisions of the Plan on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;

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- (iv) appropriate information as to the steps to be taken if the Participant or Beneficiary wishes to submit a claim for review; and
- (v) in the case of an adverse benefit determination regarding Disability benefits, if an internal rule, guideline, protocol or other similar criterion was relied upon in making the adverse determination, either a copy of the specific rule, guideline, protocol or other similar criterion or a statement that such rule, guideline, protocol or other similar criterion was relied upon in making the adverse determination and that a copy of such rule, guideline, protocol or other criterion will be provided free of charge to the claimant upon request.

(c) If a claim is denied in whole or in part and if the claimant is dissatisfied with the disposition of the claim, the claimant or the claimant's duly authorized representative shall have a reasonable opportunity to appeal the denied claim to the Company or to a person designated by the Company, and shall have a full and fair review of the claim and its denial. Under this review procedure, a claimant or the claimant's duly authorized representative may:

- (i) request a review upon written application to the Company;
- (ii) review pertinent documents; and
- (iii) submit issues and comments in writing.

A claimant must file such a request for review of a denied claim within a reasonable period of time, not to exceed 60 days (180 days for Disability claims) after receipt by the claimant of written notification of denial of a claim.

(d) A decision by the Company shall be made promptly and shall not ordinarily be made later than 60 days (45 days for Disability claims) after the receipt by the Company of a request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than 120 days (90 days for Disability claims) after receipt of a request for review. If an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent provisions of the Plan on which the decision is based. The decision on review shall be furnished to the claimant within the period of time described in this subsection (d). If the decision on review is not furnished within such time, the claim shall be deemed denied on review.

VIII. AMENDMENT OR TERMINATION

8.1 Amendment or Termination of the Plan

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

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

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

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

8.2 Accounts After Termination

No further Units (or fractions thereof) shall be credited to any Account of any Participant after the date on which the Plan is terminated, except that (a) Accounts shall continue to be credited with additional Units (and fractions thereof) equal in value to dividends paid on an equivalent value of Common Stock, if any, in accordance with Section 3.1(d) until all benefits are distributed to a Participant or to the Participant's beneficiaries, and (b) the distribution provisions of the Plan shall continue in effect as if the Plan had not been terminated. Accordingly, upon such termination of the Plan the benefits credited to the Accounts shall be payable in accordance with the elections made by the Participants and the distribution provisions of the Plan. In the event that the Committee and the Board properly terminate the Plan so that the time and form of payment are accelerated as a result of such termination, then the time and form of payment shall be in accordance with Treasury Regulation Section 1.409A-3(j)(4)(ix).

IX. GENERAL PROVISIONS

9.1 Trust

The Company has established a Trust that may be used to pay benefits arising under the Plan and costs, charges and expenses relating thereto. To the extent that the funds held in the Trust are insufficient to pay such benefits, costs, charges and expenses, the Company shall pay them.

9.2 No Alienation

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

9.3 Unfunded Plan

The Plan shall at all times be considered entirely unfunded both for tax purposes and for purposes of Title I of ERISA. Funds invested hereunder shall continue for all purposes to be part of the general assets of the Company and available to the general creditors of the Company in the event of a bankruptcy (involvement in a pending proceeding under the Federal Bankruptcy Code) or insolvency (inability to pay debts as they mature). In the event of such a bankruptcy or insolvency, the Company shall notify the Trustee of the Trust and each Participant in writing of such an occurrence within three business days after the Company obtains knowledge of such occurrence. No Participant or any other person shall have any interest in any particular assets of the Company by reason of the right to receive a benefit under the Plan, and to the extent a Participant or any other person acquires a right to receive benefits under the Plan, such right shall be no greater than the right of any general unsecured creditor of the Company. The Plan constitutes a mere promise by the Company to make payments to the Participants in the future.

9.4 No Guaranty

Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that any funds in any trust or the assets of the Company will be sufficient to pay any benefit hereunder.

9.5 No Right of Employment

No Participant shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment and continuance of the Plan shall not be construed to give any Participant the right to be retained in the service of the Company.

9.6 Incompetency

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

9.7 Corporate Changes

The Plan shall not be automatically terminated by a transfer or sale of assets of the Company or by the merger or consolidation of the Company into or with any other corporation or other entity, but the Plan shall continue after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan. In the event the Plan is not continued by the transferee, purchaser or successor entity, then the Plan shall terminate subject to the provisions of Article VIII.

9.8 Addresses

Each Participant shall keep the Company informed of the Participant's current address and the current address of the Participant's Beneficiary. The Company shall not be obligated to search for any person.

9.9 Limitations on Liability

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

9.10 Transfers to the Trust

On the occurrence of a Change of Control, the Company shall transfer cash or property to the account or accounts maintained in the name of each affected Participant or Participants for the Plan under the Trust in an amount equal to the present value of all accumulated or accrued benefits then payable to or on behalf of such Participant or Participants under the Plan, plus any applicable fees. The Company may also transfer cash or property to the accounts maintained for any Participant under the Trust in an amount equal to the present value of all accumulated or accrued benefits then payable under the Plan at any time in the sole discretion of the Company. Thereafter, the Company may, and after a Change of Control it shall, for each Plan year, transfer cash or property no later than 30 days after the end of the Plan year in which the initial transfer occurs, and thereafter on each anniversary thereof, to such account or accounts maintained for the affected Participant or Participants under the Trust an amount equal to the additional benefit accrued under the terms of the Plan during and in relation to the most recent Plan year then ended.

9.11 Inspection

Each Participant shall receive a copy of the Plan and the Company will make available for inspection by any Participant or designated Beneficiary a copy of any rules and regulations that are used by the Company in administering the Plan.

9.12 Withholding

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

9.13 Voting of Stock

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

9.14 Singular and Plural

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

9.15 Severability

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

9.16 Unsecured General Creditor

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

9.17 Discharge of Obligations

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

9.18 Governing Law

To the extent that it is not governed by United States federal law, the Plan shall be construed, administered and governed in all respects under and by the applicable laws of the State of Delaware, excluding any conflicts of law rule or principle that might otherwise refer construction or interpretation of the Plan or a deferral election to the substantive law of another jurisdiction.

9.19 Successors

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

9.20 Court Order

Notwithstanding Section 9.2, the Committee is authorized to make any payments directed by a qualified domestic relations order (as defined in Code Section 414(p)(1)(B)). If a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Committee, in its sole discretion, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.

