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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 April 28, 2000 Commission File Number 1-8649

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

DELAWARE
(State of Incorporation)

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

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

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

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

Yes X No
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The number of shares of Common Stock outstanding as of May 31, 2000 was 12,652,619.

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THE TORO COMPANY
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PART I. ITEM 1. FINANCIAL INFORMATION

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

	Three Months Ended		Six Months Ended	
	April 28, 2000	April 30, 1999	April 28, 2000	April 30, 1999
Net sales.....	\$ 441,799	\$ 433,108	\$ 722,038	\$ 683,869
Cost of sales.....	279,850	280,255	460,150	443,072
Gross profit.....	161,949	152,853	261,888	240,797
Selling, general, and administrative expenses.....	108,718	106,775	202,718	189,136
Earnings from operations.....	53,231	46,078	59,170	51,661
Interest expense.....	(7,652)	(6,697)	(13,409)	(11,727)
Other income (expense), net.....	(2,860)	78	(1,581)	863
Earnings before income taxes.....	42,719	39,459	44,180	40,797
Provision for income taxes.....	15,799	15,369	16,347	15,911
Net earnings.....	\$ 26,920	\$ 24,090	\$ 27,833	\$ 24,886
Basic net earnings per share of common stock.....	\$ 2.11	\$ 1.86	\$ 2.17	\$ 1.91
Dilutive net earnings per share of common stock.....	\$ 2.08	\$ 1.83	\$ 2.13	\$ 1.88
Weighted average number of shares of common stock outstanding - Basic.....	12,734	12,922	12,826	13,030
Weighted average number of shares of common stock outstanding - Dilutive.....	12,958	13,163	13,081	13,241

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)

	April 28, 2000	April 30, 1999	October 31, 1999
	-----	-----	-----
ASSETS			
Cash and cash equivalents.....	\$ 902	\$ 3,341	\$ 11,960
Receivables, net.....	456,665	439,423	268,344
Inventories, net.....	241,924	185,699	204,430
Prepaid expenses and other current assets.....	9,218	8,869	6,116
Deferred income taxes.....	40,584	38,526	40,892
	-----	-----	-----
Total current assets.....	749,293	675,858	531,742
	-----	-----	-----
Property, plant, and equipment.....	365,219	336,990	353,808
Less accumulated depreciation.....	237,069	214,916	229,636
	-----	-----	-----
	128,150	122,074	124,172
Deferred income taxes.....	8,876	3,786	8,876
Goodwill and other assets.....	129,712	129,506	122,388
	-----	-----	-----
Total assets.....	\$ 1,016,031	\$ 931,224	\$ 787,178
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt.....	\$ 490	\$ 624	\$ 637
Short-term debt.....	235,488	183,909	56,461
Accounts payable.....	66,145	57,965	65,543
Other accrued liabilities.....	205,100	197,908	183,164
	-----	-----	-----
Total current liabilities.....	507,223	440,406	305,805
	-----	-----	-----
Long-term debt, less current portion.....	195,584	196,758	195,600
Other long-term liabilities.....	6,594	5,938	6,110
Stockholders' equity:			
Stock, par value \$1.00, authorized 35,000,000 shares; issued and outstanding 12,643,274 shares at April 28, 2000 (net of 864,781 treasury shares), 12,916,010 shares at April 30, 1999 (net of 592,045 treasury shares), and 12,569,309 shares at October 31, 1999 (net of 938,746 treasury shares).....	12,643	12,916	12,569
Additional paid-in capital.....	49,298	58,904	45,343
Retained earnings.....	254,321	222,425	229,532
Accumulated comprehensive loss.....	(9,632)	(6,123)	(7,781)
	-----	-----	-----
Total stockholders' equity.....	306,630	288,122	279,663
	-----	-----	-----
Total liabilities and stockholders' equity.....	\$ 1,016,031	\$ 931,224	\$ 787,178
	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended	
	April 28, 2000	April 30, 1999
Cash flows from operating activities:		
Net earnings.....	\$ 27,833	\$ 24,886
Adjustments to reconcile net earnings to net cash used in operating activities:		
Provision for depreciation and amortization.....	17,822	17,838
(Gain) loss on disposal of property, plant, and equipment.....	(7)	207
Deferred income taxes.....	308	910
Tax benefits related to employee stock option transactions.....	-	198
Changes in operating assets and liabilities:		
Receivables, net.....	(195,812)	(197,997)
Inventories, net.....	(30,332)	(1,393)
Prepaid expenses and other current assets.....	(3,090)	5,311
Accounts payable and accrued expenses.....	27,095	30,346
Net cash used in operating activities.....	(156,183)	(119,694)
Cash flows from investing activities:		
Purchases of property, plant, and equipment.....	(17,719)	(10,286)
Proceeds from asset disposals.....	1,025	240
Decrease (increase) in investment in affiliates.....	1,127	(4,908)
Increase in other assets.....	(2,591)	(1,814)
Net cash used in investing activities.....	(18,158)	(16,768)
Cash flows from financing activities:		
Increase in short-term debt.....	177,225	152,909
Repayments of long-term debt.....	(266)	(156)
Increase in other long-term liabilities.....	419	376
Proceeds from exercise of stock options.....	709	1,272
Purchases of common stock.....	(9,909)	(12,021)
Dividends on common stock.....	(3,044)	(3,070)
Net cash provided by financing activities.....	165,134	139,310
Foreign currency translation adjustment.....	(1,851)	403
Net (decrease) increase in cash and cash equivalents.....	(11,058)	3,251
Cash and cash equivalents at beginning of period.....	11,960	90
Cash and cash equivalents at end of period.....	\$ 902	\$ 3,341

See accompanying notes to condensed consolidated financial statements.

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

BASIS OF PRESENTATION

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

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

INVENTORIES

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

Inventories were as follows:

(Dollars in thousands)	April 28, 2000	April 30, 1999
	-----	-----
Raw materials and work in process.....	\$ 76,716	\$ 76,045
Finished goods.....	208,875	155,762
	-----	-----
	285,591	231,807
Less LIFO and other reserves.....	43,667	46,108
	-----	-----
Total	\$ 241,924	\$ 185,699
	=====	=====

RESTRUCTURING AND OTHER UNUSUAL EXPENSE

At April 28, 2000, the company had \$1.4 million of restructuring and other unusual expense remaining in other accrued liabilities. The company has utilized \$.9 million of these reserves since October 31, 1999. The company expects the majority of these reserves to be utilized when the closed facilities available for sale are sold.

COMPREHENSIVE INCOME

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

The components of comprehensive income were as follows:

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	April 28, 2000	April 30, 1999	April 28, 2000	April 30, 1999
Net earnings.....	\$ 26,920	\$ 24,090	\$ 27,833	\$ 24,886
Other comprehensive (loss) income.....	(1,824)	563	(1,851)	403
Comprehensive income.....	\$ 25,096	\$ 24,653	\$ 25,982	\$ 25,289

NET EARNINGS PER SHARE

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

BASIC (Shares in thousands)	Three Months Ended		Six Months Ended	
	April 28, 2000	April 30, 1999	April 28, 2000	April 30, 1999
Weighted average number of shares of common stock outstanding.....	12,734	12,922	12,701	12,775
Assumed issuance of contingent shares	-	-	125	255
Weighted average number of shares of common stock and assumed issuance of contingent shares.....	12,734	12,922	12,826	13,030
DILUTIVE (Shares in thousands)				
Weighted average number of shares of common stock and assumed issuance of contingent shares.....	12,734	12,922	12,826	13,030
Assumed conversion of stock options.....	224	241	255	211
Weighted average number of shares of common stock, assumed issuance of contingent shares, and assumed conversion of stock options.....	12,958	13,163	13,081	13,241

SEGMENT DATA

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

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

(Dollars in thousands)				
THREE MONTHS ENDED APRIL 28, 2000:	Professional -----	Residential -----	Other -----	Total -----
Net sales.....	\$272,414	\$158,387	\$10,998	\$441,799
Intersegment net sales.....	25,646	5,635	(31,281)	-
Earnings (loss) before income taxes.....	42,278	15,445	(15,004)	42,719
THREE MONTHS ENDED APRIL 30, 1999:				
Net sales.....	\$268,622	\$163,778	\$708	\$433,108
Intersegment net sales.....	8,824	1,374	(10,198)	-
Earnings (loss) before income taxes.....	49,088	11,835	(21,464)	39,459

(Dollars in thousands)				
SIX MONTHS ENDED APRIL 28, 2000:	Professional -----	Residential -----	Other -----	Total -----
Net sales.....	\$458,305	\$255,206	\$8,527	\$722,038
Intersegment net sales.....	38,154	9,285	(47,439)	-
Earnings (loss) before income taxes.....	60,337	21,360	(37,517)	44,180
Total assets.....	508,021	182,318	325,692	1,016,031
SIX MONTHS ENDED APRIL 30, 1999:				
Net sales.....	\$425,407	\$257,416	\$1,046	\$683,869
Intersegment net sales.....	14,154	1,936	(16,090)	-
Earnings (loss) before income taxes.....	63,684	16,391	(39,278)	40,797
Total assets.....	440,341	187,704	303,179	931,224

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

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	April 28, 2000	April 30, 1999	April 28, 2000	April 30, 1999
	-----	-----	-----	-----
Corporate expenses.....	\$(15,561)	\$(17,635)	\$(33,183)	\$(33,252)
Finance charge revenue.....	1,420	1,056	2,737	2,120
Elimination of corporate financing expense.....	5,181	5,307	8,400	7,876
Interest expense, net.....	(7,652)	(6,697)	(13,409)	(11,727)
Other.....	1,608	(3,495)	(2,062)	(4,295)
Total.....	\$(15,004)	\$(21,464)	\$(37,517)	\$(39,278)
	=====	=====	=====	=====

NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

FORWARD-LOOKING INFORMATION

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In addition, forward-looking statements may be made orally or in press releases, conferences, reports, on the company's websites or otherwise, in the future by or on behalf of the company.

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

Forward-looking statements involve risks and uncertainties. These uncertainties include factors that affect all businesses operating in a global market, as well as matters specific to the company and the markets it serves. Particular risks and uncertainties facing the company at the present include inflationary pressures and rising interest rates that could slow the economic growth that has been important to the growth of the company's professional businesses, including golf, agricultural irrigation, and landscape contractor markets; increasing oil prices that raise the cost of resin; a slow down in new golf course construction; a decline in the growth rate in number of new golfers, which affects new golf course construction; higher average short-term debt costs for anticipated higher working capital needs; whether the announced 5 by Five profit improvement program will be successful; the company's ability to develop and manufacture new and existing products based on anticipated investments in manufacturing capacity and engineering; market acceptance of existing and new products relative to expectations and based on current commitments to fund advertising and promotions; the company's ability to acquire, develop, and integrate new businesses and manage alliances successfully; success of a distribution initiative designed to develop a distribution model; increased competition in the company's businesses from competitors that have greater financial resources, including competitive pricing pressures; changing buying patterns affecting the company's residential segment, including but not limited to a trend away from purchases at dealer outlets to price and value sensitive purchases at hardware stores, home centers, and mass retailers; potential impact of the Internet and e-commerce on the company's business; changes in distributor ownership; loss of, or a significant reduction in, sales through a significant distribution channel, particularly as the company's residential segment becomes more dependent on home center sales; the company's expansion into selected home center markets and effects on other product lines; unforeseen difficulties in the implementation of strategies to use outside providers for warehousing and transportation services; changes in distributors', dealers', home centers', or mass retailers' purchasing practices; the company's ability to cost-effectively open new and expand existing manufacturing facilities; the company's ability to manage costs and capacity constraints at its manufacturing facilities; socio-economic conditions in certain international markets; the degree of success from restructuring actions undertaken at the Australian subsidiary; the continuing relative strength of the dollar against the euro, which increases the cost of the company's products in foreign markets and impairs its ability to increase prices; the decline of the U.S. dollar against the Japanese yen, which increases costs of certain inventory components that in turn could negatively affect gross margins; competitive implications and price transparencies related to the euro conversion; whether the 1998 profit improvement plan will continue to be successful in reducing costs and improving margins and use of assets; the ability to retain and hire quality employees; and the impact of new accounting standards.

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

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

RESULTS OF OPERATIONS

Toro's results for the second quarter of fiscal 2000 were positive with a strong profitability increase on overall modest sales growth. Fiscal 2000 second quarter net sales increased 2.0 percent to \$441.8 million from \$433.1 million for the second quarter of fiscal 1999. Net earnings increased 11.7 percent to \$26.9 million from \$24.1 million for the same quarter in fiscal 1999, and dilutive earnings per share for the quarter rose 13.7 percent to \$2.08 from \$1.83 in fiscal 1999 second quarter. Worldwide sales for the professional segment rose 1.4 percent compared to last year's second quarter with significant increases in the landscape contractor market somewhat offset by declines in the golf market, mainly because of lower irrigation system sales. Worldwide sales for the residential segment fell 3.3 percent compared to last year's second quarter due to the divestiture and discontinuance of non-performing product lines and lower sales of walk power mowers and riding products, offset slightly by higher sales of electric trimmers and blowers and do-it-yourself irrigation products. The other segment net sales increased substantially mainly due to sales contributed by three additional Toro-owned distributorships acquired in the second half of calendar 1999. The profitability growth was led by improved gross margins in the residential segment as well as additional profitability from the newly acquired company-owned distributors, which was slightly offset by lower profitability from the professional segment due to lower gross margins, unfavorable currency fluctuations, and a reserve related to an investment in a technology company.

