UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended July 30, 2010

THE TORO COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**1-8649**	**41-0580470**
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

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

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

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

Yes S No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes S No £

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

Large accelerated filer S	Accelerated filer £	Non-accelerated filer £ (Do not check if a smaller reporting company)	Smaller reporting company £

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

Yes £ No S

The number of shares of Common Stock outstanding as of August 27, 2010 was 31,310,103.

THE TORO COMPANY
INDEX TO FORM 10-Q

		Page Number
PART I.	**FINANCIAL INFORMATION:**	
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Statements of Earnings – Three and Nine Months Ended July 30, 2010 and July 31, 2009	3
	Condensed Consolidated Balance Sheets - July 30, 2010, July 31, 2009, and October 31, 2009	4
	Condensed Consolidated Statements of Cash Flows - Nine Months Ended July 30, 2010 and July 31, 2009	5
	Notes to Condensed Consolidated Financial Statements	6-16
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	16-25
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	25-26
Item 4.	Controls and Procedures	26
PART II.	**OTHER INFORMATION:**	
Item 1.	Legal Proceedings	27-28
Item 1A.	Risk Factors	28
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 6.	Exhibits	30
	Signatures	31

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

	Three Months Ended		Nine Months Ended	
	July 30, 2010	July 31, 2009	July 30, 2010	July 31, 2009
Net sales	$ 458,890	$ 394,859	$ 1,353,067	$ 1,234,883
Cost of sales	297,257	261,061	887,631	821,600
Gross profit	161,633	133,798	465,436	413,283
Selling, general, and administrative expense	107,824	94,181	319,712	300,971
Earnings from operations	53,809	39,617	145,724	112,312
Interest expense	(4,243)	(4,429)	(12,759)	(13,207)
Other income (expense), net	2,399	(4,018)	4,205	(1,725)
Earnings before income taxes	51,965	31,170	137,170	97,380
Provision for income taxes	18,551	11,393	47,177	34,011
Net earnings	$ 33,414	$ 19,777	$ 89,993	$ 63,369
Basic net earnings per share of common stock	$ 1.03	$ 0.55	$ 2.69	$ 1.75
Diluted net earnings per share of common stock	$ 1.01	$ 0.54	$ 2.66	$ 1.73
Weighted-average number of shares of common stock outstanding – Basic	32,464	35,981	33,400	36,248
Weighted-average number of shares of common stock outstanding – Diluted	32,972	36,357	33,819	36,626

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(Dollars in thousands)

	July 30, 2010	July 31, 2009	October 31, 2009
ASSETS			
Cash and cash equivalents	$ 163,379	$ 130,735	$ 187,773
Receivables, net	170,096	269,886	143,709
Inventories, net	177,195	160,589	176,275
Prepaid expenses and other current assets	12,302	12,224	14,914
Deferred income taxes	56,847	58,542	59,467
Total current assets	579,819	631,976	582,138
Property, plant, and equipment	576,645	539,717	551,747
Less accumulated depreciation	408,642	373,742	385,031
	168,003	165,975	166,716
Deferred income taxes	3,679	6,445	3,585
Other assets	18,001	9,318	10,512
Goodwill	86,484	86,321	86,407
Other intangible assets, net	23,666	17,660	23,324
Total assets	$ 879,652	$ 917,695	$ 872,682
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	$ 3,205	$ 3,027	$ 3,765
Short-term debt	737	-	4,529
Accounts payable	118,009	68,304	91,074
Accrued liabilities	243,743	237,259	217,433
Total current liabilities	365,694	308,590	316,801
Long-term debt, less current portion	224,313	225,521	225,046
Deferred revenue	10,332	8,517	8,510
Other long-term liabilities	7,680	6,274	7,113
Stockholders' equity:			
Preferred stock, par value $1.00, authorized 1,000,000 voting and 850,000 non-voting shares, none issued and outstanding	-	-	-
Common stock, par value $1.00, authorized 100,000,000 shares, issued and outstanding 31,310,103 shares as of July 30, 2010, 34,441,771 shares as of July 31, 2009, and 33,369,486 shares as of October 31, 2009	31,310	34,442	33,369
Retained earnings	251,812	343,102	291,246
Accumulated other comprehensive loss	(11,489)	(8,751)	(9,403)
Total stockholders' equity	271,633	368,793	315,212
Total liabilities and stockholders' equity	$ 879,652	$ 917,695	$ 872,682

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	July 30, 2010	July 31, 2009
Cash flows from operating activities:		
Net earnings	$ 89,993	$ 63,369
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Equity (income) losses from investments	(1,760)	46
Provision for depreciation and amortization	32,454	29,537
Gain on disposal of property, plant, and equipment	(107)	(51)
Stock-based compensation expense	5,370	2,959
Decrease in deferred income taxes	460	1,178
Changes in operating assets and liabilities, net of effect of acquisitions:		
Receivables, net	(33,918)	(10,487)
Inventories, net	(398)	51,841
Prepaid expenses and other assets	1,259	(1,612)
Accounts payable, accrued expenses, deferred revenue, and other long-term liabilities	64,042	(17,816)
Net cash provided by operating activities	157,395	118,964
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(32,689)	(24,003)
Proceeds from asset disposals	312	200
Increase in investment in affiliates	(5,354)	-
Decrease in other assets	464	122
Acquisitions, net of cash acquired	(3,572)	-
Net cash used in investing activities	(40,839)	(23,681)
Cash flows from financing activities:		
Decrease in short-term debt	-	(3,237)
Repayments of long-term debt, net of costs	(1,690)	(2,206)
Excess tax benefits from stock-based awards	3,093	4,478
Proceeds from exercise of stock-based awards	13,318	4,877
Purchases of Toro common stock	(135,269)	(55,044)
Dividends paid on Toro common stock	(17,997)	(16,313)
Net cash used in financing activities	(138,545)	(67,445)
Effect of exchange rates on cash	(2,405)	3,538
Net (decrease) increase in cash and cash equivalents	(24,394)	31,376
Cash and cash equivalents as of the beginning of the fiscal period	187,773	99,359
Cash and cash equivalents as of the end of the fiscal period	$ 163,379	$ 130,735

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 U.S. generally accepted accounting principles (GAAP) for complete financial statements. Unless the context indicates otherwise, the terms “company” and “Toro” refer to The Toro Company and its consolidated subsidiaries. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting primarily of recurring accruals, considered necessary for a fair presentation of the financial position and results of operations. Since the company’s business is seasonal, operating results for the nine months ended July 30, 2010 cannot be annualized to determine the expec ted results for the fiscal year ending October 31, 2010. Additional factors that could cause the company’s actual results to differ materially from its expected results, including any forward-looking statements made in this report, are described in the company’s most recently filed Annual Report on Form 10-K (Item 1A. Risk Factors) and later in this report under Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations– Forward-Looking Information.

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

For further information, refer to the consolidated financial statements and notes included in the company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2009. The policies described in that report are used for preparing quarterly reports.