9.21 No Assurance of Tax Consequences

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

9.22 Code Section 409A

The Plan document is intended to comply with the requirements of Code Section 409A (including accompanying regulations and current IRS guidance) and conform to the current operation of the Plan. The terms of the Plan shall be interpreted, operated and administered in a manner consistent with this intention to the extent the Committee deems necessary to comply with Code Section 409A and any official guidance issued thereunder.

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IN WITNESS WHEREOF, an authorized officer of the Company has signed this document on the 21st day of July, 2008, to be effective January 1, 2009.

THE TORO COMPANY

By: Michael J. Hoffman

Its: Chairman, President and CEO

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THE TORO COMPANY
DEFERRED COMPENSATION PLAN
FOR NON-EMPLOYEE DIRECTORS

Amended and Restated Effective January 1, 2009

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THE TORO COMPANY
DEFERRED COMPENSATION PLAN
FOR NON-EMPLOYEE DIRECTORS

Amended and Restated Effective January 1, 2009

The Toro Company hereby amends and restates its Deferred Compensation Plan for Non-Employee Directors. This amendment and restatement is effective for all amounts deferred on or after January 1, 2005 that remain unpaid as of January 1, 2009. All grandfathered amounts earned and vested as of December 31, 2004 shall continue to be governed by the 2004 Plan in accordance with then applicable IRS guidance. All amounts earned or vested from January 1, 2005 through December 31, 2008 shall be governed by this amendment and restatement, as modified by the operations of the Plan during such period in accordance with Code Section 409A and then applicable IRS guidance (including transition relief).

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

I. DEFINITIONS

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

"2004 Plan" means the terms of the Plan in place as of December 31, 2004.

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

"Administrative Committee" means the committee described in Section 6.2.

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

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

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

"Change of Control" means:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 15% or more of either (i) the then

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outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of Directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (w) any acquisition directly from the Company, (x) any acquisition by the Company, (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (z) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; or

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

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

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

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

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

"Common Stock" means the Company's Common Stock, par value \$1.00 per share, and related preferred share purchase rights, as such shares may be adjusted in accordance with Section 3.1(c).

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

"Company" means The Toro Company, a Delaware corporation, and any successor to all or substantially all of the Company's assets or business. Except as used in of Article VII, "Company" also includes any participating subsidiary.

"Deferral Election" means a Participant's election under Section 2.3, made in a manner and on the form prescribed by the Committee.

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

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

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

"Fair Market Value" means the closing price of one share of Common Stock as reported by the New York Stock Exchange.

"IRS" means the Internal Revenue Service.

"Participant" means a Director who elects to participate in the Plan in accordance with Article II. Status as a Participant shall continue for as long as the individual has a balance credited to an Account under the Plan, even if the Participant is no longer a Director. A Beneficiary, a spouse or former spouse, or an executor or personal administrator of a Participant's estate shall not be treated as a Participant even if such individual or the Participant's estate has an interest in the Participant's benefits under the Plan.

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

"Plan Year" means the calendar year.

"Retirement" or "Retire(s)" refers to separation from service as a Director for any reason. With respect to any payments hereunder that are subject to Code Section 409A and that are payable on account of a separation from service, the determination of whether the Director has had a separation from service shall be made in accordance with Code Section 409A.

"Stable Return Fund Measure" means the earnings rate paid or credited from time to time on assets held in the Stable Return Fund under The Toro Company Investment, Savings and Employee Stock Ownership Plan, or its successor plan.

"Trust" means a trust established by the Company to be used in connection with the Plan.

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

"Unforeseeable Emergency" means a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary or the Participant's dependent (as defined in Code Section 152, without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, (a) imminent foreclosure of or eviction from the Participant's primary residence may constitute an Unforeseeable Emergency; (b) the need to pay for medical expenses, including nonrefundable deductibles, as well as for the costs of prescription drug medications, may constitute an Unforeseeable Emergency; (c) the need to pay for the funeral expenses of a spouse, a Beneficiary or a dependent (as defined in Code Section 152, without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B)) may also constitute an Unforeseeable Emergency; and (d) the purchase of a home and the payment of college tuition are not Unforeseeable Emergencies.

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

II. ELIGIBILITY; PARTICIPATION; DEFERRAL

2.1 Eligibility

Any Director is eligible to participate in the Plan.

2.2 Participation

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

2.3 Deferral Election

(a) Deadline for Delivery. A Director may deliver a Deferral Election not later than December 31 of the year prior to the Plan Year to which it relates. Notwithstanding the

foregoing, in a year in which an individual first becomes a Director, the individual may submit a Deferral Election not later than 30 days after the date the individual becomes eligible to participate in the Plan, provided that the election shall be effective only with respect to Directors' Fees paid for services to be performed after the election.

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

III. CREDITING AND VESTING

3.1 Amounts to Be Credited to Accounts

(a) Cash Account. A Participant's Cash Account shall be credited with Directors' Fees deferred pursuant to a valid Deferral Election and shall be further credited with earnings at a rate and in a manner authorized by the Committee from time to time; provided that the earnings rate shall be based on a Participant's selection from among fund choices made available by the Committee from time to time, and provided further that the choices available for a Cash Account shall not include a Common Stock fund. Earnings shall be credited as of the end of each business day that the Committee authorizes the Plan's recordkeeping system to determine the value of gains and losses. Notwithstanding the foregoing, for Participants who did not make a one-time election as of October 31, 2006 to allocate all funds in all Accounts, past and future, so that earnings are based on the rate of return of one or more of the funds made available by the Committee as described above, the earnings shall be credited at a rate based on the Stable Return Fund Measure.

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

(c) Account Value. Subject to the second paragraph of this Section 3.1(c) the value of Units in a Common Stock Units Account shall fluctuate with the Fair Market Value of the Common Stock.

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

equitable and consistent with the purposes of the Plan. In the event that Common Stock is converted into cash in connection with a corporate transaction described in this Section 3.1(c), the value of the Units in any Account shall be converted to a dollar amount by multiplying the number of Units in each Account by the Fair Market Value of a share of Common Stock on the date of the corporate transaction, and such amounts shall thereafter be credited with interest at a rate and in a manner consistent with Section 3.1(a). If the Trust is funded in the event of a Change of Control, the Trustee shall have authority to change the method of determining the interest crediting rate.

(d) Time of Crediting. Directors' Fees deferred under the Plan shall be withheld and credited to a Participant's Account as of the date they otherwise would be paid to the Participant, whether or not payment occurs during the Plan Year itself.

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

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

3.2 Vesting

A Participant's Cash Account and Common Stock Units Account shall at all times be fully vested, subject only to the Participant's status as a general creditor of the Company, as provided in Section 8.3.