Year-to-date net sales were \$722.0 million compared to \$683.9 million last year, an increase of 5.6 percent. Net earnings were \$27.8 million compared to \$24.9 million last year, an increase of 11.8 percent, and dilutive earnings per share for the year were \$2.13 compared to \$1.88 last year. Worldwide sales for the professional segment grew 7.7 percent over last year led by significant increases in sales to the landscape contractor market and higher sales of residential/commercial irrigation systems, somewhat offset by declines in sales to the golf irrigation and agricultural irrigation markets. Worldwide sales for the residential segment were down slightly by 0.9 percent. Snowthrowers, electric trimmers and blowers, and do-it-yourself irrigation product sales were up, however, sales of walk power mowers and riding products were down. The elimination of sales from non-performing product lines due to the divestiture and discontinuance also contributed to the decrease. Sales for the residential segment would have been up 4.0 percent without the elimination of these non-performing product lines. The other segment net sales increased substantially mainly due to the acquisition of three distributorships in the second half of calendar 1999. The profitability improvement for the first half of fiscal 2000 was due to the same reasons noted above in the quarter comparison.

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

The following table summarizes net sales by segment:

(Dollars in thousands)	THREE MONTHS ENDED			
	April 28, 2000	April 30, 1999	\$ CHANGE	% CHANGE
Professional.....	\$ 272,414	\$ 268,622	\$ 3,792	1.4%
Residential.....	158,387	163,778	(5,391)	(3.3)
Other.....	10,998	708	10,290	1453.4
Total *.....	\$ 441,799	\$ 433,108	\$ 8,691	2.0%
* Includes international sales of.....	\$ 87,952	\$ 86,340	\$ 1,612	1.9%

(Dollars in thousands)	SIX MONTHS ENDED			
	April 28, 2000	April 30, 1999	\$ CHANGE	% CHANGE
Professional.....	\$ 458,305	\$ 425,407	\$ 32,898	7.7%
Residential.....	255,206	257,416	(2,210)	(0.9)
Other.....	8,527	1,046	7,481	715.2
Total *.....	\$ 722,038	\$ 683,869	\$ 38,169	5.6%
* Includes international sales of.....	\$ 155,887	\$ 144,979	\$ 10,908	7.5%

PROFESSIONAL SEGMENT NET SALES

Net sales for the worldwide professional segment in the second quarter of fiscal 2000 were \$272.4 million compared to \$268.6 million in the second quarter of fiscal 1999, an increase of 1.4 percent. The landscape contractor market continues to show significant growth, with good volume increases for both Toro and Exmark brand zero-turning-radius mowers and the Sitework Systems product line. Domestic sales of golf and grounds maintenance equipment were down slightly due to field inventory management. International sales of golf and grounds maintenance equipment were also down for the quarter due to distributors purchasing product earlier in the fiscal year as compared to last year. The Toro brand of residential/commercial irrigation systems posted a strong sales increase due to better product availability this quarter compared to last year and higher sales in Asia and Australia due to economic improvement in those regions. However, sales for the Irritrol brand of residential/commercial irrigation systems were down because strong sales in the first quarter of fiscal 2000 negatively affected restocking orders in the second quarter. Domestic golf irrigation systems sales were down due to comparatively high sales level in the first half of last fiscal year. Domestic dripline agricultural irrigation sales were also down due to continued aggressive pricing pressures from competitors, which were offset by higher international sales due mainly to the continued success of the company's Italian manufacturing operations.

Net sales for the worldwide professional segment in the first half of fiscal 2000 were \$458.3 million compared to \$425.4 million last year, an increase of 7.7 percent. Domestic sales in the landscape contractor market led this increase for both Toro and Exmark brand zero-turning-radius mowers and the Sitework Systems product line. Domestic golf and grounds maintenance markets also performed well during the first half of fiscal 2000 with increases in equipment and parts sales due to the ongoing positive reception of products introduced over the last two years as well as continued strong retail demand. International sales to the golf and grounds maintenance markets were also up, mainly in Europe, due to strong retail demand and distributors purchasing product earlier in the fiscal year compared to last year. The dual brands of Toro and Irritrol residential/commercial irrigation systems posted very strong sales increases due to better product availability this year compared to last fiscal year. Offsetting those increases were weak sales of dripline agricultural irrigation products because of aggressive pricing pressures from competition. Domestic golf irrigation system sales were also down due to the same reasons mentioned in the quarter comparison.

RESIDENTIAL SEGMENT NET SALES

Net sales for the worldwide residential segment in the second quarter of fiscal 2000 were \$158.4 million compared to \$163.8 million in the second quarter of fiscal 1999, a decrease of 3.3 percent. The elimination of sales due to the divestiture and discontinuance of the non-performing outdoor lighting and gas handheld product lines led this decline. Riding product sales were also down due to cold spring weather in key markets and continued strong competition. On a positive note, riding products manufactured for a third party were up due to low field inventory levels entering the fiscal year, and international riding product sales were up due to strong demand in Europe and Canada. Walk power mower sales were also down due to the cold spring weather and reduced placement in certain home center regions. Offsetting those negative developments were increased domestic sales of electric trimmers and blowers due to expanded outlets and placement at mass retailers. Domestic do-it-yourself irrigation sales also increased over the prior year's second quarter due to the overall growth of that market, expanded outlets and placement at home centers, and introduction of new products. Sales were also up for do-it-yourself irrigation products in Australia due to a comparatively poor sales level in the prior year due to wet weather.

Year-to-date net sales for the worldwide residential segment in fiscal 2000 were \$255.2 million compared to \$257.4 million last year, a slight decline of 0.9 percent. Sales would have been up 4.0 percent after factoring out sales from the non-performing product lines discussed previously. Riding product sales were down for the first half of fiscal 2000, however, riding products manufactured for a third party and international riding product sales were up due to the same contributing factors discussed in the above quarter comparison. Walk power mower sales were also down due to the same reasons in the quarter comparison plus last year sales levels were comparatively high for initial stocking orders from home center outlets, a new distribution channel in fiscal 1999 for the Toro brand of walk power mowers. Offsetting those negative variances were increased domestic sales of electric trimmers and blowers and do-it-yourself irrigation sales due to the same reasons mentioned in the quarter comparison. In addition, snowthrower product sales also increased due to historically low field inventory levels entering the 1999-2000 winter season and a shift in shipments from the fourth quarter of fiscal 1999 to the first quarter of fiscal 2000.

OTHER SEGMENT NET SALES

The other segment net sales in the second quarter of fiscal 2000 were \$11.0 million compared to \$0.7 million in the second quarter of fiscal 1999. Net sales in this segment include sales from Toro's wholly owned distribution companies less sales from the professional and residential segments to those distribution companies. The significant sales increase was due to additional sales contributed by three distribution companies acquired in the second half of calendar 1999, raising the total to four Toro-owned distribution companies in fiscal 2000 compared to only one during the first half of fiscal 1999.

Year-to-date net sales for the other segment in fiscal 2000 were \$8.5 million compared to \$1.0 million last year, an increase of \$7.5 million. This increase is due to the same factors mentioned in the quarter comparison.

GROSS PROFIT

Second quarter gross profit was \$161.9 million compared to \$152.9 million last year, an increase of 6.0 percent. As a percentage of net sales, gross profit for the second quarter was 36.7 percent compared to 35.3 percent last year. The improvement in gross margin resulted from increased sales of higher margin products in the residential segment, cost reductions for certain residential segment products, and additional gross profit contribution from the distribution companies. In addition, second quarter of fiscal 1999 reflected the elimination of gross profit previously recorded with respect to sales of Toro products to a Minnesota-based distributor, which was acquired in fiscal 1999. Partially offsetting those positive factors were lower margins for agricultural irrigation products due to price increases for raw materials and aggressive pricing pressures from competition.

Year-to-date gross profit was \$261.9 million compared to \$240.8 million last year, an increase of 8.8 percent. As a percentage of net sales, year-to-date gross profit was 36.3 percent compared to 35.2 percent last year. The increase in gross margin was due to the same contributing factors as in the quarter comparison.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE

Second quarter selling, general, and administrative expense (SG&A) was \$108.7 million compared to \$106.8 million last year, an increase of 1.8 percent. However, as a percentage of net sales, SG&A decreased slightly to 24.6 percent from 24.7 percent for the same quarter in fiscal 1999. The dollar increase was due to the acquisition of three distribution companies that added \$4.6 million of incremental SG&A expense. Without the addition of these three distribution companies, SG&A expense would have decreased \$2.7 million and 0.8 percent as a percentage of net sales due to lower marketing expense for the residential segment and reduced incentive compensation costs compared to higher levels of benefits accrued under the prior year's benefit plans.

Year-to-date SG&A expense was \$202.7 million compared to \$189.1 million last year, an increase of 7.2 percent. As a percentage of net sales, SG&A increased slightly to 28.1 percent from 27.7 percent last year. The acquisition of three distribution companies added \$7.6 million of incremental SG&A expense. Without the addition of these three distribution companies, SG&A expense would have increased \$6.0 million, but decreased 1.0 percent as a percentage of net sales. The dollar increase was due to higher levels of spending for Internet-based projects and distribution changes, slightly offset by lower levels of incentive compensation costs.

INTEREST EXPENSE

Second quarter interest expense was \$7.7 million compared to \$6.7 million last year, an increase of 14.3 percent. This increase was due to higher average short-term debt related to higher levels of working capital as well as increased interest rates compared to the same prior year period.

Year-to-date interest expense was \$13.4 million compared to \$11.7 million last year, an increase of 14.3 percent. This increase in interest expense for the year was due to the same contributing factors as in the quarter comparison. Management expects this trend to continue through fiscal 2000 as interest rates are likely to continue to rise and average short-term debt is planned to be higher than in fiscal 1999 due to anticipated higher inventory levels resulting from capacity constraints and property, plant, and equipment additions planned for fiscal 2000.

OTHER INCOME (EXPENSE), NET

Second quarter other expense, net, was \$2.9 million compared to other income, net, of \$0.1 million last year, an unfavorable variance of \$3.0 million. This unfavorable variance was due to higher amounts of exchange rate currency losses and a valuation expense related to an investment in a technology company, somewhat offset by increased levels of finance charge revenue.

Year-to-date other expense, net, was \$1.6 million compared to other income, net, of \$0.9 million last year, an unfavorable variance of \$2.5 million. This unfavorable variance for the year was due to the same contributing factors as in the quarter comparison.

OPERATING EARNINGS (LOSS) BY SEGMENT

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

PROFESSIONAL SEGMENT OPERATING EARNINGS

Operating earnings for the worldwide professional segment in the second quarter of fiscal 2000 were \$42.3 million compared to \$49.1 million in the second quarter of fiscal 1999, a decrease of 13.9 percent. As a percentage of net sales, professional segment operating margins decreased to 15.5 percent from 18.3 percent for the same quarter in fiscal 1999. Gross margin as a percent of sales fell 1.7 percent mainly due to increased costs for resin that have not been recaptured with price increases for irrigation and agricultural irrigation products. The decline in operating profit was also due to increased levels of exchange rate currency losses, lower sales of golf irrigation systems, and a valuation charge for an investment in a technology company.

Year-to-date operating earnings for the worldwide professional segment in fiscal 2000 were \$60.3 million compared to \$63.7 million last year, a decrease of 5.3 percent. As a percentage of net sales, professional segment operating margins decreased to 13.2 percent from 15.0 percent last year. The reasons for the decrease are the same as in the quarter comparison. On a positive note, SG&A expense as a percent of sales was slightly lower by 0.1 percent due to leveraging SG&A costs on higher sales volumes.

RESIDENTIAL SEGMENT OPERATING EARNINGS

Operating earnings for the worldwide residential segment in the second quarter of fiscal 2000 were \$15.4 million compared to \$11.8 million in the second quarter of fiscal 1999, an increase of 30.5 percent. As a percentage of net sales, residential segment operating margins increased to 9.8 percent from 7.2 percent for the same quarter in fiscal 1999. Gross margin rose 2.4 percent as a percentage of net sales due to increased sales of higher margin products, reduced costs for certain products, and the elimination of non-performing product lines. Also contributing to the increase in operating profits was a 0.2 percent decline in SG&A expense as a percentage of net sales. The Australian operations are beginning to show signs of improvement related to profit improvement programs implemented at the end of fiscal 1999.

Year-to-date operating earnings for the worldwide residential segment in fiscal 2000 were \$21.4 million compared to \$16.4 million last year, an increase of 30.3 percent. As a percentage of net sales, residential segment operating margins increased to 8.4 percent from 6.4 percent last year. Gross margin increased as a percentage of net sales by 2.0 due to the same reasons discussed in the above quarter comparison. SG&A expense as a percentage of net sales was even to the prior comparable period.

OTHER SEGMENT OPERATING LOSSES

Operating losses for the other segment in the second quarter of fiscal 2000 were \$15.0 million compared to losses of \$21.5 million in the second quarter of fiscal 1999, an improvement of 30.1 percent. This improvement resulted from the addition of profits from the company-owned distributors, of which three were acquired during the second half of calendar 1999, and lower incentive compensation costs. The prior year also included the elimination of gross profit previously recorded with respect to sales of Toro products to a Minnesota-based distributor, which was acquired in fiscal 1999. Slightly offsetting these positive factors were higher interest costs and increased spending for Internet-based projects.