Accounting Policies

In preparing the consolidated financial statements in conformity with U.S. GAAP, management must make decisions that impact the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures, including disclosures of contingent assets and liabilities. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. Estimates are used in determining, among other items, sales promotions and incentives accruals, inventory valuation, warranty accruals, allowance for doubtful accounts, pension and postretirement accruals, self-insurance accruals, useful lives for intangible assets, and future cash flows associated with impairment testing for goodwill and other long-lived assets. These estimates and assumptions are based on management’s best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances, including the current economic environment. Management adjusts such estimates and assumptions when facts and circumstances dictate. A number of these factors are discussed in the company’s Annual Report on Form 10-K (Item 1A. Risk Factors) for the fiscal year ended October 31, 2009, which include, among others, economic conditions, foreign currency exchange rate impact, commodity costs, credit conditions, and consumer spending and confidence levels, all of which may increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual amounts could differ significantly from those estimated at the time the consolidated financial statements are prepa red. Changes in those estimates resulting from changes in the economic environment will be reflected in the consolidated financial statements in future periods.

Acquisitions and Divestiture

On April 30, 2010, the company completed the purchase of certain assets and assumed certain liabilities from USPraxis, Inc., a manufacturer of stump grinders, wood chippers, and log splitters for rental centers and landscape professionals. The addition of these products broadens and strengthens the company’s equipment solutions for the rental and landscape markets. The estimated purchase price was $2.5 million, which included a cash payment, the issuance of a long-term note, and an estimated earnout consideration.

On December 1, 2009, during the first quarter of fiscal 2010, the company’s wholly owned domestic distribution company completed the acquisition of certain assets and the assumption of certain liabilities of one of the company’s independent Midwestern-based distribution companies. During the first quarter of fiscal 2009, the company completed the sale of a portion of the operations of its company-owned distributorship.

These acquisitions and divestiture were immaterial based on the company’s consolidated financial condition and results of operations.

Comprehensive Income

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

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	July 30, 2010	July 31, 2009	July 30, 2010	July 31, 2009
Net earnings	$ 33,414	$ 19,777	$ 89,993	$ 63,369
Other comprehensive income (loss):				
Cumulative translation adjustments	(1,655)	6,716	(5,520)	8,441
Pension liability adjustment, net of tax	-	595	671	595
Unrealized gain (loss) on derivative instruments, net of tax	251	(2,470)	2,762	(9,243)
Comprehensive income	$ 32,010	$ 24,618	$ 87,906	$ 63,162

Stock-Based Compensation

Under the company's equity-based compensation plans, option awards are granted with an exercise price equal to the closing price of the company's common stock on the date of grant, as reported by the New York Stock Exchange. Options are generally granted to non-employee directors, officers, and other key employees in the first quarter of the company's fiscal year. Option awards vest one-third each year over a three-year period and have a ten-year term. Compensation expense equal to the grant date fair value is generally recognized for these awards over the vesting period. However, if a director has served on the company's Board of Directors for ten full fiscal years or longer, the fair value of the options granted is fully expensed as of the date of the grant. Similarly, options granted to officers and other key employees are also subject to accelerated expensing if the option holder meets the retirement definition set forth in the applicable equity-based compensation plan. In that case, the fair value of the options is expensed in the year of grant because the option holder must be employed as of the end of the fiscal year in which the options are granted in order for the option to continue to vest following retirement. Key employees are also granted the right to receive shares of common stock or performance share units, contingent on the achievement of performance goals of the company, which are generally measured over a three-year period. The number of shares of common stock a participant receives will be increased (up to 200 percent of target levels) or reduced (down to zero) based on the level of achievement of performance goals and vest over a three-year period. Performance share awards are granted in the first quarter of the company's fiscal year. Compensation expense is recognized for these awards on a straight-line basis over the vesting period based on the fair value as of the date of grant and the probability of achieving performance goals. Total compensation expense for option and performance share awards for the third quarter of fiscal 2010 and 2009 was $2.5 million and $0.9 million, respectively. Year-to-date compensation expense for option and performance share awards through the third quarter of fiscal 2010 and 2009 was $5.4 million and $3.0 million, respectively.

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

	Fiscal 2010	Fiscal 2009
Expected life of option in years	6	6
Expected volatility	33.00% - 33.07%	30.57% - 30.60%
Weighted-average volatility	33.00%	30.60%
Risk-free interest rate	2.51% - 2.87%	2.26% - 3.16%
Expected dividend yield	1.52% - 1.68%	1.53%- 1.81%
Weighted-average dividend yield	1.54%	1.79%

The weighted-average fair value of options granted during the first quarter of each of fiscal 2010 and 2009 was $12.33 per share and $7.93 per share, respectively. The fair value of performance share awards granted during the first quarter of each of fiscal 2010 and 2009 was $40.73 per share and $28.62 per share, respectively. No option or performance share awards were granted during the second or third quarters of fiscal 2010 or fiscal 2009.

Inventories

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

Inventories were as follows:

(Dollars in thousands)	July 30, 2010	July 31, 2009	October 31, 2009
Raw materials and work in process	$ 59,612	$ 54,780	$ 56,679
Finished goods and service parts	167,727	156,112	169,739
Total FIFO value	227,339	210,892	226,418
Less: adjustment to LIFO value	50,144	50,303	50,143
Total	$ 177,195	$ 160,589	$ 176,275

Per Share Data

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

	Three Months Ended		Nine Months Ended	
(Shares in thousands)	July 30, 2010	July 31, 2009	July 30, 2010	July 31, 2009
Basic				
Weighted-average number of shares of common stock	32,464	35,981	33,397	36,243
Assumed issuance of contingent shares	-	-	3	5
Weighted-average number of shares of common stock and assumed issuance of contingent shares	32,464	35,981	33,400	36,248
Diluted				
Weighted-average number of shares of common stock and assumed issuance of contingent shares	32,464	35,981	33,400	36,248
Effect of dilutive securities	508	376	419	378
Weighted-average number of shares of common stock, assumed issuance of contingent shares, and effect of dilutive securities	32,972	36,357	33,819	36,626

Options to purchase an aggregate of 320,490 and 1,493,976 shares of common stock outstanding during the third quarters of fiscal 2010 and 2009, respectively, were excluded from the diluted net earnings per share calculation because their exercise prices were greater than the average market price of the company’s common stock during the same respective periods. Options to purchase an aggregate of 331,730 and 1,495,271 shares of common stock outstanding during the year-to-date periods through the third quarter of fiscal 2010 and 2009, respectively, were excluded from the diluted net earnings per share calculations because their exercise prices were greater than the average market price of the company’s common stock during the same respective periods.

Goodwill

The changes in the net carrying amount of goodwill for the first nine months of fiscal 2010 were as follows:

(Dollars in thousands)	Professional Segment	Residential Segment	Total
Balance as of October 31, 2009	$ 75,514	$ 10,893	$ 86,407
Translation adjustment	29	48	77
Balance as of July 30, 2010	$ 75,543	$ 10,941	$ 86,484

Other Intangible Assets

The components of other amortizable intangible assets were as follows:

(Dollars in thousands) July 30, 2010	Estimated Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Patents	5-13	$ 8,703	$ (6,935)	$ 1,768
Non-compete agreements	2-10	3,039	(1,807)	1,232
Customer related	6-13	7,441	(1,870)	5,571
Developed technology	2-10	13,966	(4,152)	9,814
Other		800	(800)	—
Total amortizable		33,949	(15,564)	18,385
Non-amortizable - Trade names		5,281	—	5,281
Total other intangible assets, net		$ 39,230	$ (15,564)	$ 23,666

(Dollars in thousands) October 31, 2009	Estimated Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Patents	5-13	$ 8,654	$ (6,641)	$ 2,013
Non-compete agreements	2-10	2,839	(1,517)	1,322
Customer related	10-13	6,549	(1,458)	5,091
Developed technology	2-10	12,799	(3,182)	9,617
Other		800	(800)	—
Total amortizable		31,641	(13,598)	18,043
Non-amortizable - Trade names		5,281	—	5,281
Total other intangible assets, net		$ 36,922	$ (13,598)	$ 23,324

Amortization expense for intangible assets during the first nine months of fiscal 2010 was $2.0 million. Estimated amortization expense for the remainder of fiscal 2010 and succeeding fiscal years is as follows: fiscal 2010 (remainder), $0.7 million; fiscal 2011, $2.9 million; fiscal 2012, $2.8 million; fiscal 2013, $2.6 million; fiscal 2014, $2.3 million; fiscal 2015, $2.1 million; and after fiscal 2015, $5.0 million.