IV. DISTRIBUTIONS

4.1 Distributable Events

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

4.2 Method of Payment

(a) A Participant may elect in the Participant's initial Deferral Election and in a manner determined by the Committee (i) to receive Cash Account distributions in a single lump sum or in approximately equal monthly, quarterly or annual installments over a period of time not to exceed ten years, and (ii) to receive Common Stock Units Account distributions in either a single distribution or in annual installments over a period of time not to exceed ten years. If a Participant does not make a valid election with respect to the payment of benefits, then such benefits shall be payable in a single distribution. The single distribution shall be made, or

installment payments shall commence, in January immediately after the calendar year in which the Participant Retires.

(b) A distribution election may be changed to an allowable alternative payment period by submitting a new election to the Committee, in a manner and on a form approved by the Committee; provided, however, that an election submitted less than one year before the distribution is to commence shall not be given effect. Each Participant may make only one such election change with respect to each applicable Plan Year. The most recent effective election received by the Committee shall govern the payment. Such election changes are also subject to the following: (i) any change shall not take effect until at least 12 months after the date on which the election change is made and (ii) in the case of an election change relating to payments other than on account of an Unforeseeable Emergency or the death of the Participant, the payment shall be deferred for a period of not less than five years after the date such payment would otherwise have been paid (or in the case of installment payments, five years after the date the first amount would otherwise have been paid).

(c) Any Account denominated in Units shall be payable only in shares of Common Stock, except that cash shall be paid for any fractional share. As provided in Section 4.2(a), distributions of Common Stock shall be made either in a single distribution or in annual installments.

(d) As provided in Section 4.2(a), if a Participant does not make a valid election with respect to the payment of benefits, benefits payable under the Plan to or on behalf of the Participant shall be paid in a single distribution to the Participant, or in the event of the Participant's death, to the Participant's designated Beneficiary under the Plan. Any change in this default election must comply with Section 4.2(b).

4.3 Death Prior to Completion of Payment

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

4.4 Distribution Prior to Retirement

A Participant may irrevocably elect in the Participant's Deferral Election to receive all or part of the balance of either or both of the Cash Account or the Common Stock Units Account in any year prior to Retirement. Except as provided in Section 4.5, no distribution date prior to Retirement shall be acceptable unless such date falls at least two Plan Years after the initial election is made. A distribution in any year shall not exceed the aggregate of the balance of each of the Cash Account and Common Stock Units Account as of the last day of the Plan Year immediately prior to the Plan Year in which the distribution is made. Any distribution made pursuant to an election hereunder shall be made in a single lump sum in such distribution year.

4.5 Unforeseeable Emergencies

A Participant who experiences an Unforeseeable Emergency, as determined by the Committee based on the relevant facts and circumstances, may request a hardship withdrawal

from the Participant's Accounts under the Plan. Upon receiving such a request, the Committee (i) shall cancel the Participant's deferrals under the Plan for the remainder of the Plan Year, and (ii) may make a distribution from the Participant's Accounts. Withdrawals of amounts because of an Unforeseeable Emergency are permitted only to the extent reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local or foreign income taxes or penalties reasonably anticipated to result from the distribution). A distribution on account of an Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under the Plan.

V. BENEFICIARY DESIGNATION

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

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

VI. ADMINISTRATION OF THE PLAN

6.1 Committee Duties

The Plan shall be administered by a Committee, which shall consist of the Board, or such committee as the Board may appoint. Members of the Committee may be Participants. The Committee shall have the discretion and authority, subject to Section 7.1, to make amendments to the Plan or in its discretion it may recommend amendments to the Board for its action. The Committee shall have the discretion and authority to make, amend, interpret and enforce appropriate rules and regulations for the administration of the Plan and to decide or resolve, in its discretion, any and all questions involving interpretation of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Committee shall be entitled to rely on information furnished by a Participant or by the Company.

6.2 Administrative Committee; Agents

The Committee may, from time to time, appoint an Administrative Committee and delegate to the Administrative Committee such duties and responsibilities (including the authority to make ministerial or administrative amendments to the Plan) with respect to the Plan as the Committee may determine. The Committee and the Administrative Committee may employ agents and delegate to them such duties as either Committee sees fit (including acting

through a duly appointed representative) and may from time to time consult with counsel who may be counsel to the Company.

6.3 Binding Effect of Decisions

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

6.4 Indemnity of Committee and Administrative Committee

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

VII. AMENDMENT OR TERMINATION

7.1 Amendment

The Company reserves the power to amend or terminate the Plan at any time by action of the Committee, ratified by the Board; provided that no amendment shall decrease the then current balances of a Participant's Accounts. No amendment of the Plan shall affect the rights of any Participant or Beneficiary who has become entitled to the distribution of benefits under the Plan as of the date of the amendment.

7.2 Termination

Although the Company anticipates that the Plan will continue for an indefinite period of time, it reserves the right to terminate the Plan at any time with respect to any or all Participants. Termination of the Plan shall not adversely affect the rights under the Plan of any Participant or Beneficiary who has become entitled to the payment of any Plan benefits as of the date of termination. Any acceleration of the time and form of payment as a result of the termination of the Plan shall be in accordance with Treasury Regulation Section 1.409A-3(j)(4)(ix).

VIII. GENERAL PROVISIONS

8.1 Trust

The Company has established a Trust that may be used to pay benefits arising under the Plan and costs, charges and expenses relating thereto. To the extent that the funds held in the Trust are insufficient to pay such benefits, costs, charges and expenses, the Company shall pay them.

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8.2 No Alienation

Except as the Committee determines is required by law or order of a court of competent jurisdiction, neither Units credited to a Participant's Accounts nor the benefits payable hereunder, including any rights or privileges pertaining thereto, may be anticipated, alienated, sold, transferred, assigned, pledged, encumbered or subjected to any charge or legal process, and no interest or right to receive a benefit may be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, any person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

8.3 Unfunded Plan

The Plan shall at all times be considered entirely unfunded both for tax purposes and for purposes of Title I of ERISA. Funds invested hereunder shall continue for all purposes to be part of the general assets of the Company and available to the general creditors of the Company in the event of a bankruptcy (involvement in a pending proceeding under the Federal Bankruptcy Code) or insolvency (inability to pay debts as they mature). In the event of such a bankruptcy or insolvency, the Company shall notify the Trustee of the Trust and each Participant in writing of such an occurrence within three business days after the Company obtains knowledge of such occurrence. No Participant or any other person shall have any interest in any particular assets of the Company by reason of the right to receive a benefit under the Plan, and to the extent a Participant or any other person acquires a right to receive benefits under the Plan, such right shall be no greater than the right of any general unsecured creditor of the Company. The Plan constitutes a mere promise by the Company to make payments to the Participants in the future.