OTHER SEGMENT OPERATING LOSSES (CONTINUED)

Year-to-date operating losses for the other segment in fiscal 2000 were \$37.5 million compared to losses of \$39.3 million in fiscal 1999, an improvement of 4.5 percent. This improvement was due to the same contributing factors mentioned in the above quarter comparison.

PROVISION FOR INCOME TAXES

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

FINANCIAL POSITION AS OF APRIL 28, 2000

APRIL 28, 2000 COMPARED TO APRIL 30, 1999

Total assets at April 28, 2000 were \$1,016.0 million compared to \$931.2 million on April 30, 1999, an increase of \$84.8 million. Net accounts receivable increased by \$17.2 million, mainly for international receivables, due to higher sales levels and lengthened payment terms as compared to last year. Inventory also increased \$56.2 million across most product lines. The three newly acquired distribution companies added \$14.7 million of net incremental inventory. Finished goods inventory was higher due to prebuilding of inventory to counter anticipated capacity limitations at certain manufacturing facilities during the peak-selling season. Service parts inventory also increased because of efforts to improve fill rates as compared to last year. Net property, plant, and equipment assets increased \$6.1 million due to higher amounts of capital additions in comparison to depreciation expense.

Total current liabilities at April 28, 2000 were \$507.2 million compared to \$440.4 million at April 30, 1999, an increase of \$66.8 million. Short-term debt increased by \$51.6 million as a result of higher receivables and inventory levels discussed above. Accounts payable increased by \$8.2 million due to higher levels of inventory resulting from increased plant utilization. Other accrued liabilities also increased by \$7.2 million due mainly to higher levels of warranty accruals.

APRIL 28, 2000 COMPARED TO OCTOBER 31, 1999

Total assets at April 28, 2000 were \$1,016.0 million compared to \$787.2 million at October 31, 1999, an increase of \$228.8 million. Net accounts receivable increased \$188.3 million from October 31, 1999 due to the seasonal increase in accounts receivable, which historically occurs between January and April. Inventory increased by \$37.5 million due to the normal seasonal buildup of inventory, plus prebuilding of inventory parts and certain products for the professional segment meant to overcome manufacturing capacity constraints that would otherwise occur if manufacturing were scheduled for traditional periods. Net property, plant, and equipment increased \$4.0 million due to higher amounts of capital additions in comparison to depreciation expense. Goodwill and other assets increased \$7.3 million mainly as a result of the final Exmark contingent payment.

Total current liabilities at April 28, 2000 were \$507.2 million compared to \$305.8 million at October 31, 1999, an increase of \$201.4 million. The majority of this increase was the result of additional short-term debt of \$179.0 million, reflecting the company's strategy of utilizing short-term debt to fund seasonal working capital needs. These requirements are historically greatest in the winter and spring months. Other accrued liabilities increased \$21.9 million primarily as a result of higher warranty accruals and accruals for various seasonal sales and marketing programs, which are at their peak during the spring selling season.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities for the first six months of fiscal 2000 was \$36.5 million higher than the first six months in fiscal 1999 primarily due to a higher change in working capital as compared to the prior period. Cash used in investing activities increased \$1.4 million due to more purchases of property, plant, and equipment during the first half of fiscal 2000 compared to the prior year, slightly offset by last year's investment in an affiliate. Cash provided by financing activities increased by \$25.8 million due to higher levels of short-term debt during the first half of fiscal 2000 compared to the first half of fiscal 1999. The cash used in operating and investing activities was partially funded with the cash on hand at October 31, 1999.

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

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

INFLATION

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

EURO CURRENCY

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

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

The company continued its program to evaluate whether its computer systems and programs will experience operational problems when the euro is fully implemented. The company's European subsidiaries' have completed initial testing of their financial systems and no problems concerning their ability to function using the euro were discovered. These subsidiaries began disclosing the euro value on each customer's invoice in January 1999, and have continued that practice in fiscal 2000. The company is also reviewing other operating business systems for its European subsidiaries, and therefore, the plan to begin parallel reporting with the current functional currency of the European subsidiary and euros in fiscal 2000 has been extended to late fiscal 2001.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN CURRENCY

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

DOLLARS IN THOUSANDS	AVERAGE CONTRACTED RATE	NOTIONAL AMOUNT	FAIR VALUE IMPACT GAIN (LOSS)
Buy US dollar/Sell Australian dollar	.6508	\$ 5,696.1	\$ 540.5
Buy US dollar/Sell British pound	1.5910	2,529.6	21.0
Buy US dollar/Sell Canadian dollar	1.4663	8,405.7	(1.2)
Buy US dollar/Sell Euro	1.0172	2,110.6	184.4
Buy US dollar/Sell Japanese yen	104.6100	955.9	3.1
Buy Australian dollar/Sell US dollar	.5941	1,710.9	(18.8)
Buy Euro/Sell US dollar	.9236	2,124.3	1.8
Buy German mark/Sell US dollar	1.8349	490.5	(64.4)
Buy Japanese yen/Sell US dollar	112.2200	3,208.1	208.8

INTEREST RATE RISK

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

PART II. OTHER INFORMATION

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

- (a) The Annual Meeting of Stockholders was held on March 29, 2000.
- (b) The results of the stockholder votes were as follows:

	FOR	AGAINST	ABSTAIN	BROKER NON-VOTES
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1. Election of Directors				
Janet K. Cooper	10,162,347	778,878	0	0
Kendrick B. Melrose	10,002,792	938,433	0	0
Gregg W. Steinhafel	10,160,515	780,710	0	0
Edwin H. Wingate	9,992,776	948,449	0	0
2. Approval of Amendment of Annual Management Incentive Plan II.	10,026,842	809,454	104,929	0
3. Approval of Amendment of Performance Share Plan.	9,763,073	1,075,332	102,820	0
4. Approval of Amendment of Directors Stock Plan.	9,372,044	1,470,865	98,316	0
5. Approval of Adoption of 2000 Stock Option Plan.	7,744,862	2,338,217	88,875	769,271
4. Approval of Selection of Independent Auditors for Fiscal 2000.	10,643,631	178,423	119,171	0

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 3(i)(a) and 4(a) Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 4.2 to Registrant's Registration Statement on Form S-3, Registration No. 33-16125).
- 3(i)(b) and 4(b) Certificate of Amendment to Certificate of Incorporation of Registrant dated December 9, 1986 (incorporated by reference to Exhibit 3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 30, 1987, Commission File No. 1-8649).
- 3(i)(c) and 4(c) Certificate of Designation to Certificate of Incorporation of Registrant dated May 28, 1998 (incorporated by reference to Exhibit (1)(A) to Registrant's Current Report on Form 8-K dated May 27, 1998).
- 3(ii) and 4(d) Bylaws of Registrant (incorporated by reference to Exhibit 3(ii) and 4(d) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1999).
- 4(e) Specimen form of Common Stock certificate (incorporated by reference to Exhibit 4(c) to Registrant's Registration Statement on Form S-8, Registration No. 2-94417).
- 4(f) Rights Agreement dated as of May 20, 1998, between Registrant and Norwest Bank Minnesota, National Association relating to rights to purchase Series B Junior Participating Voting Preferred Stock, as amended (incorporated by reference to Registrant's Current Report on Form 8-K dated May 27, 1998, Commission File No. 1-8649).

- 4(g) Indenture as dated as of January 31, 1997, between Registrant and First National Trust Association, as Trustee, relating to the Registrant's 7.125% Notes due June 15, 2007 and its 7.80% Debentures due June 15, 2027 (incorporated by reference to Exhibit 4(a) to Registrant's Current Report on Form 8-K for June 24, 1997, Commission File No. 1-8649).
- 10(a) Form of Employment Agreement in effect for certain officers of Registrant (incorporated by reference to Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
- 10(b) The Toro Company Directors Stock Plan, as amended.*
- 10(c) The Toro Company Annual Management Incentive Plan II for officers of Registrant, as amended.*
- 10(d) The Toro Company 1985 Incentive Stock Option Plan (incorporated by reference to Exhibit 10(b) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1993).*
- 10(e) The Toro Company 1989 Stock Option Plan (incorporated by reference to Exhibit 10(e) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
- 10(f) The Toro Company 1993 Stock Option Plan (incorporated by reference to Exhibit 10(f) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
- 10(g) The Toro Company 2000 Stock Option Plan.*
- 10(h) The Toro Company Performance Share Plan, as amended.*
- 10(i) The Toro Company Supplemental Management Retirement Plan (incorporated by reference to Exhibit 10(h) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
- 10(j) The Toro Company Supplemental Retirement Plan (incorporated by reference to Exhibit 10(i) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
- 10(k) Chief Executive Officer Incentive Award Agreement, as amended.*
- 10(l) The Toro Company Deferred Compensation Plan for Officers (incorporated by reference to Exhibit 10(j) to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 29, 1999).*
- 10(m) The Toro Company Deferred Compensation Plan for Non-Employee Directors (incorporated by reference to Exhibit 10(k) to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 29, 1999).*

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

(b) Reports on Form 8-K

None.

SIGNATURES

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

THE TORO COMPANY
(Registrant)

By /s/ STEPHEN P. WOLFE

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

Date: June 12, 2000

THE TORO COMPANY
DIRECTORS STOCK PLAN

1. **PURPOSE OF THE PLAN.** The purpose of The Toro Company Directors Stock Plan ("Plan") is to enable The Toro Company (the "Company") to attract and retain experienced and knowledgeable directors to serve on the Board of Directors of the Company or its subsidiaries, and to further align their interests with those of the stockholders of the Company by providing for or increasing their stock ownership interests in the Company. It is intended that the Plan be interpreted so that transactions under the Plan are exempt under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to the extent applicable.
2. **ELIGIBILITY.** All members of the Company's Board of Directors who are not current employees of the Company or any of its subsidiaries ("Nonemployee Directors") are eligible to participate in the Plan.
3. **PLAN AWARDS.**
 - a. **DIRECTORS SHARES.** To carry out the purposes of the Plan, the Company shall issue shares ("Directors Shares") of the Company's Common Stock, \$1.00 par value and related preferred share purchase rights (subject to adjustment as provided in Section 4 hereof) (the "Common Stock"), to each person who is then a Nonemployee Director, on the first day of each fiscal year in an amount equal to \$10,000 divided by the fair market value of one share of Common Stock. The fair market value of one share of Common Stock shall be the average of the 4 p.m. Eastern Time closing prices of the Common Stock as reported by the New York Stock Exchange for each of the trading days in the three calendar months immediately prior to the date of issue of the Directors Shares.
 - b. **DIRECTORS OPTIONS.**
 - i. **ANNUAL GRANT.** Subject to the terms and conditions of this Section 3.b., the Company shall grant a nonqualified option ("Directors Options") to purchase 1,000 shares of the Common Stock, to each person who is then a Nonemployee Director, on the first day of each fiscal year at an exercise price per share equal to the fair market value of one share of Common Stock on the date of grant. The fair market value of one share of Common Stock shall be the 4 p.m. Eastern Time closing price of the Common Stock as reported by the New York Stock Exchange for the first business day of the Company's fiscal year with respect to which the grant is made.
 - ii. **OPTION TERMS.**
 - (a) Directors Options shall be exercisable in whole or in part commencing six months following the date of grant and shall remain exercisable for a term of five years after the date of grant.
 - (b) No Directors Option shall be assigned or transferred, except by will or the laws of descent and distribution. An option so transferred may be exercised after the death of the individual to whom it is granted only by such individual's legal representatives, heirs or legatees, not later than the earlier of the date the option expires or one year after the date of death of such individual, and only with respect to an option exercisable at the time of death.
 - (c) During the lifetime of a Nonemployee Director, options held by such individual may be exercised only by the Nonemployee Director and only while serving as a member of the Board of Directors of the Company and only if the Nonemployee Director has been continuously so serving since the date such options were granted; provided, however, that in the event of disability of a Nonemployee Director, options may be exercised by such individual not later than the earlier of the date the option expires or one year after the date such service as a member of the Board of Directors ceases by reason of disability, but only with respect to an option exercisable at the time such service ceases.

(d) Payment of the exercise price may be made in cash, in shares of Common Stock valued at fair market value on the date of exercise or in a combination of cash and Common Stock.

c. SHARE PRORATION. If, on any date on which Directors Shares are to be issued pursuant to Section 3.a. or Directors Options are to be granted pursuant to Section 3.b., the number of shares of Common Stock is insufficient for the issuance of the entire number of shares to be issued or the grant of the entire number of options as calculated in accordance with Section 3.a. or Section 3.b., then the number of shares to be issued to each Nonemployee Director entitled to receive Directors Shares or Directors Options on such date shall be such Nonemployee Director's proportionate share of such available number of shares or options (rounded down to the greatest number of whole shares), provided that if a sufficient number of shares of Common Stock is available to issue all of the Directors Shares, then the entire number of Directors Shares shall be issued first and the number of shares to be subjected to options shall be prorated in accordance with this section.

d. SUPPLEMENTAL BENEFIT. Directors Shares and Directors Options are a supplemental benefit and are not a component of the annual retainer and meeting fees paid to Nonemployee Directors. The value of Directors Shares and Directors Options shall not be included in the calculation by the Company of the amount of compensation upon which a Nonemployee Director's retirement benefit is calculated for purposes of the Company's Director Retirement Plan or any similar plan.