Investment in Joint Venture

On August 12, 2009, the company and TCF Inventory Finance, Inc. (TCFIF), a subsidiary of TCF National Bank, established a joint venture in the form of a Delaware limited liability company named Red Iron Acceptance, LLC (Red Iron) to provide inventory financing, including floor plan and open account receivable financing, to distributors and dealers of the company’s products in the U.S. and to select distributors of the company’s products in Canada. The initial term of the joint venture will continue until October 31, 2014, subject to unlimited automatic two-year extensions thereafter. Either the company or TCFIF may elect not to extend the initial term or any subsequent term by giving one-year notice to the other party of its intention not to extend the term. Red Iron began financing floor plan receivables during the company& #8217;s fourth quarter of fiscal 2009.

The company sells to Red Iron certain inventory receivables, including floor plan and open account receivables, from distributors and dealers of the company’s products, at a purchase price equal to the face value of the receivables. As the company sells receivables to Red Iron, the company derecognizes non-recourse receivables from its books upon receipt of cash from Red Iron for receivables sold. During the first quarter of fiscal 2010, the company sold to Red Iron open account receivables for customers whose floor plan receivables were sold to Red Iron during the fourth quarter of fiscal 2009, as well as

for customers whose floor plan receivables were previously financed by a third party financing company, in the aggregate amount of $18.1 million.

The company owns 45 percent of Red Iron and TCFIF owns 55 percent of Red Iron. The company accounts for its investment in Red Iron under the equity method of accounting. The company and TCFIF each contributed a specified amount of the estimated cash required to enable Red Iron to purchase the company's inventory financing receivables and to provide financial support for Red Iron's inventory financing programs. Red Iron borrows the remaining requisite estimated cash utilizing a $450 million secured revolving credit facility established under a credit agreement between Red Iron and TCFIF. The company's total investment in Red Iron as of July 30, 2010 was $10.6 million. The company has not guaranteed the outstanding indebtedness of Red Iron. The company has agreed to repurchase products repos sessed by Red Iron, up to a maximum aggregate amount of $7.5 million in a calendar year. In addition, the company provided recourse to Red Iron for certain outstanding receivables, which amounted to $0.7 million as of July 30, 2010.

Red Iron purchased $627.0 million of receivables from the company during the first nine months of fiscal 2010, which includes the initial purchase of open accounts receivable in the aggregate amount of $18.1 million. As of July 30, 2010, Red Iron's total assets were $212.5 million and total liabilities were $189.0 million. Red Iron's net income from operations since inception through July 30, 2010 was $3.2 million.

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 three reportable business segments: professional, residential, and distribution. The distribution segment, which consists of a wholly owned domestic distribution company, has been combined with the company's corporate activities and elimination of intersegment revenues and expenses that is shown as "Other" in the following tables.

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

(Dollars in thousands)

Three months ended July 30, 2010	Professional	Residential	Other	Total
Net sales	$ 317,876	$ 135,759	$ 5,255	$ 458,890
Intersegment gross sales	4,471	101	(4,572)	-
Earnings (loss) before income taxes	62,681	10,650	(21,366)	51,965
Three months ended July 31, 2009	**Professional**	**Residential**	**Other**	**Total**
Net sales	$ 260,884	$ 126,181	$ 7,794	$ 394,859
Intersegment gross sales	5,226	130	(5,356)	-
Earnings (loss) before income taxes	39,436	10,701	(18,967)	31,170
Nine months ended July 30, 2010	**Professional**	**Residential**	**Other**	**Total**
Net sales	$ 880,252	$ 462,613	$ 10,202	$ 1,353,067
Intersegment gross sales	12,841	422	(13,263)	-
Earnings (loss) before income taxes	156,094	49,190	(68,114)	137,170
Total assets	459,712	153,840	266,100	879,652
Nine months ended July 31, 2009	**Professional**	**Residential**	**Other**	**Total**
Net sales	$ 800,630	$ 416,762	$ 17,491	$ 1,234,883
Intersegment gross sales	16,168	1,019	(17,187)	-
Earnings (loss) before income taxes	126,424	32,122	(61,166)	97,380
Total assets	460,115	153,827	303,753	917,695

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

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	July 30, 2010	July 31, 2009	July 30, 2010	July 31, 2009
Corporate expenses	$ (19,523)	$ (14,931)	$ (57,919)	$ (54,744)
Finance charge revenue	-	213	-	733
Elimination of corporate financing expense	-	2,031	-	5,604
Interest expense, net	(4,243)	(4,429)	(12,759)	(13,207)
Other	2,400	(1,851)	2,564	448
Total	$ (21,366)	$ (18,967)	$ (68,114)	$ (61,166)

Warranty Guarantees

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

Warranty provisions, claims, and changes in estimates for the first nine-month periods in fiscal 2010 and 2009 were as follows:

(Dollars in thousands) Nine Months Ended	Beginning Balance	Warranty Provisions	Warranty Claims	Changes in Estimates	Ending Balance
July 30, 2010	$ 54,273	$ 29,374	$ (22,135)	$ 1,164	$ 62,676
July 31, 2009	$ 58,770	$ 26,631	$ (26,814)	$ 1,408	$ 59,995

Postretirement Benefit and Deferred Compensation Plans

The following table presents the components of net periodic benefit costs of the company's postretirement medical and dental benefit plan:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	July 30, 2010	July 31, 2009	July 30, 2010	July 31, 2009
Service cost	$ 55	$ 54	$ 165	$ 162
Interest cost	101	175	303	525
Prior service cost	(48)	(48)	(145)	(144)
Amortization of losses	30	48	90	144
Net expense	$ 138	$ 229	$ 413	$ 687

As of July 30, 2010, the company had contributed approximately $0.2 million to its postretirement medical and dental benefit plan in fiscal 2010. The company expects to contribute a total of $0.3 million in fiscal 2010, including contributions made through July 30, 2010.

The company maintains The Toro Company Investment, Savings and Employee Stock Ownership Plan for eligible employees. The company's expenses under this plan were $4.4 million and $12.4 million for the third quarter and year-to-date periods in fiscal 2010, respectively, and $3.8 million and $11.9 million for the third quarter and year-to-date periods in fiscal 2009, respectively.

The company also offers participants in the company's deferred compensation plans the ability to invest their deferred compensation in multiple investment funds. The fair value of the investment in the deferred compensation plans as of July 30, 2010 was $15.2 million, which reduced the company's deferred compensation liability reflected in accrued liabilities on the consolidated balance sheet.