8.4 No Guaranty

Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that any funds in any trust or the assets of the Company will be sufficient to pay any benefit hereunder.

8.5 No Right of Employment

No Participant shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment and continuance of the Plan shall not be construed to give any Participant the right to be retained in the service of the Company.

8.6 Incompetency

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

payment shall be a payment for the account of such person and a complete discharge of any liability of the Company and the Plan therefor.

8.7 Corporate Changes

The Plan shall not be automatically terminated by a transfer or sale of assets of the Company or by the merger or consolidation of the Company into or with any other corporation or other entity, but the Plan shall continue after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan. In the event the Plan is not continued by the transferee, purchaser or successor entity, then the Plan shall terminate subject to the provisions of Article VII.

8.8 Addresses

Each Participant shall keep the Company informed of the Participant's current address and the current address of the Participant's Beneficiary. The Company shall not be obligated to search for any person.

8.9 Limitations on Liability

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

8.10 Transfers to the Trust

On the occurrence of a Change of Control, the Company shall transfer cash or property to the Account or Accounts maintained in the name of each affected Participant or Participants for the Plan under the Trust in an amount equal to the present value of all accumulated or accrued benefits then payable to or on behalf of such Participant or Participants under the Plan, plus any applicable fees. The Company may also transfer cash or property to the Accounts maintained for any Participant under the Trust in an amount equal to the present value of all accumulated or accrued benefits then payable under the Plan at any time in the sole discretion of the Company. Thereafter, the Company may, and after a Change of Control it shall, for each Plan Year, transfer cash or property no later than 30 days after the end of the Plan Year in which the initial transfer occurs, and thereafter on each anniversary thereof, to such Account or Accounts maintained for the affected Participant or Participants under the Trust an amount equal to the additional benefit accrued under the terms of the Plan during and in relation to the most recent Plan Year then ended.

8.11 Inspection

Each Participant shall receive a copy of the Plan and the Company will make available for inspection by any Participant or designated Beneficiary a copy of any rules and regulations that are used by the Company in administering the Plan.

8.12 Voting of Stock

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

8.13 Singular and Plural

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

8.14 Severability

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

8.15 Unsecured General Creditor

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

8.16 Discharge of Obligations

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

8.17 Governing Law

To the extent that it is not governed by United States federal law, the Plan shall be construed, administered and governed in all respects under and by the applicable laws of the State of Delaware, excluding any conflicts of law rule or principle that might otherwise refer construction or interpretation of the Plan or a deferral election to the substantive law of another jurisdiction.

8.18 Successors

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

8.19 Court Order

Notwithstanding Section 8.2, the Committee is authorized to make any payments directed by a qualified domestic relations order (as defined in Code Section 414(p)(1)(B)). If a court

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

8.20 No Assurance of Tax Consequences

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

8.21 Code Section 409A

The Plan is intended to comply with the requirements of Code Section 409A (including accompanying regulations and current IRS guidance) and conform to the current operation of the Plan. The terms of the Plan shall be interpreted, operated and administered in a manner consistent with this intention to the extent the Committee deems necessary to comply with Code Section 409A and any official guidance issued thereunder.

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IN WITNESS WHEREOF, an authorized officer of the Company has signed this document on the 21st day of July, 2008, to be effective January 1, 2009.

THE TORO COMPANY

By: Michael J. Hoffman

Its: Chairman, President and CEO

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THE TORO COMPANY
SUPPLEMENTAL BENEFIT PLAN

Amended and Restated Effective January 1, 2009

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THE TORO COMPANY

SUPPLEMENTAL BENEFIT PLAN

Amended and Restated Effective January 1, 2009

The Toro Company hereby amends and restates its Supplemental Benefit Plan originally effective as of August 1, 1989. This amendment and restatement is effective for all amounts deferred on or after January 1, 2005 that remain unpaid as of January 1, 2009. All grandfathered amounts earned and vested as of December 31, 2004 shall continue to be governed by the 2004 Plan document in accordance with then applicable IRS guidance. All amounts earned or vested from January 1, 2005 through December 31, 2008 shall continue to be governed by this amendment and restatement, as modified by the operations of the Plan during such period in accordance with Code Section 409A and then applicable IRS guidance (including transition relief). The Plan is maintained by the Company for the purpose of providing benefits for a select group of management or highly compensated employees, in excess of the limitations on benefits and contributions imposed by Sections 401(a)(17) and 415 of the Code. The Plan is unfunded for purposes of Title I of ERISA.

I. DEFINITIONS

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

"2004 Plan" means the terms of the Plan in place as of December 31, 2004.

"Actuarial Equivalent" means, prior to January 1, 2006, calculations based upon 7% interest and the 1971 Group Annuity Table male rates. On or after January 1, 2006, it means the calculations based upon 6% interest and the "applicable mortality table" prescribed by the Secretary of the Treasury in accordance with Section 417(e)(3) of the Code and regulations and rulings issued thereunder (which on or after December 31, 2002 is based on the table in Revenue Ruling 2001-62). However, when determining an Actuarial Equivalent benefit under the Plan, that benefit shall not be less than an amount determined when the assumptions stated in the first sentence of this definition are applied with respect to a Participant's benefit accumulated through December 31, 2006.

"Beneficiary" means the person or persons selected by the Participant to receive benefits under the Plan in the event of the Participant's death.

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

"Change of Control" means:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership

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

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

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

Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

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

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

"Committee" means the Compensation and Human Resources Committee of the Board or any successor committee and its delegates with respect to the Plan.

"Common Stock" means the Company's common stock, par value \$1.00 per share, and related preferred share purchase rights.

"Company" means The Toro Company, a Delaware corporation. Except as used in Articles VII and VIII, "Company" also includes any Participating Subsidiary.

"Compensation" means all amounts received by a Participant from the Company that are subject to federal income tax withholding; provided that (a) Compensation shall not include any amount received by an employee on account of the grant or exercise of an option to purchase Common Stock of the Company, and (b) Compensation shall include an amount equal to any reductions in a Participant's gross income as a result of salary reductions under Section 125, 132(f)(4) or 402(e)(3) of the Code. Compensation shall include only amounts paid or deferred in connection with the Company's annual base salary and the annual cash incentive plans.

"Disability" means the Participant is (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; (b) receiving income replacement benefits for a period of not less than three months under an accident and health plan covering Company employees because of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; (c) determined to be totally disabled by the Social Security Administration or Railroad Retirement Board; or (d) determined to be disabled in accordance with the Company's Long Term Disability Plan, provided that such plan's definition complies with Treasury Regulation Section 1.409A-3(i)(4).