4. SHARES IN LIEU OF FEES. A Nonemployee Director shall have the right to elect to receive shares of Common Stock in lieu of annual retainer and meeting fees otherwise payable in cash. The election to receive Common Stock shall be made prior to the first day of the calendar year in which the fees are to be earned. Fees that are earned shall be reserved through the year and shares shall be issued in December of that year. The number of shares to be issued shall be determined by dividing the amount of the cash that otherwise would have been paid by the market value of one share of Common Stock on the date that the shares are issued.

5. STOCK SUBJECT TO PLAN. Subject to adjustment as provided in this paragraph and subject to increase by amendment of the Plan, the total number of shares of Common Stock that is reserved and available for issuance in connection with the Plan shall be 65,000 shares. If any Directors Option granted hereunder expires unexercised or terminates, the shares of Common Stock reserved for issuance pursuant to such option shall, to the extent of any such termination or to the extent the shares covered by an option are not issued or used, again be available for option grants under the Plan. Any shares issued by the Company in connection with the assumption or substitution of outstanding option grants from any acquired corporation shall not reduce the shares available for stock awards or option grants under the Plan. In the event of a corporate transaction involving the Company, the Common Stock or the Company's corporate or capital structure, including but not limited to any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, reclassification, split-up, spin-off, combination or exchange of shares, or a sale of the Company or of all or part of its assets or any distribution to stockholders other than a normal cash dividend, the Committee shall make such proportional adjustments as are necessary to preserve the benefits or potential benefits of the Directors Shares and Directors Options. Action by the Committee may include all or any of adjustment in (a) the maximum number and kind of securities subject to the Plan as set forth in this paragraph; (b) the maximum number and kind of securities that may be made subject to Directors Options and the determination of the number or kind of Directors Shares; (c) the number and kind of securities subject to any outstanding Directors Option; and (d) any other adjustments that the Committee determines to be equitable.

6. CHANGE OF CONTROL. In the event of a Change of Control of the Company as hereinafter defined, all options shall fully vest, unless otherwise limited by the Committee at the time of the option grant, and

be exercisable in their entirety immediately, and notwithstanding any other provisions of the Plan, shall continue to be exercisable for three years following the Change of Control, but not later than ten years after the date of grant.

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: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of subsection c. of this Section 6; or
- b. Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
- 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 which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (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.
7. ADMINISTRATION OF THE PLAN. The Plan shall be administered by a committee composed of those members of the Board of Directors of the Company who are also employees of the Company (the "Committee"). The Committee shall have the authority to carry out all provisions of the Plan; provided, however, that it shall have no discretion to determine which Nonemployee Directors may receive Directors Shares or Directors Options or to set the value of such Directors Shares or Directors Options, other than to make the calculations required by Section 3.a. and Section 3.b.
8. TERM OF PLAN. The Plan became effective on August 20, 1992 and shall be perpetual, unless sooner terminated by action of the Board of Directors.
9. AMENDMENT. The effective date of any amendment to the Plan shall be the date of its adoption by the Board of Directors. No amendment of the Plan shall adversely affect in a material manner any right of any option holder with respect to any option theretofore granted without such option holder's written consent.
10. GOVERNING LAW. The Plan, options and awards granted under the Plan and agreements entered into under the Plan shall be construed, administered and governed in all respects under and by the applicable laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan or an option or an award or agreement to the substantive law of another jurisdiction.

THE TORO COMPANY
ANNUAL MANAGEMENT INCENTIVE PLAN II

1. **PLAN PURPOSE.** The purpose of The Toro Company Annual Management Incentive Plan II (the "Plan") is to enhance stockholder value of The Toro Company (the "Company") by providing an annual incentive to reinforce achievement of the Company's performance goals ("Performance Goals"); to link a significant portion of a participating officer's annual compensation to the achievement by the Company, and in certain cases, a division or individual, of Performance Goals; to attract, motivate and retain officers on a competitive basis by making awards based on annual achievement of Performance Goals ("Annual Performance Awards"); and to encourage selected officers to acquire and retain shares of the Common Stock, par value \$1.00 per share, and related Preferred Share Purchase Rights of the Company ("Common Stock").
2. **ELIGIBILITY AND PARTICIPATION.** Within the first 90 days of each fiscal year, or before the first 25% of a shorter performance period has elapsed, the Compensation Committee (the "Committee") shall select as recipients of Annual Performance Awards ("Plan Participants") those officers of the Company who, through their position or performance, can have a significant, positive impact on the Company's financial results. Plan Participants are designated to participate in the Plan for one fiscal year, but may be renominated and selected again. Newly-hired and newly-promoted officers may be selected as Plan Participants after the first 90 days of a fiscal year subject to the provisions of this paragraph and subparagraph 4.a. With respect to persons subject to Section 16 of the Securities Exchange Act of 1934 ("Exchange Act"), transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successor provisions under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.
3. **AWARD AMOUNTS.**
 - a. **TARGET PAYOUT.** The target amount that may be paid with respect to an Annual Performance Award (the "Target Payout") shall be determined by the Committee and shall be based on a percentage of a Plan Participant's actual annual base salary at the time of grant ("Participation Factor"), within the range established by this subparagraph and subject to adjustment as provided in the last sentence of this subparagraph. The Participation Factors, which are intended to reflect a Plan Participant's level of responsibility, are up to 60% for the Chairman and Chief Executive Officer, up to 55% for the President and Chief Operating Officer if one should be elected, up to 50% for other elected officers and up to 45% for other officers. The Chief Executive Officer may approve modifications to the foregoing Participation Factors for any participant who is not a person referred to in Section 162(m) of the Internal Revenue Code of 1986, as amended, or the regulations thereunder ("Section 162(m)"), if such modification is based on level of responsibility. The Committee may establish curves, matrices or other measurements for prorating the amount of payouts for achievement of Performance Goals at less than the Target Payout.
 - b. **MAXIMUM PAYOUT.** The Committee may also establish a maximum potential payout amount (the "Maximum Payout") with respect to an Annual Performance Award of up to 200% of the Target Payout in the event Performance Goal targets are exceeded by an amount established by the Committee at the time Performance Goals are established. The Committee may establish curves, matrices or other measurements for prorating the amount of payouts for achievement of Performance Goals at greater than the Target Payout but less than the Maximum Payout.
 - c. **DIVISION PAYOUT.** At the time an Annual Performance Award is made, the Committee may establish supplemental division-specific Performance Goals ("Supplemental Division Performance Goals") and may provide that achievement of a Supplemental Division Performance Goal at or above an established target level shall be required in order to earn a Target Payout or Maximum Payout. The Committee shall also have the discretion to reduce by an amount up to 20% the amount that would otherwise be paid under the division payout formula to a division vice president or general manager based on the Committee's evaluation of the quality of division performance.

- d. STRATEGIC PERFORMANCE MEASURE PAYOUT. At the time an Annual Performance Award is made, the Committee may increase the Target Payout and the Maximum Payout (as either may be prorated in accordance with subparagraphs 3.a. and 3.b.) by up to 20% but to not more than 200% of the Target Payout, for selected Plan Participants ("Strategic Performance Participants"), to reflect individual strategic performance measures ("SPM Performance Goals") established at that time by the Committee. The Committee shall have the discretion to reduce by an amount up to 20% the amount that would otherwise be paid under the payout formula to a Strategic Performance Participant based on the Committee's evaluation of the individual's achievement of the SPM Performance Goal.
- e. SECTION 162(m) MAXIMUM. With respect to any Plan Participant who is or may become a person referred to in Section 162(m), the maximum dollar amount that may be paid under an Annual Performance Award shall be set at the time the Committee grants the award and establishes Performance Goals under the award, and the Committee shall have the discretion to decrease an award payment, but may not under any circumstances increase such amount. Notwithstanding any other provision of this Plan, the maximum dollar amount a Plan Participant may be paid under an Annual Performance Award, whether in cash or Common Stock or Common Stock units, with respect to any fiscal year is \$1,500,000. The Committee may, in its discretion, decrease this maximum, but may not, under any circumstances, increase this maximum.

4. PERFORMANCE GOALS.

- a. ESTABLISHMENT. An award payment under an Annual Performance Award shall be made to a Plan Participant only if the Company, a division and/or the individual participant achieves Performance Goals established by the Committee in writing not later than 90 days after the commencement of the fiscal year to which the Performance Goal relates, provided that the outcome is substantially uncertain at the time the Committee establishes the Performance Goal; and provided further that in no event will a Performance Goal be considered to be pre-established if it is established after 25% of the period of service (as scheduled in good faith at the time the Performance Goal is established) has elapsed.
- b. PERFORMANCE GOAL CRITERIA. Performance Goals to be established under subparagraph 4.a. shall be based on revenue, revenue growth, cost of goods sold, earnings per share (EPS), earnings growth, return on average net assets (ROANA), return on average total assets, return on average current assets, return on equity, average net asset dollar level, average current asset turns, average net asset turns, average inventory asset turns, division profit adjustment, division controllable profit contribution, division average asset dollars, economic value added, controllable value added, product innovation, asset management, customer satisfaction scores, customer care and fill rate. Supplemental Division Performance Goals for division participants that may be established under subparagraph 4.a. may be based on any of the foregoing and/or on division specific operating performance goals including sustained earnings, product warranty experience, product recalls or inventory levels. SPM Performance Goals that may be established under subparagraph 4.a. may be based on quantitative or qualitative factors, and may include, but are not limited to, aggressive revenue growth, sustained earnings initiative, warranty experience, product recalls, field inventory, acquisition experience, customer satisfaction (determined by such measurements as product innovation, asset management, product quality, warranty, on-time delivery, after-market service, customer care or customer satisfaction scores or survey results), inventory reduction and inventory turnover or any of the other Performance Goals listed in this paragraph. Each Performance Goal is to be specifically defined by the Committee on a Company, division or individual basis and/or in comparison with peer group performance.

5. PAYMENTS. Before any payment is made under the Plan, the Committee must certify in writing, as reflected in the minutes, that the Performance Goals established with respect to an Annual Performance Award have been achieved. To the extent necessary with respect to any fiscal year, in order to avoid any undue windfall or hardship due to external causes, the Committee may make the determination as to whether a Performance Goal has been achieved without regard to the effect on the Performance Goal measure, as it may otherwise be presented in the financial statements, of any change in accounting standards, any acquisition by the Company not planned for at the time the Performance Goals are established or any Board-approved extraordinary or non-recurring event or item.
6. STOCK RETENTION PROVISIONS.
 - a. ELIGIBILITY FOR STOCK RETENTION AWARD. Subject to the terms and conditions of this paragraph 6 (the "Stock Retention Provisions"), at the time the Committee selects Plan Participants, the Committee may grant to selected Plan Participants ("Stock Participants") a right (a "Stock Retention Award") to elect (i) to convert to shares of Common Stock or (ii) to defer, through The Toro Company Deferred Compensation Plan for Officers (the "Officers Deferred Plan"), into units having a value based on shares of Common Stock, up to 50% of the amount of an award payment under an Annual Performance Award ("Base Cash Award") and to receive additional incentive compensation in the form of one additional share or unit of Common Stock for every two shares or units acquired upon conversion of the Base Cash Award, up to the 50% limit (the "Matching Shares" or "Matching Units"). The shares or units acquired upon conversion of the Base Cash Award shall be retained by the Company during the vesting periods for the Matching Shares or Units described in subparagraph 6.e. Shares of Common Stock issued under the Stock Retention Provisions shall be called "Retained Shares" and units of Common Stock deferred under the Officers Deferred Plan shall be called "Retained Units."
 - b. NUMBER OF SHARES OR UNITS. The number of Retained Shares or Retained Units to be issued or credited upon conversion shall be equal to the dollar amount of the portion of the Base Cash Award subject to the election, divided by the fair market value of the Common Stock on the date that the Committee makes the certification required under paragraph 5 of this Plan. Fair market value shall be the 4 p.m. Eastern Time closing price of one share of Common Stock, as reported by the New York Stock Exchange. Retained Shares shall be issued in whole shares only and cash shall be paid for fractional shares.
 - c. ELECTION TO EXERCISE STOCK RETENTION AWARD.
 - i. On or before the December 31 immediately preceding the end of the fiscal year to which a Stock Retention Award relates, a Stock Participant who wishes to convert a portion of a Base Cash Award into deferred compensation Retained Units shall notify the Company in writing that he or she has elected to participate in the Stock Retention Provisions and shall specify the percentage of the Base Cash Award to be converted, up to the 50% limit, except as otherwise provided in the Officers Deferred Plan with respect to any year in which that plan is materially amended or the first year in which a Stock Participant becomes eligible to participate in the Stock Retention Provisions.
 - ii. On or before the September 15 immediately prior to the last day of the fiscal year to which a Stock Retention Award relates, a Stock Participant who has not elected to convert the maximum permissible portion of the Base Cash Award into Retained Units and who wishes to convert the portion of the Base Cash Award not yet subject to an election under paragraph 6.c.i. into Retained Shares shall notify the Company in writing that he or she has elected to participate in the Stock Retention Provisions and shall specify the percentage of the Base Cash Award to be converted.