Income Taxes

The company is subject to U.S. federal income tax, as well as income tax of numerous state and foreign jurisdictions. The company is generally no longer subject to U.S. federal tax examinations for taxable years before fiscal 2006 and with limited exceptions, state and foreign income tax examinations for fiscal years before 2005. The Internal Revenue Service is currently examining the company's income tax return for the 2006 fiscal year. It is possible that the examination phase of the audit may conclude in the next 12 months, and the related unrecognized tax benefits for tax positions taken may change from those recorded as liabilities for uncertain tax positions in the company's financial statements as of July 30, 2010. Although the outcome of this matter cannot currently be determined, the company believes adequate provisio ns have been made for any potential unfavorable financial statement impact.

As of July 30, 2010 and July 31, 2009, the company had $5.9 million and $5.4 million, respectively, of liabilities recorded related to unrecognized tax benefits. Accrued interest and penalties on these unrecognized tax benefits were $1.1 million and $0.9 million as of July 30, 2010 and July 31, 2009, respectively. The company recognizes potential interest and penalties related to income tax positions as a component of the provision for income taxes. To the extent interest and penalties are not assessed with respect to uncertain tax positions, the amounts accrued will be revised and reflected as an adjustment to the provision for income taxes. Included in the liability balance as of July 30, 2010 are approximately $3.9 million of unrecognized tax benefits that, if recognized, will affect the company's ef fective tax rate.

The company does not anticipate that total unrecognized tax benefits will change significantly during the next 12 months.

Derivative Instruments and Hedging Activities

The company is exposed to foreign currency exchange rate risk arising from transactions in the normal course of business, such as sales to third party customers, sales and loans to wholly owned foreign subsidiaries, foreign plant operations, and purchases from suppliers. The company actively manages the exposure of its foreign currency market risk by entering into various hedging instruments, authorized under company policies that place controls on these activities, with counterparties that are highly rated financial institutions. The company's hedging activities involve the primary use of forward currency contracts. The company uses derivative instruments only in an attempt to limit underlying exposure from foreign currency exchange rate fluctuations and to minimize earnings and cash flow volatility associated with foreign currency exchange rate changes. Decisions on whether to use such contracts are made based on the amount of exposure to the currency involved, and an assessment of the near-term market value for each currency. The company's policy does not allow the use of derivatives for trading or speculative purposes. The company's primary foreign currency exchange rate exposures are with the Euro, the Australian dollar, the Canadian dollar, the British pound, the Mexican peso, and the Japanese yen against the U.S. dollar.

Cash flow hedges. The company recognizes all derivative instruments as either assets or liabilities at fair value on its consolidated balance sheet and formally documents relationships between cash flow hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives to the forecasted transactions, such as sales to third parties and foreign plant operations. Changes in the fair value of outstanding derivative instruments that are designated and qualify as a cash flow hedge are recorded in other comprehensive income (OCI), except for the ineffective portion, until net earnings is affected by the variability of cash flows of the hedged transaction. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in net earnings. The consolidated statement of earnings classification of effective hedge results is the same as that of the underlying exposure. Results of hedges of sales and foreign plant operations are recorded in net sales and cost of sales, respectively, when the underlying hedged transaction affects net earnings. The maximum amount of time the company hedges its exposure to the variability in future cash flows for forecasted trade sales and purchases is two years.

The company formally assesses at a hedge's inception and on an ongoing basis whether the derivatives that are used in the hedging transaction have been highly effective in offsetting changes in the cash flows of the hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, the company discontinues hedge accounting prospectively. When the company discontinues hedge accounting because it is no longer probable, but it is still reasonably possible that the forecasted transaction will occur by the end of the originally expected period or within an additional two-month period of time thereafter, the gain or loss on the derivative remains in accumulated other compre hensive loss (AOCL) and is reclassified to net earnings when the forecasted transaction affects net earnings. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in OCI are recognized immediately in net earnings. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the company carries the derivative at its fair value on the balance sheet, recognizing future changes in the fair value in other income, net. For the third quarter of fiscal 2010, there were no gains or losses on contracts

reclassified into earnings as a result of the discontinuance of cash flow hedges. As of July 30, 2010, the notional amount outstanding of forward contracts designated as cash flow hedges was $65.1 million.

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

The following table presents the fair value of the company's derivatives and consolidated balance sheet location.

	Asset Derivatives				**Liability Derivatives**			
	July 30, 2010		**July 31, 2009**		**July 30, 2010**		**July 31, 2009**	
(Dollars in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Designated as Hedging Instruments								
Foreign exchange contracts	Prepaid expenses	$ -	Prepaid expenses	$ -	Accrued liabilities	$ 268	Accrued liabilities	$ 1,789
Derivatives Not Designated as Hedging Instruments								
Foreign exchange contracts	Prepaid expenses	-	Prepaid expenses	46	Accrued liabilities	791	Accrued liabilities	-
Total Derivatives		$ -		$ 46		$ 1,059		$ 1,789

The following table presents the impact of derivative instruments on the consolidated statements of earnings for the company's derivatives designed as cash flow hedging instruments for the three and nine months ended July 30, 2010 and July 31, 2009, respectively.

(Dollars in thousands)	Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)		Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and excluded from Effectiveness Testing)	Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Excluded from Effectiveness Testing)	
For the three months ended	July 30, 2010	July 31, 2009		July 30, 2010	July 31, 2009		July 30, 2010	July 31, 2009
Foreign exchange contracts	$ 428	$ 12,239	Net sales	$ 8	$ 2,647	Other income (expense), net	$ 51	$ (102)
Foreign exchange contracts	154	(6,365)	Cost of sales	178	(1,255)			
Total	$ 582	$ 5,874		$ 186	$ 1,392			
For the nine months ended	July 30, 2010	July 31, 2009		July 30, 2010	July 31, 2009		July 30, 2010	July 31, 2009
Foreign exchange contracts	$ (1,917)	$ 11,178	Net sales	$ (1,518)	$ 11,043	Other income (expense), net	$ (126)	$ 397
Foreign exchange contracts	405	(4,678)	Cost of sales	273	(3,501)			
Total	$ (1,512)	$ 6,500		$ (1,245)	$ 7,542			

As of July 30, 2010, the company anticipates to reclassify approximately $0.4 million of losses from AOCL to earnings during the next 12 months.

The following table presents the impact of derivative instruments on the consolidated statements of earnings for the company's derivatives not designated as hedging instruments.

		Gain (Loss) Recognized in Net Earnings			
		Three Months Ended		Nine Months Ended	
(Dollars in thousands)	Location of Gain (Loss) Recognized in Net Earnings	July 30, 2010	July 31, 2009	July 30, 2010	July 31, 2009
Foreign exchange contracts	Other income (expense), net	$2,247	$(4,810)	$6,449	$(7,592)

Fair Value Measurements

The company categorizes its assets and liabilities into one of three levels based on the assumptions (inputs) used in valuing the asset or liability. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. The three levels are defined as follows:

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

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

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

Cash and cash equivalents are valued at their carrying amounts in the consolidated balance sheets, which are reasonable estimates of their fair value due to their short maturities. Foreign currency forward exchange contracts are valued at fair market value using the market approach based on exchange rates as of the reporting date, which is the amount the company would receive or pay to terminate the contracts. The unfunded deferred compensation liability is primarily subject to changes in fixed-income investment contracts based on current yields.