"Distribution Election Form" means a form provided by the Company through which a Participant makes the distribution elections provided for in Articles III, IV, V and VI.

"Early Retirement Date" means the first day of any month before the Participant's Normal Retirement Date that is on or after the date on which the Participant has attained 55 years of age, completed 10 years of credited service under the Pension Plan, incurred a

termination of employment and elected to receive an early retirement benefit under the Pension Plan.

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

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"IRS" means the Internal Revenue Service.

"Normal Retirement Age" has the meaning set forth in the Pension Plan as of December 31, 2008.

"Participant" means any employee of the Company or a Participating Subsidiary who meets the conditions described in Article II of the Plan.

"Participating Subsidiary" means a Subsidiary of the Company to which the Plan has been extended by action of the Board or by action of the Committee, if the Board of Directors has authorized the Committee to so act.

"Pension Plan" means The Toro Company Retirement Plan for Office and Hourly Employees or any successor or replacement plan.

"Plan" means the Supplemental Benefit Plan, as amended.

"Plan Year" means the calendar year.

"Retirement Plan" means The Toro Company Investment, Savings and Employee Stock Ownership Plan or any successor or replacement plan.

"Specified Employee" means a Participant who, as of the date of the Participant's termination of employment for any reason and unless the Company has designated otherwise, is an elected officer of the Company. If a Participant is an elected officer as of December 31, the Participant shall be treated as a Specified Employee for the entire 12-month period beginning on the next following April 1.

"Stable Return Fund Measure" means the earnings rate paid or credited from time to time on assets held in the Stable Return Fund under the Retirement Plan.

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

"Surviving Spouse" means a person who is married to a Participant at the date of the Participant's death and for at least one year prior thereto.

"Trust" means the trust established or maintained by the Company that is used in connection with the Plan to assist the Company in meeting its obligations under the Plan.

"Trustee" means the corporation or individual selected by the Company to serve as trustee for the Trust.

"Unforeseeable Emergency," means a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary or the Participant's dependent (as defined in Code Section 152, without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, (a) imminent foreclosure of or eviction from the Participant's primary residence may constitute an Unforeseeable Emergency; (b) the need to pay for medical expenses, including nonrefundable deductibles, as well as for the costs of prescription drug medications, may constitute an Unforeseeable Emergency; (c) the need to pay for the funeral expenses of a spouse, a Beneficiary or a dependent (as defined in Code Section 152, without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B)) may also constitute an Unforeseeable Emergency; and (d) the purchase of a home and the payment of college tuition are not Unforeseeable Emergencies.

II. ELIGIBILITY AND PARTICIPATION

An employee who satisfies the conditions of this Article II and whose benefits under the Pension Plan or the Retirement Plan are or will be reduced because of the limitations on contributions and benefits imposed by Section 401(a)(17) or 415 of the Code shall be a Participant in the Plan.

A Participant in the Plan must be an employee of the Company or of a Participating Subsidiary receiving annual Compensation at a rate equal to or greater than the limitation established pursuant to Section 401(a)(17) of the Code, as such amount may be adjusted from time to time by the Secretary of the Treasury (\$230,000 for 2008).

Once an employee becomes a Participant, the Participant's account under the Plan will remain in effect until distributed as provided herein, even if for any subsequent Plan Year or portion thereof the employee is ineligible to be a Participant or ceases to be a Participant for any other reason.

III. SUPPLEMENTAL ACCOUNT

3.1 Establishment of Account

The Company shall establish and maintain an Article III account for each Participant and shall credit such account for each Plan Year with an amount equal to the amount described in Section 3.2.

3.2 Credits to Article III Account

The amount credited to a Participant's Article III account for each Plan Year or portion thereof during which the employee is a Participant shall equal the difference between:

- (a) the aggregate amount of contributions and forfeitures that would have been allocated or reallocated to the Participant under the Retirement Plan, based on the Participant's Compensation, and without regard to the limitations imposed by Sections 401(a)(17) or 415 of the Code, and
- (b) the aggregate amount of contributions and forfeitures actually allocated or reallocated to the Participant under the Retirement Plan plus any credits made under any nonqualified deferred compensation plan maintained by the Company (other than the Plan) to replace amounts that would have been credited under the Retirement Plan had the Participant not deferred Compensation under such nonqualified plans.

Amounts credited to a Participant's Article III account for any Plan Year shall be credited as of the end of such Plan Year.

3.3 Earnings on Amounts Credited

Amounts credited to a Participant's Article III Account shall be credited with earnings at a rate and in a manner authorized by the Committee from time to time; provided that the earnings rate for all Participants shall be based on a Participant's selection from any fund made available by the Committee from time to time. Earnings shall be credited as of the end of each business day that the Committee authorizes the Plan's recordkeeping system to determine the value of gains and losses. Notwithstanding the foregoing, for Participants who did not make a one-time election as of October 31, 2006 to allocate all funds in all accounts, past and future, so that earnings are based on the rate of return from one or more of the funds provided above, the earnings shall be determined based on the Stable Return Fund Measure.

IV. SUPPLEMENTAL RETIREMENT BENEFIT

4.1 Benefit Eligibility

Subject to Section 6.8, a supplemental retirement benefit shall be payable to a Participant under this Article IV commencing on the Participant's Normal Retirement Age.

The amount of that benefit, which shall not be less than zero, shall equal the difference between:

(a) the amount that the Participant would have been entitled to receive under the Pension Plan if such amount was determined (for each Plan Year or portion thereof in which the individual was a Participant) without regard to the limitations on benefits imposed by Section 401(a)(17) or 415 of the Code on the Pension Plan, reduced by the Defined Contribution Plan Offset, as defined in the Pension Plan, but including as an additional part of such Defined Contribution Plan Offset the sum of (i) amounts credited to the Participant under Article III of the Plan (including interest and other credits thereto) and (ii) amounts credited to the Participant under any other nonqualified deferred compensation plan maintained by the Company to replace amounts that would have been credited under such qualified plans had the Participant not deferred compensation under such a nonqualified deferred compensation plan; provided, however, that the determination of the amount that the Participant would have been entitled to receive under the Pension Plan shall be made without regard to any compensation paid or accrued in connection with the Company's stock option, performance share and other stock-based compensation plans or agreements, and

(b) the amount of the benefit actually payable to the Participant under the Pension Plan.

4.2 Calculation of the Benefit

(a) The amount described in Section 4.1 will be computed as of the date of the Participant's retirement or termination of employment with the Company, in the form of a straight life annuity payable monthly over the lifetime of the Participant commencing on the Participant's Normal Retirement Date.