- iii. An election to participate is effective only for the fiscal year to which the Stock Retention Award relates.
 - iv. A Stock Participant who terminates employment, dies, retires at or after age 65, elects early retirement at or after age 55 or becomes permanently disabled and unable to work during the fiscal year to which a Stock Retention Award relates shall not be eligible to participate in the Stock Retention Provisions for that fiscal year, and any Stock Retention Award for that year and any election made by the Stock Participant shall be canceled automatically as of the date of any such event.
- d. MATCHING SHARES OR UNITS. As soon as practical following the conversion of a Base Cash Award to Retained Shares or Retained Units, the Company shall issue one Matching Share or credit one Matching Unit for each two Retained Shares or Retained Units acquired upon conversion. Matching Shares shall be held by the Company for the Stock Participant's account. Matching Shares shall be issued in whole shares only and cash shall be paid for fractional shares.
- e. VESTING, DELIVERY AND DISTRIBUTION.
- i. Vesting.
 - A. Retained Shares and Retained Units are fully vested at the time of issuance or crediting.
 - B. Matching Shares and Matching Units held or credited by the Company shall be forfeitable until they vest and shall vest in increments of 25% of the total number of such Matching Shares or Units at the end of each of the second, third, fourth and fifth years after the date such Matching Shares or Units are issued or credited, provided that such Matching Shares or Units shall vest only if the Stock Participant's Retained Shares or Units have been left on deposit with the Company through the requisite two, three, four and five year periods and all other requirements of the Plan have been met, except as may otherwise be provided in subparagraph 6.f.
 - ii. Delivery.
 - A. Retained Shares and Matching Shares will be delivered as soon as possible after the applicable vesting requirements (including accelerated vesting under subparagraph 6.f.) have been fulfilled. In the event vesting requirements are not fulfilled, Retained Shares will be returned to a Stock Participant as soon as possible.
 - B. Retained Units and Matching Units that have vested will be distributed to a Stock Participant consistent with a Stock Participant's distribution election properly made in accordance with the provisions of the Officers Deferred Plan.
- f. VESTING AND CANCELLATION UNDER SPECIAL CONDITIONS.
- i. Retirement or Disability. Notwithstanding the foregoing, all Matching Shares or Units held in a Stock Participant's account shall vest in full if the participant retires on or after age 65 or becomes permanently disabled and unable to work. Notwithstanding the foregoing, if within one year after such retirement the Stock Participant (A) is employed or retained by or renders service to any organization that, directly or indirectly, competes with or becomes competitive with the Company, or if the rendering of such services is prejudicial or in conflict with the interests of the Company, or (B) violates any confidentiality agreement or agreement governing the ownership or assignment of intellectual property rights with the Company, or (C) engages in any other conduct or act determined to be injurious, detrimental or prejudicial to any interest of the Company, the Company may rescind or restrict such early vesting or withhold or have the right to the return of the economic value of the Matching

Shares or Units which vested early under this subparagraph; provided, however, that this provision shall not be applicable in the event of a Change of Control.

- ii. Early Retirement. Matching Units held in the account of a Stock Participant who retires at or after age 55, but before age 65, shall vest or be forfeited in accordance with the provisions of the Officers Deferred Plan. A Stock Participant who retires at or after age 55, but before age 65, may elect at anytime to have Retained Shares then on deposit with the Company delivered and to forfeit Matching Shares that have not yet vested. If the Stock Participant does not make this election, Retained Shares and Matching Shares shall remain on deposit until the participant reaches age 65 or until the applicable vesting requirements of subparagraph 6.e. have been fulfilled, as the case may be, and Matching Shares shall vest upon the occurrence of the earlier of such event. Notwithstanding the foregoing, if within one year after such retirement the Stock Participant (A) is employed or retained by or renders service to any organization that, directly or indirectly, competes with or becomes competitive with the Company, or if the rendering of such services is prejudicial or in conflict with the interests of the Company, or (B) violates any confidentiality agreement or agreement governing the ownership or assignment of intellectual property rights with the Company, or (C) engages in any other conduct or act determined to be injurious, detrimental or prejudicial to any interest of the Company, the Company may rescind or restrict such vesting or withhold or have the right to the return of the economic value of the Matching Shares or Units which vested after the date of early retirement under this subparagraph; provided, however, that this provision shall not be applicable in the event of a Change of Control.
- iii. Early Withdrawal. In the event that a Stock Participant elects to withdraw Retained Shares or Units from the account prior to age 65, but before the applicable vesting requirements have been fulfilled, Matching Shares or Units held in such participant's account that have not vested shall not vest and shall be forfeited.
- iv. Death. In the event of the death of a Stock Participant before the applicable vesting requirements have been fulfilled, the Matching Shares or Units shall vest in full.
- v. Voluntary Resignation. In the event that a Stock Participant resigns voluntarily, Matching Shares or Units held in such participant's account that have not yet vested shall not vest and shall be forfeited, unless otherwise determined by the Chairman of the Committee, in his or her discretion, upon recommendation by the Chief Executive Officer of the Company.
- vi. Change of Control. All Matching Shares and Matching Units shall vest if there is a Change of Control 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 (A) the then-outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subparagraph (A), the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from the Company, (b) any acquisition by the Company, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (d) any acquisition by any corporation pursuant to a transaction that complies with clauses (a), (b) and (c) of subparagraph (C) of this subparagraph 8.f.vi.; or

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

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

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

- g. TEMPORARY WITHDRAWAL FOR OPTION EXERCISE. A Stock Participant may temporarily withdraw all or a portion of Retained Shares held in the participant's account, but not Matching Shares or Retained or Matching Units, in order to exercise Company stock options, provided that an equal number of shares of Common Stock is promptly redeposited with the Company after such exercise.
- h. DIVIDENDS AND VOTING. Dividends on Retained and Matching Shares may at the election of the Stock Participant be paid to such participant or reinvested under the Company's dividend reinvestment plan as then in effect. Dividends on Retained and Matching Units shall be credited under the Officers Deferred Plan, in additional units based on the fair market value of one share of the Common Stock on the dividend payment date. A Stock Participant shall have the right to vote Retained and Matching Shares.

- i. **MAXIMUM SHARES SUBJECT TO STOCK RETENTION AWARDS.** Subject to the provisions of this subparagraph and paragraph 3.e. hereof, the number of shares of Common Stock reserved and available for issuance pursuant to Stock Retention Awards under the Plan is 100,000. Shares of Common Stock that may be issued hereunder may be authorized but unissued shares, reacquired or treasury shares or outstanding shares acquired in the market or from private sources or a combination thereof. In the event of a corporate transaction involving the Company, the Common Stock or the Company's corporate or capital structure, including but not limited to any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, reclassification, split-up, spin-off, combination or exchange of shares, or a sale of the Company or of all or part of its assets or any distribution to stockholders other than a normal cash dividend, the Committee shall make such proportional adjustments as are necessary to preserve the benefits or potential benefits of the Stock Retention Awards. Action by the Committee may include all or any of adjustment in (i) the maximum number and kind of securities subject to the Plan as set forth in this paragraph; (ii) the maximum number and kind of securities that may be made subject to Stock Retention Awards for any individual as set forth in paragraph 3.e.; (iii) the number and kind of securities subject to any outstanding Stock Retention Award; (iv) the conversion price of a Stock Retention Award, without any change in the aggregate price to be paid therefor; and (v) any other adjustments that the Committee determines to be equitable.
 - j. **TAX WITHHOLDING.** The Company shall have the right to deduct from any settlement made under the Plan or to require the participant to pay the amount of any federal, state or local taxes of any kind required by law to be withheld with respect to the grant, vesting, payment or settlement of an award under this Plan, or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. If Common Stock is withheld or surrendered to satisfy tax withholding, such stock shall be valued at its fair market value as of the date it is withheld or surrendered. The Company may also deduct from any award settlement any other amounts due the Company by the Plan Participant.
7. **NON-TRANSFERABILITY.** Neither Annual Performance Awards, Stock Retention Awards, Retained Shares, Matching Shares, Retained Units, Matching Units nor any interest in any one of such awards or shares or units or benefits may be anticipated, alienated, encumbered, sold, pledged, assigned, transferred or subjected to any charge or legal process, other than by will or the laws of descent and distribution, so long as the Retained and Matching Shares are held by the Company or the Retained and Matching Units have not been distributed in accordance with the Officers Deferred Plan, and any sale, pledge, assignment or other attempted transfer shall be null and void.
8. **ADMINISTRATION.** The Committee shall have the authority to administer the Plan; establish policies under the Plan; amend the Plan, subject to the provisions of paragraph 10; interpret provisions of the Plan; select Plan Participants and Stock Participants; establish Performance Goals; make Annual Performance Awards and Stock Retention Awards; or terminate the Plan, in its sole discretion. The Committee may delegate certain of these activities and all decisions not required to be exercised by it under Section 162(m) or Section 16 of the Exchange Act, as it solely determines. All decisions of the Committee shall be final and binding upon all parties including the Company, its stockholders, Plan Participants and Stock Participants.
9. **GOVERNING LAW.** The Plan, awards granted under the Plan, agreements entered into under the Plan, Retained or Matching Shares and Retained or Matching Units 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 or an award or agreement or shares or units to the substantive law of another jurisdiction.

10. PLAN AMENDMENT AND TERMINATION. The Committee may, in its sole discretion, amend, suspend or terminate the Plan at any time, with or without advance notice to Plan Participants, provided that no amendment to the Plan shall be effective that would increase the maximum amount payable under paragraph 3.e. to a Plan Participant who is a person referred to in Section 162(m); that would change the Performance Goal criteria applicable to a Plan Participant who is a person referred to in Section 162(m) for payment of awards stated under paragraph 4; or that would modify the requirements as to eligibility for participation under paragraph 2, unless the stockholders of the Company shall have approved such change in accordance with the requirements of Section 162(m). No amendment, modification or termination of the Plan may adversely affect in a material manner any right of any Plan Participant with respect to any Performance Share Award theretofore granted without such participant's written consent.
11. EFFECTIVE DATE OF THE PLAN AND AMENDMENTS. The Plan first became effective on November 1, 1995. Any amendment to the Plan shall be effective on the date established by the Committee, subject to stockholder approval, if required under the provisions of paragraph 10.

THE TORO COMPANY
2000 STOCK OPTION PLAN

1. **PURPOSE.** The purpose of The Toro Company 2000 Stock Option Plan (the "Plan") is to enhance stockholder value of The Toro Company (the "Company") by providing an incentive to key employees and other key individuals who perform services for the Company, to contribute significantly to the long-term performance and growth of the Company; to link a significant portion of a participant's compensation to the value of the Company's Common Stock, par value \$1.00 per share, and related Preferred Share Purchase Rights ("Common Stock"); and to attract and retain experienced and knowledgeable employees on a competitive basis. These purposes are expected to be achieved by granting options to acquire the Common Stock ("options").
2. **ELIGIBILITY.** Any employee of the Company who is regularly employed in an executive, managerial, professional or technical position and any other individual who performs services for the Company and who contributes significantly to the strategic and long-term performance objectives of the Company is eligible to participate in the Plan. Options may be granted to directors of the Company who are also employees of the Company. More than one option may be granted to the same individual.
 - a. **LIMITATIONS.** No option may be granted to an individual who owns, directly or indirectly, Common Stock or other capital stock of the Company possessing more than 5% of the total combined voting power or value of any class of capital stock of the Company or a subsidiary immediately after such option is granted, and the maximum number of shares that may be covered by options granted to any individual during any calendar year shall be 100,000 shares. Except for the foregoing limitations, there is no minimum or maximum number of shares of Common Stock with respect to which options may be granted to any individual under the Plan. Individuals to whom options are granted are at times referred to as "option holders".
3. **STOCK OPTIONS.**
 - a. **ISOS AND NONQUALIFIED OPTIONS.** Options granted under the Plan may be either nonqualified stock options ("nonqualified options") or incentive stock options ("Incentive Stock Options") as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").
 - i. **INCENTIVE STOCK OPTIONS.** Incentive Stock Options shall meet the applicable requirements of, and contain or be deemed to contain all provisions required by, the Code or corresponding provisions of subsequent revenue laws and regulations in effect at the time such options are granted. Any ambiguities in construction shall be interpreted in order to effectuate such intent. To the extent that the aggregate fair market value of Common Stock (determined at the time of grant of the Incentive Stock Option) with respect to which Incentive Stock Options are exercisable for the first time by an option holder during any calendar year (under all such plans of the Company and its parent and subsidiary corporations) exceeds \$100,000 or such other limit as may be imposed by the Code, such options to the extent they exceed such limit shall be treated as options which are not Incentive Stock Options. In applying the foregoing limitation, options shall be taken into account in the order in which they were granted.
 - b. **AGREEMENTS.** Options shall be evidenced by stock option agreements in such form and not inconsistent with the Plan as the Compensation Committee (the "Committee") of the Board of Directors shall approve from time to time.
 - c. **NUMBER OF SHARES, DATE OF GRANT AND TERM.** An option agreement shall specify the number of shares of Common Stock to which it pertains; the date of grant, which shall be the date on which the Committee grants an option or any later date which the Committee specifically designates, and the term of the option, which shall not exceed ten years.

d. EXERCISE PRICE. The exercise price of an option shall be not less than 100% of fair market value of the Common Stock on the date of grant. Fair market value is the 4 p.m. Eastern Time closing price for the Common Stock as reported by the New York Stock Exchange.

e. VESTING, TRANSFERABILITY AND EXERCISABILITY.

(i) VESTING. The Committee shall have the authority to determine whether an option agreement shall specify periods after the date of grant of an option during which the option or any portion thereof may not yet be exercisable.