The company adopted the authoritative guidance issued by the FASB for nonfinancial assets and liabilities that are not required to be measured on a recurring basis during the first quarter of fiscal 2010, as required, and for Level 1 and Level 2 fair value measurements during the second quarter of fiscal 2010, as required. The adoption of the guidance had no impact on the company's financial position or results of operations.

Assets and liabilities measured at fair value on a recurring basis, as of July 30, 2010, are summarized below:

(Dollars in thousands)	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 163,379	$ 163,379	—	—
Total Assets	$ 163,379	$ 163,379	—	—
Liabilities:				
Foreign exchange contracts	$ 1,059	—	$ 1,059	—
Deferred compensation liabilities	5,201	—	5,201	—
Total Liabilities	$ 6,260	—	$ 6,260	—

Contingencies

Litigation

General. The company is party to litigation in the ordinary course of business. Litigation occasionally involves claims for punitive as well as compensatory damages arising out of use of the company's products. Although the company is self-insured to some extent, the company maintains insurance against certain product liability losses. The company is also subject to administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment. Some of these claims assert damages and liability for remedial investigations and clean up costs. The company is also typically involved in commercial disputes, employment disputes, and patent litigation cases in the ordinary course of business. To prevent possible infringemen t of the company's patents by others, the company periodically reviews competitors' products. To avoid potential liability with respect to others' patents, the company regularly reviews certain patents issued by the United States Patent and Trademark Office and foreign patent offices. Management believes these activities help minimize its risk of being a defendant in patent infringement litigation. The company is currently involved in patent litigation cases, both where it is asserting patents and where it is defending against charges of infringement.

Lawnmower Engine Horsepower Marketing and Sales Practices Litigation. In June 2004, individuals who claim to have purchased lawnmowers in Illinois and Minnesota filed a class action lawsuit in Illinois state court against the company and other defendants alleging that the horsepower labels on the products the plaintiffs purchased were inaccurate. Those individuals later amended their complaint to add additional plaintiffs and an additional defendant. The plaintiffs asserted violations of the federal Racketeer Influenced and Corrupt Organizations Act (RICO) and state statutory and common law claims. The plaintiffs sought certification of a class of all persons in the United States who, beginning January 1, 1994 through the present, purchased a lawnmower containing a two-stroke or four-stroke gas combusti ble engine up to 30 horsepower that was manufactured or sold by the defendants. The amended complaint also sought an injunction, unspecified compensatory and punitive damages, treble damages under RICO, and attorneys' fees.

In May 2006, the case was removed to federal court in the Southern District of Illinois. In August 2006, the company, together with the other defendants other than MTD Products Inc. (MTD), filed a motion to dismiss the amended complaint. Also in August 2006, the plaintiffs filed a motion for preliminary approval of a settlement agreement with MTD and certification of a settlement class. In December 2006, another defendant, American Honda Motor Company (Honda), notified the company and the other defendants that it had reached a settlement agreement with the plaintiffs.

In May 2008, the court issued a memorandum and order that (i) dismissed the RICO claim in its entirety; (ii) dismissed all non-Illinois state-law claims but with instructions that such claims could be re-filed in local courts; and (iii) rejected the proposed settlement with MTD. The proposed Honda settlement was not under consideration by the court and was not addressed in the memorandum and order. Also in May 2008, the plaintiffs (i) re-filed the Illinois claims with the court; and (ii) filed non-Illinois claims in federal courts in the District of New Jersey and the Northern District of California with essentially the same state law claims.

In June 2008, the plaintiffs filed a motion with the United States Judicial Panel on Multidistrict Litigation (the MDL Panel) that (i) stated their intent to file lawsuits in all 50 states and the District of Columbia; and (ii) sought to have all of the cases transferred for coordinated pretrial proceedings. In August 2008, the MDL Panel issued an order denying the transfer request. Additional lawsuits, some of which included additional plaintiffs, were filed in various federal and state courts asserting essentially the same state law claims. Lawsuits were subsequently filed in federal and state courts throughout the United States, which collectively assert claims under the laws of each state.

In September 2008, the company and other defendants filed a motion with the MDL Panel that sought to transfer the multiple actions for coordinated pretrial proceedings. In early December 2008, the MDL Panel issued an order that (i) transferred 23 lawsuits, which collectively asserted claims under the laws of 16 states, for coordinated or consolidated pretrial proceedings; (ii) selected the United States District Court for the Eastern District of Wisconsin as the transferee district; and (iii) provided that additional lawsuits will be treated as “tag-along” actions in accordance with its rules.

An initial hearing was held in the United States District Court for the Eastern District of Wisconsin in January 2009. At that hearing, the Court (i) appointed lead plaintiffs’ counsel, and (ii) entered a stay of all litigation so that the parties could explore mediation. Formal mediation proceedings were commenced, settlement discussions were conducted, and ultimately all defendants entered into various settlement agreements with the plaintiffs in February 2010. The settlement agreement entered into by the company and certain other defendants provides for, among other things, (i) a monetary settlement, (ii) an additional warranty period for some engines that are subject to the litigation, and (iii) injunctive relief relating to power rating labeling practices. The plaintiffs filed a motion for prelim inary approval of the settlement agreement and certification of a settlement class, and the court granted the motion.

Notice of the settlement was given to the settlement class and, in June 2010, the Court conducted a hearing to consider objections from certain members of the settlement class and to determine whether the settlement is fair, reasonable, and adequate. On August 16, 2010, the Court filed an order and judgment in which it determined that the settlement entered into by the company and certain other defendants is fair, reasonable, and adequate, and approved the settlement. The Court filed similar orders and judgments approving the settlements entered into by other defendants. Notwithstanding the orders and judgments filed by the Court, these settlements are not final for all purposes until the applicable appeal period expires without appeal or the order is affirmed on appeal. On August 23, 2010, certain objectin g members of the settlement class filed a notice with the United States Court of Appeals for the Seventh Circuit to appeal the order and judgment approving the settlement with the company and certain other defendants and the other orders and judgments approving the settlements with the other defendants. At this time, management is unable to provide assurance that the Appellate Court will uphold the Court’s approval of the settlement or that the settlement will become final for all purposes.

In March 2010, individuals who claim to have purchased lawnmowers in Canada filed class action litigation against the company and other defendants that (i) contains allegations under applicable Canadian law that are similar to the allegations made by the United States plaintiffs, (ii) seeks certification of a class of all persons in Canada who, beginning January 1, 1994 through the present, purchased a lawnmower containing a gas combustible engine up to 30 horsepower that was manufactured or sold by the defendants, and (iii) seeks under applicable Canadian law unspecified compensatory and punitive damages, attorneys’ costs and fees, and equitable relief.

Management continues to evaluate this litigation. If the settlement with the United States plaintiffs becomes final, the company’s obligations under the settlement agreement will not have a material adverse effect on the company’s operating results or financial position. The expected costs of the company’s settlement obligations are consistent with accruals established in prior periods. In the event the settlement with the United States plaintiffs does not become final for all purposes or in the event that the company is unable to favorably resolve the Canadian litigation, management is unable to assess at this time whether this litigation would have a material adverse effect on the company’s annual consolidated operating results or financial condition, although an unfavorable resolution or outcome could be material to the company’s consolidated operating results for a particular period.