(b) If the benefit under this Article IV is payable in any form other than a straight life annuity over the lifetime of the Participant, or if it commences at any time other than the Participant's Normal Retirement Date, the amount of the benefit shall be the Actuarial Equivalent of the benefit described in Section 4.2(a).

4.3 Effect of Pension Plan Termination

If the Pension Plan is terminated by the Company, the benefit payable to a Participant under this Article IV, if any, shall be determined as of the termination date of the Pension Plan and no other benefit shall be provided under this Article IV.

V. SUPPLEMENTAL SURVIVING SPOUSE BENEFIT

5.1 Eligibility for Surviving Spouse Benefit

If a Participant dies prior to commencement of payment of the Participant's benefit under the Pension Plan under circumstances in which a Pre-Retirement Death Benefit is

payable to the Participant's Surviving Spouse under the Pension Plan, then a supplemental benefit shall be payable to the Surviving Spouse under the Plan. The benefit shall be an amount, not less than zero, equal to the difference between:

(a) the monthly amount of the benefit under the Pension Plan and any other qualified defined benefit plans maintained by the Company to which the Surviving Spouse would have been entitled under such plan or plans if such benefit were computed without regard to the limitations on benefits imposed by Sections 401(a)(17) or 415 of the Code, reduced by the Defined Contribution Plan Offset, as defined in the Pension Plan, but including as an additional part of such Defined Contribution Plan Offset the sum of (i) amounts credited to the Participant under Article III of the Plan (including interest and other credits thereto) and (ii) amounts credited to the Participant under any other nonqualified deferred compensation plan maintained by the Company to replace amounts that would have been credited under such qualified plans had the Participant not deferred compensation under such a nonqualified deferred compensation plan; provided, however, that the determination of the amount that the Participant would have been entitled to receive under the Pension Plan shall be made without regard to any compensation paid or accrued in connection with the Company's stock option, performance share and other stock-based compensation plans or agreements, and

(b) the monthly amount of the benefit actually payable to the Surviving Spouse under the Pension Plan.

5.2 Calculation of the Benefit

A benefit payable under this Article V shall be payable over the lifetime of the Surviving Spouse in monthly installments commencing (a) on the Participant's Early Retirement Date if the Participant dies before such date, or (b) on the first day of the month following the Participant's death if the Participant dies on or after the Participant's Early Retirement Date. A Participant may elect on the Participant's initial Distribution Election Form to have the Actuarial Equivalent of the benefit described herein paid in a lump sum. If the lump-sum option is elected, it shall be paid on the first day of the month following the month in which the Participant dies, or as soon thereafter as is administratively feasible (but in no event later than the end of the calendar year in which the Participant died). A Participant may change the form of payment in the manner described in Section 6.5(b).

5.3 Effect of Pension Plan Termination

If the Pension Plan is terminated by the Company, the benefit payable to a Surviving Spouse under this Article V, if any, shall be determined as of the termination date of the Pension Plan and no other benefit shall be provided under this Article V.

VI. DISTRIBUTIONS

6.1 Distribution of Article III Accounts

Subject to Section 6.8, all amounts credited to a Participant's account in accordance with Article III, including gains or losses, shall be distributed to or with respect to a Participant immediately following the Participant's termination of employment with the Company for any reason including death. Available methods of distribution are (i) approximately equal annual, quarterly or monthly installment payments over a period not to exceed ten years or (ii) a single lump-sum distribution.

6.2 Election of Distribution Method for Article III Accounts

(a) Each Participant shall elect on a Distribution Election Form the method of distribution of the Participant's Article III account. The Distribution Election Form must be submitted to the Committee within 30 days after the date an individual becomes eligible to participate in the Plan. The election shall become effective and irrevocable upon its receipt by the Committee. If no election has been made by the required time, the Participant shall be deemed to have elected to receive the amounts credited to the Participant's Article III account in a lump-sum payment. Any change in this default election must be made in accordance with Section 6.2(b). This Section 6.2(a) shall not apply to any individual who, though newly eligible to participate in the Plan, was previously eligible to participate in the Plan and for whom an Article III account is currently maintained. For such an individual, the prior Distribution Election Form shall remain in effect unless the Participant changes the election in accordance with Section 6.2(b).

(b) Subject to Section 6.7, a Participant may change the Participant's election at any time subject to the following: (i) any change shall not take effect until at least 12 months after the date on which the election change is made, and (ii) in the case of an election change relating to payments other than on account of an Unforeseeable Emergency, death or Disability of the Participant, the payment shall be deferred for a period of not less than five years from the date such payment would otherwise have been paid (or in the case of installment or annuity payments, five years from the date the first amount would otherwise have been paid). No change in election will be effective if made after the Participant's employment with the Company is terminated for any reason.

6.3 Death Prior to Completion of Distributions for Article III Accounts

If a Participant dies before the full amount of the Participant's Article III account has been distributed, any remaining amounts shall be distributed to the Participant's Beneficiary by a method designated by the Participant in the Participant's Distribution Election Form. If a Participant has not designated a Beneficiary or method of distribution, or if no designated Beneficiary is living on the date of distribution, such amounts shall be distributed to the Participant's Beneficiary under the Retirement Plan in a lump-sum distribution as soon as

administratively feasible following the Participant's death (but in no event later than the end of the calendar year in which the Participant died).

6.4 Distribution of Article IV Accounts

All amounts credited to a Participant's account in accordance with Article IV of the Plan, including gains and losses, shall be distributed to or with respect to a Participant in accordance with Article IV and this Article VI. Available methods of distribution are (i) approximately equal annual, quarterly or monthly installment payments over a period not to exceed ten years or (ii) a single lump-sum distribution.

6.5 Election of Distribution Method for Article IV Accounts

(a) Each Participant shall elect on a Distribution Election Form the method of distribution of the Participant's Article IV benefit. The Distribution Election Form must be submitted to the Committee within 30 days after the date an individual becomes eligible to participate in the Plan. The election shall become effective and irrevocable upon its receipt by the Company. If no election has been made by the required time, the Participant shall be deemed to have elected to receive the benefit described in Article IV in the form of a life annuity payable monthly over the life of the Participant. Any change in this default election must be made in accordance with Section 6.5 (b), below. This Section 6.5(a) shall not apply to any individual who, though newly eligible to participate in the Plan, was previously eligible to participate in the Plan and for whom an Article IV account is currently maintained. For such an individual, the prior Distribution Election Form shall remain in effect unless the Participant changes the Participant's election in accordance with Section 6.5(b).