(ii) NO TRANSFER. Options shall not be transferable by the option holder except by will or applicable laws of descent and distribution.

(iii) EXERCISE. During the lifetime of an option holder, options may be exercised only by the option holder and only while an employee of the Company or a parent or subsidiary of the Company or otherwise performing services for the Company or a parent or subsidiary and only if the option holder has been continuously so employed or engaged since the date such options were granted, except as the Committee may otherwise determine and provide for in an option agreement at the time of grant or, if the Committee does not so provide, as follows:

(a) DISABILITY. In the event of disability of an option holder, options may be exercised by such individual or his or her guardian or legal representative, not later than the earlier of the date the option expires or one year after the date such employment or performance of services ceases by reason of disability, but only with respect to an option exercisable at the time such employment or performance of services ceases.

(b) DEATH. An option may be exercised after the death of an option holder only by such individual's legal representatives, heirs or legatees, not later than the earlier of the date the option expires or one year after the date of death of such individual, and only with respect to an option exercisable at the time of death.

(c) RETIREMENT. A nonqualified option may be exercised by an option holder after such individual ceases to be an employee by reason of retirement for up to four years after the date of retirement but not later than the date the option expires. "Retirement" shall have the meaning established by the Committee from time to time or, if no such meaning is established, shall mean termination of employment with the Company at an age and with a number of years of service to the Company which, when added together, equal at least 65.

(d) OTHER TERMINATION OF EMPLOYMENT. An option may be exercised by an option holder after such individual ceases to be an employee (for reasons other than disability, death or retirement) for up to three months after the date of termination of employment but not later than the date the option expires.

(iv) NON-COMPETE. Notwithstanding any other provision of paragraph 3.e., if within one year after the termination of employment with or performance of services for the Company, an option holder is (a) employed or retained by or renders service to any organization that, directly or indirectly, competes with or becomes competitive with the Company, or if the rendering of such services is prejudicial or in conflict with the interests of the Company, or (b) violates any confidentiality agreement or agreement governing the ownership or assignment of intellectual property rights with the Company, or (c) engages in any other conduct or act determined to be injurious, detrimental or prejudicial to any interest of the Company, the Company may cancel or rescind or restrict all options held by such individual and shall have the right to the return of the economic value of any option which was realized or obtained (measured at the date of exercise) by such individual at any time during the period

beginning on the date which is twelve months prior to the date of termination to the date of the last exercise, provided however, that this provision shall not be applicable in the event of a Change of Control.

(v) INTERRUPTION IN SERVICE. Absence on leave from the Company, or other interruption in the performance of services, by an option holder shall, if approved by the Committee, not be deemed a cessation or interruption of employment or services for the purposes of the Plan.

f. METHODS OF EXERCISE AND PAYMENT OF EXERCISE PRICE. Subject to the terms and conditions of the Plan and the terms and conditions of the option agreement, an option may be exercised in whole at any time or in part from time to time, by delivery to the Company at its principal office of a written notice of exercise specifying the number of shares with respect to which the option is being exercised, accompanied by payment in full of the exercise price for shares to be purchased at that time. Payment may be made (i) in cash, (ii) by tendering (either actually or by attestation) shares of Common Stock already owned for at least six months (or shorter period necessary to avoid a charge to the Company's earnings for financial statement purposes) valued at the fair market value of the Common Stock on the date of exercise or (iii) in a combination of cash and Common Stock; or the Committee may also, in its sole discretion exercised either at the time the option is granted or at any time before an option is exercised, (iv) permit option holders to deliver a notice of exercise of options, together with irrevocable instructions, approved in advance by proper officers of the Company, (A) to a brokerage firm designated by the Company, to deliver promptly to the Company the aggregate amount of sale or loan proceeds to pay the exercise price and any related tax withholding obligations and (B) to the Company, to deliver certificates for such purchased shares directly to such brokerage firm, all in accordance with regulations of the Federal Reserve Board; or (v) authorize such other methods as it deems appropriate and as comply with requirements of the Code, the Securities Exchange Act of 1934 (the "Exchange Act") and other applicable laws and regulations.

No shares of Common Stock shall be issued until full payment has been made.

g. ACCELERATED OWNERSHIP FEATURE. An option may, in the discretion of the Committee, include the right to acquire an accelerated ownership nonqualified stock option ("AO Option"). An option which provides for the grant of an AO Option shall entitle the option holder, upon exercise of that option and payment of the appropriate exercise price in shares of Common Stock that have been owned by such option holder for not less than six months prior to the date of exercise, to receive an AO Option. An AO Option is an option to purchase, at fair market value at the date of grant of the AO Option, a number of shares of Common Stock equal to the sum of the number of whole shares delivered by the option holder in payment of the exercise price of the original option and the number of whole shares, if any, withheld by the Company as payment for withholding taxes. An AO Option shall expire on the same date that the original option would have expired had it not been exercised. All AO Options shall be nonqualified options.

h. RIGHTS AS A STOCKHOLDER. An option holder shall have no rights as a stockholder with respect to any Common Stock covered by an option until the option is exercised and shares of Common Stock are issued. Except as otherwise expressly provided in the Plan, no adjustments shall be made for dividends or other rights for which the record date is prior to issuance of the Common Stock.

4. COMMON STOCK SUBJECT TO THE PLAN. Subject to adjustment to reflect corporate transactions provided for in paragraph 4.a. and subject to increase by amendment of the Plan, the total number of shares of Common Stock that is reserved and available for issuance pursuant to options granted under the Plan shall be 1,000,000. If any option granted under the Plan terminates, expires unexercised, is exchanged for other options without the issuance of shares of Common Stock or is exercised by the delivery or constructive delivery of shares of Common Stock already owned by the option holder, the shares of

Common Stock reserved for issuance pursuant to such option shall, to the extent of any such termination or to the extent shares covered by an option are not issued or used, again be available for option grants under the Plan. Any shares issued by the Company in connection with the assumption or substitution of outstanding grants from any acquired corporation shall not reduce the shares available for option grants under the Plan. Shares of Common Stock that may be issued under the Plan may be authorized but unissued shares, reacquired or treasury shares, or outstanding shares acquired in the market or from private sources, or a combination thereof.

a. ADJUSTMENTS FOR CORPORATE TRANSACTIONS. 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, extraordinary cash dividend, 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 make such proportional adjustments as are necessary to preserve the benefits or potential benefits of the options. Action by the Committee may include appropriate adjustments in all or any of (i) the number of shares of the Common Stock or other new or different securities that may be available for option grants under the Plan; (ii) the number of shares of Common Stock or other new or different securities subject to outstanding options; (iii) the option price per share of outstanding options and, if deemed appropriate, cash payments; (iv) the maximum number and kind of securities that may be made subject to options for any individual as set forth in paragraph 2.a.; or (v) any other adjustment the Committee determines to be equitable. The Committee may also, in its sole discretion, make provisions in any option agreement for the protection of outstanding options in the event of such a corporate transaction.

5. ADMINISTRATION OF THE PLAN. The Plan shall be administered by the Committee, provided that members of the Committee shall be "non-employee directors" as contemplated by Rule 16b-3 under the Exchange Act or any successor rule and shall qualify to administer the Plan as "outside directors" as contemplated by Section 162(m) of the Code and the regulations thereunder ("Section 162(m)"). The Committee may delegate administrative duties and all decisions not required to be exercised by it under Section 162(m) of the Code, Section 16 of the Exchange Act or the rules of the New York Stock Exchange to an officer of the Company. The decision of the Committee on any matter affecting the Plan and obligations arising under the Plan or any option granted thereunder shall be deemed final and binding upon all persons, including the company, its stockholders and option holders. No member of the Board or of the Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any option granted under the Plan.

Subject to the express provisions of the Plan, the Committee shall have authority, in its discretion, to grant options; to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the exercise price of each option to purchase Common Stock, the individuals to whom and the time or times at which options shall be granted, the number of shares to be subject to each option, when an option may be exercisable and the other terms and provisions (and amendments thereto) of the respective option agreements (which need not be identical); to determine whether a particular option is to be an Incentive Stock Option; and to make all other determinations deemed necessary or advisable for the administration of the Plan.

6. FOREIGN NATIONALS AND RESIDENTS OF CALIFORNIA.

a. FOREIGN NATIONALS. Without amending the Plan, options may be granted to individuals who are foreign nationals or are employed or otherwise performing services for the Company or any subsidiary outside the United States or both, on such terms and conditions different from those

specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to further the purposes of the Plan.

b. CALIFORNIA RESIDENTS. Without amending the Plan, and notwithstanding any provision of the Plan to the contrary, options granted to individuals who are residents of the State of California may contain such terms and conditions as may be required by applicable California statutes governing stock options.

7. CHANGE OF CONTROL. In the event of a Change of Control of the Company as hereinafter defined, whether or not approved by the Board, all options shall fully vest, unless otherwise limited by the Committee at the time of the option grant, and be exercisable in their entirety immediately, and notwithstanding any other provisions of the Plan, shall continue to be exercisable for three years following the Change of Control, but not later than ten years after the date of grant.

a. DEFINITION. For the purpose of this paragraph 7, a "Change of Control" shall mean:

- (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 15% or more of either (A) the then-outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of subsection (iii) of this paragraph 7; or
- (ii) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
- (iii) Consummation of a reorganization, merger or consolidation of the Company or sale or other disposition of all or substantially all of the assets of the Company or the acquisition by the Company of assets or stock of another entity (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to

such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 15% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

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

8. TAX WITHHOLDING. The Company shall have the right to deduct from any settlement made under the Plan, including the exercise of an option or the sale of shares of Common Stock, any federal, state or local taxes of any kind required by law to be withheld with respect to such payments or to require the option holder to pay the amount of any such taxes or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. If Common Stock is withheld or surrendered to satisfy tax withholding, such stock shall be valued at its fair market value as of the date such Common Stock is withheld or surrendered. The Company may also deduct from any such settlement any other amounts due the Company by the option holder.
9. GOVERNING LAW. The Plan, options granted under the Plan and agreements entered into under the Plan shall be construed, administered and governed in all respects under and by the applicable laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan or an agreement to the substantive law of another jurisdiction.
10. PLAN AMENDMENT AND TERMINATION. The Board may amend, suspend or terminate the Plan at any time, with or without advance notice to option holders, including an amendment to increase the number of shares of Common Stock with respect to which options may be granted; provided however that no amendment that would increase the maximum number of shares that may be subjected to options or that may be granted to any person referred to in Section 162(m) of the Code or that would modify requirements as to eligibility for participation in the Plan shall be effective unless the stockholders of the Company shall have approved the amendment in accordance with applicable provisions of the Code. No amendment, modification or termination of the Plan may adversely affect in a material manner any right of any option holder with respect to any option theretofore granted without such option holder's written consent.
11. EFFECTIVE DATE AND DURATION OF THE PLAN. The effective date of the Plan shall be March 29, 2000 subject to approval by stockholders. Any amendment to the Plan shall be effective on the date established by the Committee, subject to stockholder approval, if required. The Plan shall remain in effect until all shares reserved for issuance pursuant to the Plan have been purchased pursuant to options granted under the Plan, provided that options under the Plan must be granted not later than ten years after the effective date of the Plan or any future amendment approved by stockholders.

THE TORO COMPANY
PERFORMANCE SHARE PLAN

1. **PURPOSE.** The purpose of The Toro Company Performance Share Plan (the "Plan") is to enhance long-term stockholder value of The Toro Company (the "Company"), by reinforcing the incentives of key executives to achieve long-term performance goals of the Company; to link a significant portion of a participant's compensation to the achievement by the Company of performance goals and to the value of the Company's Common Stock, par value \$1.00 per share, and related Preferred Share Purchase Rights ("Common Stock"); and to attract and motivate executives and to encourage their continued employment on a competitive basis. The purposes of the Plan are to be achieved by the grant of Performance Share Awards.
2. **ELIGIBILITY AND PARTICIPATION.** Key employees of the Company who, through their position or performance, can have a significant, positive impact on the Company's financial results, shall be eligible to participate in the Plan. The Compensation Committee (the "Committee") shall select recipients of Performance Shares ("Plan Participants"). Newly-hired and newly-promoted executives may be selected as Plan Participants subject to the provisions of subparagraph 3.c.(ii), if applicable.
3. **PERFORMANCE SHARE AWARDS.**
 - a. **PERFORMANCE SHARE DEFINED.** A Performance Share is a right to receive shares of Common Stock or Common Stock units, contingent on the achievement of performance goals of the Company during a three year period, except that a shorter period may be established for new participants and for awards granted at the time the Plan is adopted (the "Award Term"). A Performance Share Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine.
 - b. **VESTING.** Performance Shares shall be subject to forfeiture until they vest and shall vest only after the conclusion of the Award Term, and only if the Committee makes the certification required by subparagraph 3.c.(iv), except as may otherwise be provided in subparagraph 3.c.(iv).
 - c. **SECTION 162(m) CONDITIONS.** Performance Share Awards may be designated as "performance-based compensation" as that term is used in Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").
 - (i) **PERFORMANCE GOALS.** The Performance Goal criteria ("Performance Goals") that may be used by the Committee for Performance Shares shall include one or more of the following, as selected by the Committee: cumulative earnings, cumulative earnings per share, profit after tax, net income, return on invested capital, invested capital dollars, earnings per share, average net assets, after-tax interest expense, return on average net assets, average net asset turns, cumulative average net asset turns, return on equity, return on beginning equity, revenue growth, earnings growth, economic value added, fill rate, customer care and customer satisfaction scores.
 - (ii) **ESTABLISHMENT OF PERFORMANCE GOALS.** Performance Share Awards designated "performance-based compensation" shall be granted, and Performance Goals shall be established, by the Committee in writing not later than 90 days after the commencement of the period of service to which the Performance Goal relates, or such other period required under Section 162(m) of the Code, provided that the outcome is substantially uncertain at the time the Committee establishes the Performance Goal; and provided further that in no event will a Performance Goal be considered to be pre-established if it is established after 25% of the period of service (as scheduled in good faith at the time the Performance Goal is established) has elapsed.
 - (iii) **SECTION 162(m) MAXIMUM AWARD PAYMENT.** With respect to a Performance Share Award that is designated "performance-based compensation" for purposes of Section 162(m), the maximum number of shares that may be issued under the award shall be set at the time the Committee grants the award and establishes Performance Goals under the award. Notwithstanding any other provision of this Plan, the maximum number of Performance Shares that

may be granted to a Plan Participant with respect to any Award Term is 100,000, subject to adjustment as provided in paragraph 4.