Subsequent Events

The company evaluated all subsequent events and concluded that no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the condensed consolidated financial statements.

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

Nature of Operations

The Toro Company is in the business of designing, manufacturing, and marketing professional turf maintenance equipment and services; turf and agricultural micro-irrigation systems; landscaping equipment; and residential yard and snow removal products. We sell our products through a network of distributors, dealers, hardware retailers, home centers, mass retailers, and over the Internet. Our businesses are organized into three reportable business segments: professional, residential, and distribution. Our distribution segment, which consists of our company-owned domestic distribution company, has been combined with our corporate activities. Our emphasis is to provide innovative, well-built, and dependable products supported by an extensive service network. A significant portion of our revenues has historically been, and we expect it to cont inue to be, attributable to new and enhanced products.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the MD&A included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2009.

RESULTS OF OPERATIONS

Overview

Our results for the third quarter of fiscal 2010 were strong with a net sales growth rate of 16.2 percent and a net earnings growth rate of 69.0 percent compared to the third quarter of fiscal 2009. Year-to-date net earnings increased 42.0 percent in fiscal 2010 compared to the same period in the last fiscal year on a year-to-date sales growth rate of 9.6 percent. Shipments of most professional segment products were up primarily as the result of improved economic conditions, better availability for our products in the third quarter of fiscal 2010 compared to the second quarter of fiscal 2010, the successful introduction of new products, and customers who aligned their orders closer to retail demand, all of which resulted in increased demand for our products. Residential segment net sales also increased due to continued strong demand resul ting from customer acceptance of and additional product placement for zero turn riding products, as well as favorable weather conditions. In addition, shipments of snow thrower products were up for the year-to-date period of fiscal 2010 compared to the same period in the prior fiscal year due to increased demand from heavy snow falls during the winter season of 2009-2010 and the timing of the introduction of our new redesigned offering of snow thrower products that shipped to customers in the first quarter of fiscal 2010. Net earnings as a percentage of net sales rose to 7.3 percent and 6.7 percent in the third quarter and year-to-date periods of fiscal 2010, respectively, compared to 5.0 percent and 5.1 percent in the third quarter and year-to-date periods of fiscal 2009, respectively. Higher gross margins, leveraging of selling, general, and administrative (SG&A) expenses, and a lower effective tax rate also contributed to the earnings improvement.

We continued to focus on reducing working capital and improving asset management. As a result of our efforts, we maintained our goal to reduce average net working capital (accounts receivable plus inventory less trade payables) as a percentage of net sales at a level below 20 percent, or “in the teens.” Our average net working capital as a percentage of net sales for the twelve months ended July 30, 2010 was 15.4 percent. The impact of our efforts to reduce working capital resulted in a significant improvement of our cash flows from operating activities for the first nine months of fiscal 2010 compared to the first nine months of fiscal 2009. We continued to return value to our shareholders with our stock repurchase program, in which we repurchased $135.3 million of our stock for the nine months e nded July 30, 2010. We also paid a cash dividend of $0.18 per share during the third quarter of fiscal 2010, which was an increase of 20 percent over our cash dividend of $0.15 per share for the third quarter of fiscal 2009.

We are generally optimistic that the positive momentum from our third quarter should continue through the remainder of fiscal 2010. Based on our financial results for the first nine months of our fiscal 2010, we expect that we will achieve our goal of five percent profit after tax as a percentage of net sales for fiscal 2010 included in our one-year initiative, “5 in One: Back on Course,” which was intended to guide us through this year of anticipated recovery with an even stronger focus on the customer. We believe we have taken the necessary proactive measures through our continued focus on asset management, reductions to our cost structure, and our commitment to product innovation, to position us well in the future if o ur markets continue to improve. We will continue to keep a cautionary eye on the global economies and pace and degree of recovery, retail demand, field inventory levels, commodity prices, weather, competitive actions, and other factors identified below under the heading “Forward-Looking Information,” which could cause our actual results to differ from our outlook.

Net Earnings

Net earnings for the third quarter of fiscal 2010 were $33.4 million, or $1.01 per diluted share, compared to $19.8 million, or $0.54 per diluted share, for the third quarter of fiscal 2009, resulting in a net earnings per diluted share increase of 87.0 percent. Year-to-date net earnings in fiscal 2010 were $90.0 million, or $2.66 per diluted share, compared to $63.4 million, or $1.73 per diluted share, for the same year-to-date period last fiscal year, resulting in a net earnings per diluted share increase of 53.8 percent. The primary factors contributing to these earnings improvement were higher sales volumes, an increase in gross margin, higher other income, and a lower effective tax rate, somewhat offset by an increase in SG&A expense. In addition, third quarter and year-to-date fiscal 2010 net earnings per diluted share were be nefited by approximately $0.09 per share and $0.21 per share, respectively, compared to the same periods in fiscal 2009, as a result of reduced shares outstanding from repurchases of our common stock.

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

	Three Months Ended		Nine Months Ended	
	July 30, 2010	July 31, 2009	July 30, 2010	July 31, 2009
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	(64.8)	(66.1)	(65.6)	(66.5)
Gross profit	35.2	33.9	34.4	33.5
Selling, general, and administrative expense	(23.5)	(23.9)	(23.6)	(24.4)
Interest expense	(0.9)	(1.1)	(0.9)	(1.1)
Other income (expense), net	0.5	(1.0)	0.3	(0.1)
Provision for income taxes	(4.0)	(2.9)	(3.5)	(2.8)
Net earnings	7.3%	5.0%	6.7%	5.1%

Net Sales

Worldwide consolidated net sales for the third quarter and year-to-date periods of fiscal 2010 were up 16.2 percent and 9.6 percent, respectively, from the same periods in the prior fiscal year. Worldwide professional segment net sales were up 21.8 percent and 9.9 percent for the third quarter and year-to-date periods of fiscal 2010, respectively, compared to the same periods in the prior fiscal year. Shipments of most professional segment products were up primarily as a result of improved economic conditions, the successful introduction of new products, better availability of our products in the third quarter of fiscal 2010 compared to the second quarter of fiscal 2010, and customers who aligned their orders closer to retail demand, all of which resulted in increased demand for our products. Sales for golf equipment and irrigation syst ems were also strong as a result of increased capital spending from golf course customers, resulting in higher demand for our products. Professional segment field inventory levels continue to decline and were down as of the end of the third quarter of fiscal 2010 compared to the end of the third quarter of fiscal 2009. Net sales of micro-irrigation products were up for the year-to-date comparison due to our investments in additional manufacturing capacity that increased production of our water conserving products to meet the growing worldwide market demand. Residential segment net sales increased 7.6 percent and 11.0 percent for the third quarter and year-to-date periods of fiscal 2010, respectively, compared to the same periods in fiscal 2009 as a result of continued strong demand, resulting in part, from customer acceptance of and additional product placement for riding products, as well as favorable weather conditions. In addition, shipments of snow thrower products were up for the year-to-date period of fiscal 2010 compared to the same period in the prior fiscal year due to increased demand from heavy snow falls during the winter season of 2009-2010 and the timing of the introduction of our new redesigned offering of snow thrower products that shipped to customers in the first quarter of fiscal 2010. Net sales of Pope irrigation products sold in Australia also increased for the year-to-date period of fiscal 2010 compared to the year-to-date period of fiscal 2009 due to additional product placement. International net sales for the third quarter and year-to-date periods of fiscal 2010 increased 17.6 percent and 9.9 percent, respectively, from the same periods in the prior fiscal year. A stronger U.S. dollar compared to the Euro and the British pound decreased our net sales by approximately $3.6 million for the third quarter of fiscal 2010. However, a weaker U.S. dollar compared to other currencies in which we transact business, mainl y the Australian dollar and the Canadian dollar, accounted for approximately $10 million of additional net sales for the year-to-date period of fiscal 2010.