(b) Subject to Section 6.7, a Participant may change the Participant's election at any time subject to the following: (i) any change shall not take effect until at least 12 months after the date on which the election change is made, and (ii) in the case of an election change relating to payments other than on account of an Unforeseeable Emergency, death or Disability of the Participant, the payment shall be deferred for a period of not less than five years from the date such payment would otherwise have been paid (or in the case of installment or annuity payments, five years from the date the first amount would otherwise have been paid). No change in election will be effective if made after the Participant's employment with the Company is terminated for any reason.

6.6 Death Before Termination of Employment for Article IV Accounts

If a Participant dies before termination of employment or retirement from the Company, no benefit is payable under Article IV but a benefit may be payable under Article V if and to the extent that the conditions of Article V are satisfied.

6.7 Limitation on Election of Distribution Method

A Participant may change the Participant's election of distribution method only one time after making an initial election with respect to distribution of any accounts under the Plan.

6.8 Payments to Specified Employees

In the case of a Participant who is a Specified Employee as of the date of the Participant's termination from employment, all payments under Articles III and IV and this Article VI to which the Participant is otherwise entitled due to a termination of employment shall be delayed by six months (or if earlier than the end of the six-month period, the date of death of the Specified Employee) as required under Treasury Regulation Section 1.409A-3(i)(2). With respect to any payments hereunder that are subject to Code Section 409A and that are payable on account of a termination of employment, the determination of whether the Participant has had a termination of employment shall be made in accordance with Code Section 409A and its requirements for a separation from service.

6.9 Unforeseeable Emergencies

(a) In the event a Participant incurs an Unforeseeable Emergency as determined by the Committee based on the relevant facts and circumstances, the Participant may make a written request to the Committee for a hardship withdrawal from the Participant's account established under Article III. Upon receiving such a request, the Committee (i) shall cancel a Participant's deferrals under the Plan for the remainder of the Plan Year, and (ii) may make a distribution from the Participant's Article III Account. Withdrawals of amounts because of an Unforeseeable Emergency are only permitted to the extent reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local or foreign income taxes or penalties reasonably anticipated to result from the distribution). A distribution on account of an Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under the Plan.

(b) Notwithstanding the foregoing, in the event that a Participant has received a hardship distribution from any defined contribution plan with a 401(k) cash or deferred arrangement maintained by the Company, regardless of whether the Participant has requested a distribution as a result of an Unforeseeable Emergency under the Plan, the Participant's deferrals under the Plan shall be cancelled through the end of the current Plan Year, or the end of the subsequent Plan Year if the six-month period under Treasury Regulation Section 1.401(k)-1(d)(3)(iv)(E)(2) does not end in the current Plan Year.

6.10 Disability

(a) A Participant who becomes Disabled shall receive a distribution of the accrued benefits in the Participant's account under Article IV. The maximum amount payable due to Disability shall be determined as provided in Section 4.2.

(b) In the event of a Participant's Disability, the Participant's deferrals shall be cancelled for the remainder of the Plan Year.

VII. ADMINISTRATION OF THE PLAN

7.1 Company Authority

The Plan shall be administered by the Company, which shall have the authority, duty and power to interpret and construe the provisions of the Plan in its sole discretion. The Company shall have the duty and responsibility of maintaining records, making the requisite calculations and disbursing the payments hereunder. The Company's interpretations, determinations, regulations and calculations shall be final and binding on all persons and parties concerned.

7.2 Reliance

The Company shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Company with respect to the Plan.

7.3 Individual Statements

The Company or its service provider shall furnish individual statements of accrued benefits to each Participant or current Beneficiary or Surviving Spouse at least annually, in such form as determined by the Company.

7.4 Claims

The employee benefit plan procedures in this Section 7.4 are intended to comply with Section 503 of ERISA and Section 2560.503-1 of the Department of Labor Regulations and pertain to claims by Participants and Beneficiaries ("claimants") for Plan benefits, consideration of such claims and review of claim denials. For purposes of these procedures, a "claim" is a request for a benefit by a Participant or Beneficiary under the Plan. A claim is filed when the requirements of these procedures have been met.

(a) If a claim is wholly or partially denied, notice of the decision, meeting the requirements of Section 7.4(b), shall be furnished to the claimant within a reasonable period of time after receipt of the claim by the Company. If notice of the denial of a claim is not furnished in accordance with this Section 7.4(a) within a reasonable period of time, the claim

shall be deemed denied and the claimant shall be permitted to proceed to the review stage described in Section 7.4(c) of these procedures. For purposes of this Section 7.4(a), the period of time for notification to the claimant will not exceed 90 days (45 days for Disability claims) after receipt of the claim by the Company, unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period (45 days for Disability claims). In no event shall such extension exceed a period of 90 days (30 days for Disability claims) from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Company expects to render the final decision (see the paragraph below for the contents of the extension notice with respect to Disability claims).

In addition, with respect to Disability claims, if, prior to the end of the first 30-day extension period, the Company determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided that the Company notifies the claimant, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. Both notices of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the claimant shall be afforded at least 45 days within which to provide the specified information.

(b) The Company shall provide to every claimant who is denied a claim for benefits written notice setting forth in a manner calculated to be understood by the claimant:

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent provisions of the Plan on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;
- (iv) appropriate information as to the steps to be taken if the Participant or Beneficiary wishes to submit a claim for review; and
- (v) in the case of an adverse benefit determination regarding Disability benefits, if an internal rule, guideline, protocol or other similar criterion was relied upon in making the adverse determination, either a copy of the specific rule, guideline, protocol or other similar criterion or a statement that such rule, guideline, protocol or other similar criterion was relied upon in making the adverse determination and that

a copy of such rule, guideline, protocol or other criterion will be provided free of charge to the claimant upon request.

(c) If a claim is denied in whole or in part and if the claimant is dissatisfied with the disposition of the claim, the claimant or the claimant's duly authorized representative shall have a reasonable opportunity to appeal the denied claim to the Company or to a person designated by the Company, and shall have a full and fair review of the claim and its denial. Under this review procedure, a claimant or the claimant's duly authorized representative may:

- (i) request a review upon written application to the Company;
- (ii) review pertinent documents; and
- (iii) submit issues and comments in writing.

A claimant must file such a request for review of a denied claim within a reasonable period of time, not to exceed 60 days (180 days for Disability claims) after receipt by the claimant of written notification of denial of a claim.