(iv) CERTIFICATION OF PAYMENT. Before any payment or delivery of shares of Common Stock is made under the Plan to any Participant who is a person referred to in Section 162(m), the Committee must certify in writing, as reflected in the minutes, that the Performance Goals established with respect to a Performance Share Award have been achieved. To the extent necessary with respect to any fiscal year, in order to avoid any undue windfall or hardship due to external causes, the Committee may make the determination as to whether a Performance Goal has been achieved without regard to the effect on the Performance Goal measure, as it may otherwise be presented in the financial statements, of any change in accounting standards, any acquisition by the Company not planned for at the time the Performance Goals are established or any Board-approved extraordinary or non-recurring event or item. With respect to any Plan Participant who is a person referred to in Section 162(m), the Committee shall have the discretion to decrease an award payment under a Performance Share Award, but may not under any circumstances increase such amount.

d. DELIVERY. Certificates for shares of Common Stock in the number of Performance Shares that vest under an award will be delivered as soon as possible after the applicable vesting requirements (including accelerated vesting under subparagraph 3.e.) have been fulfilled, except that if a Plan Participant has properly elected to defer income that may be attributable to an award under a Company deferred compensation plan, Common Stock units will be credited to the Plan Participant's account thereunder. In the event vesting requirements are not fulfilled, Performance Shares shall be canceled and have no value.

e. VESTING AND CANCELLATION UNDER SPECIAL CIRCUMSTANCES.

(i) RETIREMENT, DEATH OR DISABILITY. If a Plan Participant retires on or after age 65 or dies or becomes permanently disabled and unable to work, shares of Common Stock shall be delivered with respect to the participant's Performance Share Award only if otherwise earned and only with respect to the portion of the applicable Award Term completed at the date of such event (based on a 360 day year and expressed as a percentage). Such shares shall be delivered only after the conclusion of the Award Term in accordance with the provisions of subparagraphs 3.b., 3.c. and 3.d. of the Plan.

(ii) VOLUNTARY RESIGNATION AND EARLY RETIREMENT. In the event that a Participant resigns voluntarily or retires before age 65, Performance Shares in such participant's name that have not yet vested shall not vest and shall be canceled.

(iii) CHANGE OF CONTROL. Notwithstanding the provisions of subparagraphs 3.b. and 3.c., all Performance Shares that have not yet vested shall vest and become immediately payable if there is a change of control 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 (a) the then-outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (b) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subparagraph (A), the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from the Company, (b) any acquisition by the Company, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any

corporation controlled by the Company, or (d) any acquisition by any corporation pursuant to a transaction that complies with clauses (a), (b) and (c) of subparagraph (C) of this subparagraph 3.e.(iii); or

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

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

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

- f. DIVIDENDS AND VOTING. A Plan Participant shall have no rights as a stockholder with respect to Performance Shares unless and until Common Stock or Common Stock units are issued in settlement of the award.
- g. NON-TRANSFERABILITY. Neither Performance Shares nor Performance Share Awards nor any interest in any one of such awards or shares may be anticipated, alienated, encumbered, sold, pledged, assigned, transferred or subjected to any charge or legal process, other than by will or the laws of descent and distribution, so long as the Performance Shares have not vested and shares of Common Stock have not been distributed in accordance with the Plan, and any sale, pledge,

assignment or other attempted transfer shall be null and void. A Plan Participant may receive payment under a Performance Share Award only while an employee of the Company and only if continuously employed from the date the award was granted, except as may otherwise be provided in subparagraph 3.e.

4. **MAXIMUM SHARES SUBJECT TO PERFORMANCE SHARE AWARDS.** Subject to the provisions of subparagraph 4.a., the number of shares of Common Stock reserved and available for issuance pursuant to Performance Share Awards under the Plan is 500,000. Shares of Common Stock that may be issued hereunder may be authorized but unissued shares, reacquired or treasury shares or outstanding shares acquired in the market or from private sources or a combination thereof.
 - a. **ADJUSTMENTS.** In the event of a corporate transaction involving the Company, the Common Stock or the Company's corporate or capital structure, including but not limited to any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, reclassification, split-up, spin-off, combination or exchange of shares, or a sale of the Company or of all or part of its assets or any distribution to stockholders other than a normal cash dividend, the Committee shall make such proportional adjustments as are necessary to preserve the benefits or potential benefits of the Performance Share Awards. Action by the Committee may include all or any of adjustment in (i) the maximum number and kind of securities subject to the Plan as set forth in this paragraph; (ii) the maximum number and kind of securities that may be made subject to Performance Share Awards for any individual as set forth in paragraph 3.c. (iii); (iii) the number and kind of securities subject to any outstanding Award; and (iv) any other adjustments that the Committee determines to be equitable.
5. **ADMINISTRATION.** The Plan shall be administered by the Committee. The Committee shall have the authority to administer the Plan; establish policies under the Plan; amend the Plan, subject to the provisions of paragraph 8; interpret provisions of the Plan; select Plan Participants; establish Performance Goals; make Performance Share Awards; or terminate the Plan, in its sole discretion. The Committee may delegate administrative duties and all decisions not required to be exercised by it under Section 162(m) or Section 16 of the Exchange Act, as it solely determines, including to Company officers. All decisions of the Committee shall be final and binding upon all parties including the Company, its stockholders and Plan Participants.
6. **TAX WITHHOLDING.** The Company shall have the right to deduct from any settlement made under the Plan or to require the Participant to pay the amount of any federal, state or local taxes of any kind required by law to be withheld with respect to the grant, vesting, payment or settlement of an award under this Plan, or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. If Common Stock is withheld or surrendered to satisfy tax withholding, such stock shall be valued at its fair market value as of the date it is withheld or surrendered. The Company may also deduct from any award settlement any other amounts due the Company by the Plan Participant.
7. **GOVERNING LAW.** The Plan, awards granted under the Plan, agreements entered into under the Plan and Performance Shares 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 or an award or agreement or Performance Shares to the substantive law of another jurisdiction.
8. **PLAN AMENDMENT AND TERMINATION.** The Committee may, in its sole discretion, amend, suspend or terminate the Plan at any time, with or without advance notice to Plan Participants, provided that no amendment to the Plan shall be effective that would increase the maximum number of Performance Shares that may be granted under subparagraph 3.c.(iii) to a Participant who is a person referred to in Section 162(m); that would change the Performance Goal criteria applicable to a Participant who is a person referred to in Section 162(m) for payment of awards as set forth in subparagraph 3.c.(i); or

that would modify the requirements as to eligibility for participation under paragraph 2, unless the stockholders of the Company shall have approved such change in accordance with the requirements of Section 162(m). No amendment, modification or termination of the Plan may adversely affect in a material manner any right of any Plan Participant with respect to any Performance Share Award theretofore granted without such participant's written consent.

9. EFFECTIVE DATE OF THE PLAN AND AMENDMENTS. The Plan first became effective on November 18, 1998. Any amendment to the Plan shall be effective on the date established by the Committee, subject to stockholder approval, if required under the provisions of paragraph 8.

THE TORO COMPANY
CHIEF EXECUTIVE OFFICER INCENTIVE AWARD AGREEMENT

AGREEMENT ("Agreement") dated as of July 31, 1995, as amended July 31, 1997 and as amended and restated July 31, 1998, by and between The Toro Company, a Delaware corporation (the "Company"), and Kendrick B. Melrose, its Chief Executive Officer ("Mr. Melrose").

1. PURPOSE. The purpose of this Agreement is to implement The Toro Company Chief Executive Officer Succession Plan (the "Plan") pursuant to which the Company will grant to Mr. Melrose a Restricted Stock and Performance Unit award and enter into a post-retirement and noncompetition agreement with Mr. Melrose, subject to the terms and conditions of the Plan and to Mr. Melrose's acceptance of the terms and conditions thereof.

2. GRANT OF AWARD.

a. GRANT OF RESTRICTED STOCK. The Company hereby grants to Mr. Melrose the number of whole shares of Common Stock having an aggregate fair market value of \$500,000 on July 31, 1995 (the "Restricted Stock"), subject to forfeiture or reduction of the number of shares in the event performance goals set forth in Subsection 3.a.i(A) (the "Performance Goals") are not achieved and to the other terms and conditions of the Plan; provided however that in the event the fair market value of the Common Stock on the date of vesting of the Restricted Stock is less than the fair market value on July 31, 1995, the Company shall make an aggregate payment to Mr. Melrose of the difference between the fair market value on the date of vesting of the Restricted Stock and the fair market value on July 31, 1995. Fair market value shall mean the closing price of the Common Stock on the New York Stock Exchange as reported in THE WALL STREET JOURNAL.

b. GRANT OF PERFORMANCE UNITS AND ANNUITY PURCHASE. Subject to the terms and conditions of the Plan and this Agreement, the Company hereby grants to Mr. Melrose performance units equal to the number of whole shares of Common Stock having an aggregate fair market value of \$500,000 on July 31, 1995 (the "Performance Units"), which Performance Units shall be subject to forfeiture or reduction in the event the Performance Goals set forth in the Plan and in Subsection 3.a.i(A) hereof are not achieved and to the other terms and conditions of the Plan and this Agreement. Each Performance Unit shall have a value equal to the fair market value of one share of Common Stock, from time to time, provided however that the value shall not be less than the fair market value of one share of Common Stock on July 31, 1995. Performance Units shall be evidenced by this Agreement. An amount equal to the aggregate value of the Performance Units remaining at the date of Mr. Melrose's retirement, after forfeiture, if any, shall be utilized by the Company to purchase a retirement annuity payable to Mr. Melrose until his 75th birthday, or to his estate or beneficiaries, and for no other purpose, subject to the condition that Mr. Melrose enter into and comply with the terms and conditions of a noncompetition agreement, in accordance with Subsections 2.c. and 3.b. hereof.

c. POST-RETIREMENT CONSULTING AND NONCOMPETITION AGREEMENT. Subject to the terms and conditions of the Plan and this Agreement, the Company shall enter into a post-retirement consulting and noncompetition agreement with Mr. Melrose, providing for the payment of an aggregate amount of up to \$500,000, which amount shall be adjusted not less than once annually to reflect increases in the consumer price index and which may be utilized to pay expenses of office and support services for Mr. Melrose for a period of five years following the date of his retirement.

3. TERMS, CONDITIONS AND RESTRICTIONS.

a. RESTRICTED STOCK AND PERFORMANCE UNIT PERFORMANCE GOAL RESTRICTIONS. The obligation of the Company to deliver certificates representing the Restricted Stock granted hereunder and to utilize the aggregate value of the Performance Units to purchase a retirement annuity shall be subject to the terms, conditions and restrictions set forth in this Subsection 3.a.

i. VESTING OF RESTRICTED STOCK AND PERFORMANCE UNITS. Mr. Melrose's right to receive the Restricted Stock and the value of the Performance Units shall be subject to the vesting requirements set forth in this Subsection 3.a.i. and to the achievement by Mr. Melrose of the Performance Goals set forth in Subsection 3.a.i.(A) hereof not later than the last day of the period specified to achieve such performance (the "Restricted Period"). Upon achievement of a Performance Goal within an applicable Restricted Period, the restrictions shall lapse with respect to the specified portion of Restricted Stock, which specified portion shall vest and become nonforfeitable. Upon achievement of a Performance Goal within an applicable Restricted Period, the restrictions shall lapse with respect to the specified portion of Performance Units, which specified portion shall vest and become nonforfeitable, subject to the further condition that Mr. Melrose enter into and comply with the terms and conditions of a noncompetition agreement in accordance with Subsections 2.c and 3.b. If Mr. Melrose does not enter into a noncompetition agreement or does not comply with the terms and conditions of such a noncompetition agreement, then Mr. Melrose shall forfeit the value of the Performance Units or, if a retirement annuity has been acquired by the Company, the retirement annuity.

(A) The following table sets forth the Performance Goals, the schedule for achievement of each Performance Goal and the portion of Restricted Stock and Performance Units in which rights vest upon such achievement.