Gross Profit

As a percentage of net sales, gross profit for the third quarter of fiscal 2010 increased to 35.2 percent compared to 33.9 percent in the third quarter of fiscal 2009. Gross profit as a percent of net sales for the year-to-date period of fiscal 2010 also increased to 34.4 percent compared to 33.5 percent for year-to-date period of fiscal 2009. These improvements were due to the following factors: (i) increased sales of our higher-margin products; (ii) lower manufacturing costs from increased plant utilization due to increased demand for our products; and (iii) resulting effects from cost reduction efforts implemented in fiscal 2009. Somewhat offsetting those positive factors was an increase in freight expense primarily attributable to higher fuel prices.

Selling, General, and Administrative Expense

SG&A expense increased $13.6 million, or 14.5 percent, for the third quarter of fiscal 2010 compared to the third quarter of fiscal 2009. SG&A expense increased $18.7 million, or 6.2 percent, for the year-to-date period of fiscal 2010 compared to the year-to-date period of fiscal 2009. These increases were due mainly to an increase in employee incentive compensation expense of $7.4 million and $16.4 million for the third quarter and year-to-date periods of fiscal 2010 compared to the same periods in the prior fiscal year, respectively, related to improved financial performance in fiscal 2010, as compared to fiscal 2009, as well as an increase in marketing, warranty, and warehousing expense due to higher sales volumes. Somewhat offsetting those increases was our leaner cost structure resulting from cost reduction efforts taken in fiscal 2009 and costs incurred in fiscal 2009 for workforce adjustments of $1.0 million and $3.1 million for the third quarter and year-to-date periods of fiscal 2010 compared to the same periods in the prior fiscal year, respectively, that were not duplicated in fiscal 2010. As a percentage of net sales, SG&A expense declined for the third quarter and year-to-date periods of fiscal 2010 to 23.5 percent and 23.6 percent, respectively, from 23.9 percent and 24.4 percent in the third quarter and year-to-date periods of fiscal 2009, respectively. These declines were attributable to leveraging fixed SG&A costs over higher sales volumes.

Interest Expense

Interest expense for the third quarter and year-to-date periods of fiscal 2010 decreased 4.2 percent and 3.4 percent, respectively, compared to the same periods in the prior fiscal year as a result of lower average debt levels.

Other Income (Expense), Net

Other income (expense), net for the third quarter and year-to-date periods of fiscal 2010 improved $6.4 million and $5.9 million, respectively, compared to the same periods in the prior fiscal year. These increases were due to expenses incurred last year for several legal matters in the aggregate of $5.0 million that were not duplicated in fiscal 2010 and income from our investment in Red Iron of $1.2 million for the third quarter of fiscal 2010 and $1.7 million for the first nine months of fiscal 2010, somewhat offset by a decrease in finance charge revenue.

Provision for Income Taxes

The effective tax rate for the third quarter of fiscal 2010 was 35.7 percent compared to 36.6 percent for the third quarter of fiscal 2009. The effective tax rate for the year-to-date periods of fiscal 2010 and 2009 was 34.4 percent and 34.9 percent, respectively. The decreases in the effective tax rates were primarily the result of a valuation allowance for foreign net operating losses and provision adjustments in fiscal 2009, somewhat offset by the expiration of the domestic research tax credit on December 31, 2009.

BUSINESS SEGMENTS

As described previously, we operate in three reportable business segments: professional, residential, and distribution. Our distribution segment, which consists of our wholly owned domestic distribution company, has been combined with our corporate activities that is shown as “Other” in the following tables. Operating earnings for our professional and residential segments are defined as earnings from operations plus other income, net. Operating loss for “Other” includes earnings (loss) from operations, corporate activities, other income (expense), net, and interest expense.

The following table summarizes net sales by segment:

(Dollars in thousands)	Three Months Ended			
	July 30, 2010	July 31, 2009	$ Change	% Change
Professional	$ 317,876	$ 260,884	$ 56,992	21.8%
Residential	135,759	126,181	9,578	7.6
Other	5,255	7,794	(2,539)	(32.6)
Total *	$ 458,890	$ 394,859	$ 64,031	16.2%
* Includes international sales of:	$ 130,288	$ 110,773	$ 19,515	17.6%

(Dollars in thousands)	Nine Months Ended			
	July 30, 2010	July 31, 2009	$ Change	% Change
Professional	$ 880,252	$ 800,630	$ 79,622	9.9%
Residential	462,613	416,762	45,851	11.0
Other	10,202	17,491	(7,289)	(41.7)
Total *	$ 1,353,067	$ 1,234,883	$ 118,184	9.6%
* Includes international sales of:	$ 427,554	$ 389,004	$ 38,550	9.9%

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

(Dollars in thousands)	Three Months Ended			
	July 30, 2010	July 31, 2009	$ Change	% Change
Professional	$ 62,681	$ 39,436	$ 23,245	58.9%
Residential	10,650	10,701	(51)	(0.5)
Other	(21,366)	(18,967)	(2,399)	(12.6)
Total	$ 51,965	$ 31,170	$ 20,795	66.7%

(Dollars in thousands)	Nine Months Ended			
	July 30, 2010	July 31, 2009	$ Change	% Change
Professional	$ 156,094	$ 126,424	$ 29,670	23.5%
Residential	49,190	32,122	17,068	53.1
Other	(68,114)	(61,166)	(6,948)	(11.4)
Total	$ 137,170	$ 97,380	$ 39,790	40.9%

Professional

Net Sales. Worldwide net sales for the professional segment in the third quarter and year-to-date periods of fiscal 2010 increased 21.8 percent and 9.9 percent, respectively, compared to the same periods in the last fiscal year. Shipments of most professional segment products were up primarily as a result of improved economic conditions, better availability of our products in the third quarter of fiscal 2010 compared to the second quarter of fiscal 2010, the successful introduction of new products, and customers who aligned their orders closer to retail demand, all of which contributed to increased demand. Sales for golf equipment and irrigation systems were also strong as a result of increased capi tal spending from golf course customers, resulting in higher demand for our products. Professional segment field inventory levels continue to decline and were down as of the end of the third quarter of fiscal 2010 compared to the end of the third quarter of fiscal 2009. Net sales of micro-irrigation products were up for the year-to-date comparison due to our investments in additional manufacturing capacity that increased production of our water conserving products to meet the growing worldwide market demand.