(d) A decision by the Company shall be made promptly and shall not ordinarily be made later than 60 days (45 days for Disability claims) after the receipt by the Company of a request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than 120 days (90 days for Disability claims) after receipt of a request for review. If an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent provisions of the Plan on which the decision is based. The decision on review shall be furnished to the claimant within the period of time described in this subsection (d). If the decision on review is not furnished within such time, the claim shall be deemed denied on review.

VIII. AMENDMENT OR TERMINATION

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

No amendment or termination of the Plan shall directly or indirectly reduce the balance of any account described in Article III as of the effective date of such amendment or termination. Upon termination of the Plan, distribution of amounts credited to such account shall be made to the Participant or the Participant's Beneficiary in accordance with Article VI. No additional credits or contributions will be made to any account under the Plan after termination of the Plan, but gains or losses will continue to be credited to the Participant's

account under the Plan until all benefits are distributed to the Participant or the Participant's Beneficiary.

No amendment or termination of the Plan shall directly or indirectly deprive any current or former Participant or Surviving Spouse of all or any portion of any benefit under Article IV or Article V of the Plan, payment of which has commenced prior to the effective date of such amendment or termination or which would be payable if the Participant terminated employment for any reason, including death, on such effective date.

Any acceleration of the time and form of payment as a result of the termination of the Plan shall be in accordance with Treasury Regulation Section 1.409A-3(j)(4)(ix).

IX. GENERAL PROVISIONS

9.1 The Trust

The Company has established a Trust that may be used to pay benefits arising under the Plan and costs, charges and expenses relating thereto. To the extent that the funds held in the Trust are insufficient to pay such benefits, costs, charges and expenses, the Company shall pay them.

9.2 No Alienation

Except as the Committee determines is required by law or order of a court of competent jurisdiction, neither the benefits payable hereunder nor the right to receive future benefits under the Plan may be anticipated, alienated, sold, transferred, assigned, pledged, encumbered or subjected to any charge or legal process, and no interest or right to receive a benefit may be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, any person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

9.3 Unfunded Plan

The Plan at all times shall be considered entirely unfunded both for tax purposes and for purposes of Title I of ERISA. Funds invested under the Plan, including amounts held in the Trust, shall continue for all purposes to be part of the general assets of the Company and available to the general creditors of the Company in the event of the Company's bankruptcy (when the Company is involved in a pending proceeding under the Federal Bankruptcy Code) or insolvency (when the Company is unable to pay its debts as they mature). In the event of the Company's bankruptcy or insolvency, the Board and the Company's Chief Executive Officer are required to notify the Trustee and each Participant in writing of such an occurrence within three business days following the Company's becoming aware thereof. No Participant, Surviving Spouse or any other person shall have any interest in any particular assets of the Company by reason of the right to receive a benefit under the Plan, and to the extent the Participant, Surviving Spouse or any other person acquires a right to receive

benefits under the Plan, such right shall be no greater than the right of any general unsecured creditor of the Company. The Plan constitutes a mere promise by the Company to make payments to the Participants, Surviving Spouses or Beneficiaries in the future.

9.4 No Guaranty

Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that any funds in the Trust or the assets of the Company will be sufficient to pay any benefit hereunder.

9.5 No Right of Employment

No Participant or Surviving Spouse shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment of the Plan shall not be construed to give any Participant the right to be retained in the service of the Company.

9.6 Incompetency

If any person entitled to a benefit payment under the Plan is declared incompetent and a conservator or other person legally charged with the care of such person or the estate of such person is appointed, any benefits under the Plan to which such person is entitled shall be paid to such conservator or other person. Except as provided above, when the Company determines that such person is unable to manage such person's financial affairs, the Company may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company and the Plan therefor.

9.7 Corporate Changes

The Plan shall not be automatically terminated by a transfer or sale of assets of the Company or by the merger or consolidation of the Company into or with any other corporation or other entity, but the Plan shall be continued after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan. In the event that the Plan is not continued by the transferee, purchaser or successor entity, then the Plan shall terminate subject to the provisions of Article VIII.

9.8 Addresses

Each Participant shall keep the Company informed of the Participant's current address and the current address of the Participant's spouse or designated Beneficiary. The Company shall not be obligated to search for any person.

9.9 Limitations on Liability

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

9.10 Transfers to the Trust

On the occurrence of a Change of Control, the Company shall transfer cash or property to the Trust in an amount equal to the present value of all accumulated or accrued benefits then payable to or on behalf the Participant or Participants under the Plan, plus any applicable fees. The Company may also transfer cash or property to the Trust in an amount equal to the present value of all accumulated or accrued benefits then payable under the Plan at any time in the sole discretion of the Company. If a transfer of cash or property occurs, the amounts transferred with respect to the benefits payable under Articles IV and V shall be, for each Participant, Beneficiary or Surviving Spouse, the Actuarial Equivalent of the benefits payable to or on behalf of each such individual under Articles IV and V. Thereafter, the Company shall, for each Plan Year, transfer cash or property no later than 30 days after the end of the Plan Year in which the initial transfer occurs, and thereafter on each anniversary thereof, to the Trust for the benefit of each affected individual in an amount equal to the additional benefit accrued under the terms of the Plan during and in relation to the most recent Plan Year then ended. In the event of a transfer, the accounts of the Participants, established pursuant to Article III shall be credited with interest or earnings and losses in accordance with Section 3.3.

9.11 Inspection

Each Participant shall receive a copy of the Plan, and the Company will make available for inspection by any Participant or Beneficiary a copy of any rules and regulations that are used by the Company in administering the Plan.

9.12 Withholding

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

9.13 Singular and Plural

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

9.14 Severability

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

9.15 Unsecured General Creditor

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

9.16 Discharge of Obligations

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

9.17 Governing Law

To the extent that it is not governed by United States federal law, the Plan shall be construed, administered and governed in all respects under and by the applicable laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

9.18 Successors

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

9.19 Court Order

Notwithstanding Section 9.2, the Committee is authorized to make any payments directed by a qualified domestic relations order (as defined in Code Section 414(p)(1)(B)). If a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Committee, in its sole discretion, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.

9.20 No Assurance of Tax Consequences

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

9.21 Code Section 409A

The Plan document is intended to comply with the requirements of Code Section 409A (including accompanying regulations and current IRS guidance) and conform to the current operation of the Plan. The terms of the Plan shall be interpreted, operated and administered in a manner consistent with this intention to the extent the Committee deems necessary to comply with Code Section 409A and any official guidance issued thereunder.

* * * * *

IN WITNESS WHEREOF, an authorized officer of the Company has signed this document on the 21st day of July, 2008, to be effective January 1, 2009.

THE TORO COMPANY

By: Michael J. Hoffman

Its: Chairman, President and CEO