Performance Goal to be Achieved	Restricted Period (July 31, 1995 through earlier of date shown or Goal Achievement)	Portion of Shares of Restricted Stock to Vest Upon Achievement	Portion of Performance Units to Vest Upon Achievement
Goal 1: CEO and senior management succession plan developed and progress towards fulfillment of the plan, approved by Board of Directors	October 31, 1999	15%	15%
Goal 2: Potential CEO successor identified with approval of Board of Directors and continued development of senior management team	October 31, 2000	15%	15%
Goal 3: CEO successor who was identified and developed by Mr. Melrose is elected as CEO by Board of Directors	October 31, 2003	70%	70%

(B) Early Selection of Successor. Notwithstanding any other provision of the Plan, in the event that the Board of Directors elects as Mr. Melrose's successor the individual identified and developed by Mr. Melrose, and such successor is in place as chief executive officer of the Company and Mr. Melrose elects to retire prior to the last day of the final Restricted Period, but no earlier than July 31, 1997, all Restricted Stock and Performance Units shall vest in full and become nonforfeitable, subject to the condition with respect to the Performance Units that Mr. Melrose enter into and comply with the terms

and conditions of a noncompetition agreement in accordance with Subsection 3.b.

- (C) The Special CEO Succession Subcommittee of the Compensation Committee of the Board of Directors (the "Committee") shall be responsible for certifying in writing to the Company that an applicable Performance Goal has been met by Mr. Melrose prior to release and delivery of certificates representing the shares of Restricted Stock or payment of the value of Performance Units for the purchase of a retirement annuity to Mr. Melrose.
- (D) The terms of this Agreement are not intended to, and do not, impose on Mr. Melrose a mandatory retirement date not otherwise applicable to employees of the Company generally, and Mr. Melrose shall not be obligated to retire as an officer of the Company in order to obtain the benefits of this Agreement.

ii. LIMITS ON TRANSFER OF RESTRICTED STOCK AND PERFORMANCE UNITS. Shares of the Restricted Stock which have not vested in accordance with the provisions of Subsection 3.a.i. hereof may not be sold, transferred, pledged, assigned or otherwise encumbered. Performance Units may not be sold, transferred, pledged, assigned or otherwise encumbered at any time and the value of Performance Units may be utilized only for the purpose of purchasing the retirement annuity referred to the Subsection 2.b. hereof.

iii. TERMINATION, DEATH OR DISABILITY. In the event that the Board of Directors terminates Mr. Melrose's employment other than for cause (as defined in Subsection 3.c. hereof) and elects as Mr. Melrose's successor a chief executive officer who was identified and developed by Mr. Melrose, or in the event of the termination of Mr. Melrose's employment due to his death or disability, then all shares of Restricted Stock and Performance Units shall automatically vest in full, notwithstanding that Mr. Melrose does not enter into a noncompetition agreement in accordance with Subsections 2.c. and 3.b., and shall become nonforfeitable in the fiscal year following the year of the date of such event, and on the first day that such vesting would not cause the compensation to be deemed compensation with respect to the prior fiscal year.

b. POST-RETIREMENT CONSULTING AND NONCOMPETITION AGREEMENT. The Company's agreement to pay any amount in connection with post-retirement consulting services to be provided by Mr. Melrose and its payment of the value of Performance Units for the purchase of a retirement annuity payable to Mr. Melrose pursuant to Subsection 2.b. shall be subject to and in consideration of Mr. Melrose's execution of an agreement not to compete with the Company by serving as an employee or member of the board of directors of or consultant to Rainbird, Jacobson or John Deere, or any successor thereof or similar competitor of the Company for a period of five years following the date of Mr. Melrose's retirement as Chief Executive Officer. The Company's agreement to pay any amount in connection with post-retirement consulting services to be provided by Mr. Melrose shall be subject to his agreement to provide consulting services to the Company for a period of five years following the date of his retirement; provided however that Mr. Melrose may elect to terminate the consulting agreement, but not the agreement not to compete, in which event any balance of the \$500,000 amount referred to in Subsection 2.c. not then expended for Mr. Melrose's benefit shall be paid to Mr. Melrose over the remainder of the five year period. Mr. Melrose shall not have any right to receive payments pursuant to Subsection 2.c. or this Subsection 3.b. until and unless he shall have executed an agreement not to compete with the Company and delivered a fully executed copy thereof to the Company, and otherwise complied with the then applicable terms and conditions of the Plan, except as provided in Subsection 3.a.iii.

c. TERMINATION OF EMPLOYMENT. Except as otherwise provided by Subsection 3.a. hereof, if Mr. Melrose resigns his employment with the Company or if his employment is terminated by the Board of Directors for cause during any Restricted Period, all shares of Restricted Stock and all Performance Units then subject to restrictions and all other rights under this Plan shall be forfeited by Mr. Melrose and the Restricted Stock shall be

reacquired by the Company. For purposes of this Agreement, "Cause" shall mean: (i) the willful and continued failure of Mr. Melrose to perform substantially his duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Mr. Melrose by the Board of Directors of the Company which specifically identifies the manner in which the Board of Directors believes that Mr. Melrose has not substantially performed his duties, or (ii) the willful engaging by Mr. Melrose in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of Mr. Melrose, shall be considered "willful" unless it is done, or omitted to be done, by Mr. Melrose in bad faith or without reasonable belief that Mr. Melrose's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors or upon the instructions of a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Mr. Melrose in good faith and in the best interests of the Company. The cessation of employment of Mr. Melrose shall not be deemed to be for Cause unless and until there shall have been delivered to Mr. Melrose a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board at a meeting of the Board of Directors called and held for such purpose (after reasonable notice is provided to Mr. Melrose and Mr. Melrose is given an opportunity, together with counsel, to be heard before the Board of Directors), finding that, in the good faith opinion of the Board of Directors, Mr. Melrose is guilty of the conduct described in Subsection 3.c.(i) or (ii) above, and specifying the particulars thereof in detail.

d. STOCK CERTIFICATES.

i. ISSUANCE. The Company shall issue a stock certificate or certificates representing the shares of Restricted Stock granted under the Plan. Such certificates shall be registered in Mr. Melrose's name and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to the grant, substantially in the following form:

The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Chief Executive Officer Succession Incentive Plan and an agreement entered into between the registered owner and The Toro Company. Copies of the plan and agreement are on file in the offices of The Toro Company, 8111 Lyndale Avenue South, Bloomington, Minnesota 55420.

ii. ESCROW. Certificates representing the Restricted Stock shall be physically held by the Company or its nominee during any Restricted Period, and the Company may require, as a condition of the grant, that Mr. Melrose shall have delivered a stock power, endorsed in blank, with respect to any shares of the Restricted Stock. Upon the achievement of the Performance Goals with respect to any shares of Restricted Stock, as certified to by the Committee, the Company shall cause the certificate representing such shares of Restricted Stock to be removed from escrow and delivered to the Company for reissuance

and delivery of Common Stock in the name of Mr. Melrose. If any shares of Restricted Stock are to be forfeited, certificates representing such shares shall be delivered to the Company for reissuance in its name or cancellation and Mr. Melrose shall have no further interest in such stock.

iii. LAPSE OF RESTRICTIONS. When the Performance Goals set forth in Subsection 3.a.i.(A) have been achieved with respect to any portion of the shares of the Restricted Stock, the Company shall deliver to Mr. Melrose or his legal representative, beneficiary or heir not later than 60 days thereafter a certificate or certificates representing the Common Stock without the legend referred to in Subsection 3.d.i. hereof. The number of shares of Common Stock to be released shall be the same number as to which the Performance Goals have been achieved in accordance with Subsection 3.a.i.(A).

e. RIGHTS AS STOCKHOLDER.

i. RIGHT TO VOTE AND DIVIDENDS. Except as provided in Section 2 and this Section 3, Mr. Melrose shall have, with respect to the shares of Restricted Stock, all of the rights of a stockholder of the Company, including the right to vote the shares and the right to receive cash dividends with respect to the shares.

ii. ADJUSTMENTS. In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or other change in corporate structure affecting the Common Stock, the Committee shall make such substitution or adjustment in the aggregate number of shares of Common Stock reserved for issuance under the Plan or in the number of shares outstanding as Restricted Stock or in the number of Performance Units, as may be determined to be appropriate by the Committee, acting in its sole discretion, provided that the number of shares or Performance Units shall always be a whole number.

f. CHANGE IN CONTROL. In the event of a Change of Control of the Company as hereinafter defined, whether or not approved by the Board of Directors, all shares of Restricted Stock shall immediately fully vest and be freely transferable.

Change of Control means:

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

controlled by the Company, or (D) any acquisition by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of subsection iii. of this Subsection 3.f.; or

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

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

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

4. WITHHOLDING TAXES. The Company shall have the right to deduct from any settlement made under the Plan any federal, state or local taxes of any kind, including FICA and related

taxes, required by law to be withheld with respect to the vesting of rights to receive or payment of remuneration or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. If Common Stock is withheld or surrendered to satisfy tax withholding, such stock shall be valued at its fair market value as of the date such Common Stock is withheld or surrendered or the obligation to pay such taxes becomes fixed.

5. REGISTRATION RIGHTS. Mr. Melrose shall have the right to require that the Company promptly take all necessary steps to register or qualify the Restricted Stock, or Common Stock issued upon vesting of the Restricted Stock, under the Securities Act of 1933, as amended, and the securities laws of such states as Mr. Melrose may reasonably request. The Company shall keep effective and maintain any registration, qualification, notification or approval for such period as is reasonably necessary for Mr. Melrose to dispose of the Restricted Stock or Common Stock and from time to time shall amend or supplement the prospectus used in connection therewith to the extent necessary in order to comply with applicable law. The Company shall bear all fees, costs and expenses of such registration, qualification, notification or approval.

6. COMPLIANCE WITH RULE 16b-3 AND SECTION 162(m). The grants of Restricted Stock and Performance Units made under this Agreement and the remuneration to be paid to Mr. Melrose as a consequence of the grants are intended to comply with all applicable conditions of Rule 16b-3 under the Securities Exchange Act of 1934 and to avoid the loss of the deduction referred to in paragraph (1) of Section 162(m) of the Internal Revenue Code of 1986, as amended. Anything in the Plan or this Agreement to the contrary notwithstanding, to the extent any provision of the Plan or this Agreement or action by the Committee fails to so comply or to avoid the loss of such deduction, it shall be deemed null and void to the extent permitted by law and deemed advisable by the Committee.

7. EMPLOYMENT. Nothing in the Plan or this Agreement shall interfere with or limit in any way the right of the Company to terminate Mr. Melrose's employment at any time, with the Company or any subsidiary of the Company, or shall confer upon Mr. Melrose any right to continue in the employ of the Company.

8. NONEXCLUSIVITY OF THE PLAN. Neither the adoption of the Plan by the Board nor the submission of the Plan to stockholders for approval shall be construed to limit the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including without limitation, the award of stock and cash awards otherwise than under the Plan, or to set compensation and retirement benefits and make such awards to Mr. Melrose as either may deem desirable.

9. EXCLUSION FROM PENSION, PROFIT SHARING AND OTHER BENEFIT CALCULATIONS. By acceptance of the award made by this Agreement, Mr. Melrose agrees that the award or

vesting of Restricted Stock and Performance Units constitute special incentive compensation that is not taken into account as "salary" or "compensation" or "bonus" in determining the amount of any payment under any pension, retirement or profit sharing plan of the Company or any subsidiary. Mr. Melrose agrees further that such award shall not be taken into account in determining the amount of any life insurance coverage, short or long-term disability coverage or any other pay-based benefit provided by the Company or any subsidiary.

10. AMENDMENT. This Agreement may be amended, modified or terminated from time to time, to reflect any amendments, modifications or the termination of the Plan; provided however that no amendment may be adopted without the approval of the stockholders of the Company if such amendment requires stockholder approval pursuant to Rule 16b-3 or Section 162(m), and no amendment, modification or termination may be adopted without the written agreement of Mr. Melrose if such amendment, modification or termination would adversely affect his rights. Subject to the foregoing and the requirements of Section 162(m), the Board may, in accordance with the recommendation of the Committee and without further action on the part of stockholders of the Company or the consent of Mr. Melrose, amend the Plan to preserve the employer deduction under Section 162(m).

11. GOVERNING LAW. This Plan, awards granted under the Plan and agreements entered into under the Plan shall be construed, administered and governed in all respects under and by the applicable laws of the State of Delaware, without giving effect to principles of conflicts of laws.

12. SUCCESSORS. Except as otherwise provided in the Plan or this Agreement, the Plan and this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns and Mr. Melrose, his beneficiaries, heirs, executors, administrators and legal representatives.

IN WITNESS WHEREOF, the Agreement has been executed and delivered by the Company as of the date first above set forth.

THE TORO COMPANY

Title: Vice President & Secretary

I hereby agree to the terms and conditions of this Restricted Stock and Performance Unit Award grant made to me as of July 31, 1995, as amended July 31, 1997 and as amended and restated July 31, 1998 and as amended 5/13/99.

KENDRICK B. MELROSE

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND CONDENSED CONSOLIDATED BALANCE SHEETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS		
	OCT-31-2000	
	NOV-01-1999	
	APR-28-2000	902
		0
	456,665	0
	241,924	365,219
	749,293	237,069
		1,016,031
	507,223	196,074
	0	0
		12,643
		293,987
1,016,031		722,038
	722,038	460,150
		202,718
	202,718	1,581
	1,581	0
	0	13,409
	13,409	44,180
	44,180	16,347
	27,833	0
		0
		0
		27,833
		2.17
		2.13

Total long-term debt

Does not include additional paid-in-capital

Other expense, net

Not included in quarterly financial information

Total net receivables