Operating Earnings. Operating earnings for the professional segment in the third quarter and year-to-date periods of fiscal 2010 increased 58.9 percent and 23.5 percent, respectively, compared to the same periods in the last fiscal year. Expressed as a percentage of net sales, professional segment operating margin increased to 19.7 percent compared to 15.1 percent in the third quarter of fiscal 2009, and fiscal 2010 year-to-date professional segment operating margin also increased to 17.7 percent compared to 15.8 percent from the same period in the last fiscal year. These profit improvements were primarily attributable to higher gross margins due to the same factors discussed previously in the Gross Profit section. In addition, a decline in SG&A expense as a percentage of net sales also contributed to the operating earnings improvement, which was due mainly to leveraging SG&A costs over higher sales volumes.

Residential

Net Sales. Worldwide net sales for the residential segment in the third quarter and year-to-date periods of fiscal 2010 increased 7.6 percent and 11.0 percent, respectively, compared to the same periods in the last fiscal year. These sales increases were due mainly to continued strong demand, resulting in part, from additional product placement for riding products, favorable weather conditions, and the introduction of our new cordless electric walk power mower, all of which contributed to an increase in demand for our residential products. In addition, shipments of snow thrower products were up for the year-to-date period of fiscal 2010 compared to the same period in the prior fiscal year due to inc reased demand from heavy snow falls during the winter season of 2009-2010 and the timing of the introduction of our new redesigned offering of snow thrower products that shipped to customers in the first quarter of fiscal 2010. Net sales of Pope irrigation products sold in Australia also increased for the year-to-date period of fiscal 2010 compared to the year-to-date period of fiscal 2009 due to additional product placement. Residential segment field inventory levels were down as of the end of the third quarter of fiscal 2010 compared to the end of the third quarter of fiscal 2009.

Operating Earnings. Operating earnings for the residential segment in the third quarter of fiscal 2010 were slightly down by 0.5 percent compared to the third quarter of fiscal 2009. Expressed as a percentage of net sales, residential segment operating margin decreased to 7.8 percent compared to 8.5 percent in the third quarter of fiscal 2009 due to higher SG&A expense mainly from increased marketing and warehousing expenses, somewhat offset by higher gross margins. Operating earnings for the residential segment for the year-to-date period of fiscal 2010 increased 53.1 percent compared to the same period in the prior fiscal year. Expressed as a percentage of net sales, residential segment operat ing margin increased to 10.6 percent compared to 7.7 percent in the year-to-date period of fiscal 2009 due to higher gross margins primarily from increased sales volumes of higher-margin products and the resulting effects of cost reduction efforts implemented in fiscal 2009, somewhat offset by higher freight expense and an increase in SG&A expense.

Other

Net Sales. Net sales for the other segment include sales from our wholly owned domestic distribution company less sales from the professional and residential segments to that distribution company. In fiscal 2009, “Other” also included elimination of the professional and residential segments’ floor plan interest costs from Toro Credit Company (TCC), our wholly owned financing company. With the establishment of Red Iron, net sales for the “Other” segment no longer includes corporate financing activities, including the elimination of floor plan costs from TCC, which results in lower net sales for the other segment. Net sales for the “Other” segment were down for the third quarter and year-to-date periods of fiscal 20 10 compared to the same periods in the last fiscal year by $2.5 million, or 32.6 percent, and $7.3 million, or 41.7 percent, respectively, as a result of the elimination of TCC floor plan interest costs, as well as lower net sales at our wholly owned distributorship.

Operating Losses. Operating losses for the other segment were up for the third quarter and year-to-date periods of fiscal 2010 by $2.4 million, or 12.6 percent, and $6.9 million, or 11.4 percent, respectively, compared to the same periods in the last fiscal year. These loss increases were primarily attributable to an increase in employee incentive compensation expense due to improved financial performance in fiscal 2010, as compared to fiscal 2009, and the elimination of TCC floor plan interest costs, as described above. Somewhat offsetting those factors was a decline in expenses incurred last year for several legal matters that were not duplicated in fiscal 2010, income from our investment in Red Iron, overall reduced spending from our leaner cost struct ure as a result of actions we implemented in fiscal 2009, as well as elimination of costs incurred in fiscal 2009 for workforce adjustments.

FINANCIAL POSITION

Working Capital

We have taken proactive measures to improve working capital utilization, including adjusting production plans, controlling costs, and managing our assets. As such, our financial condition remains strong. We continue to place emphasis on asset management, with a focus on minimizing the amount of working capital in the supply chain and maintaining or improving order replenishment and service levels to end users. In connection with the establishment of Red Iron, our financing joint venture with TCFIF, we sold certain receivables, including floor plan and open account receivables, from most U.S. and Canadian distributors and dealers of our products at a purchase price equal to the face value of the receivables or the purchase price paid for such receivables. Red Iron generally began financing floor plan receivables in the fourth quarter of fi scal 2009. Red Iron also began financing open account receivables, as well as floor plan receivables previously financed by a third party financing company, during our first quarter of fiscal 2010. The sale of these receivables enables us to use our working capital for other strategic purposes, such as strategic acquisitions, research and development of innovative new products, improvements in the quality and performance of existing products, and general corporate purposes.

Receivables as of the end of the third quarter of fiscal 2010 were down 37.0 percent compared to the end of the third quarter of fiscal 2009, and our average days sales outstanding for receivables improved to 42 days based on sales for the last twelve months ended July 30, 2010, compared to 67 days for the twelve months ended July 31, 2009. These improvements were due mainly to the sale of our floor plan receivables and certain open account receivables to Red Iron. Inventory was up as of the end of the third quarter of fiscal 2010 by 10.3 percent compared to the end of the third quarter of fiscal 2009 as a result of increased production from anticipated higher demand for our products in the fourth quarter of fiscal 2010. However, average inventory turnover improved 22.6 percent for the twelve months ended Jul y 30, 2010 compared to the twelve months ended July 31, 2009, reflecting our efforts to manage our assets. In addition, as part of our working capital initiative, accounts payable increased as of the end of our third quarter of fiscal 2010 by $49.7 million, driven by our supply chain initiatives and higher levels of production due to increased demand for our products. As a result of these efforts, as of the end of the third quarter of fiscal 2010, we maintained our long-term goal to reduce average net working capital (accounts receivable plus inventory less trade payables) as a percentage of net sales at a level below 20 percent, or “in the teens.” Our average net working capital as a percentage of net sales for the twelve months ended July 30, 2010 was 15.4 percent.

Liquidity and Capital Resources

Our businesses are working capital intensive and require funding for purchases of raw materials used in production, replacement parts inventory, payroll and other administrative costs, capital expenditures, expansion and upgrading of existing facilities, as well as receivables from customers that are not financed with Red Iron. We believe that anticipated cash generated from operations, together with our fixed rate long-term debt, bank credit lines, and cash on hand, will provide us with adequate liquidity to meet our anticipated operating requirements. One of the purposes of establishing Red Iron was to free up our working capital for other strategic purposes, which may include, among other things, strategic acquisitions, research and development of innovative new products, improvements in the quality and performance of existing products , and general corporate purposes. We believe that the funds available through existing financing arrangements and forecasted cash flows will be sufficient to provide the necessary capital resources for our anticipated working capital needs, capital expenditures, investments, debt repayments, and quarterly cash dividend payments for at least the next twelve months.

Our Board of Directors approved a cash dividend of $0.18 per share for the third quarter of fiscal 2010 paid on July 9, 2010, which was an increase of 20 percent over our cash dividend of $0.15 per share for the third quarter of fiscal 2009.

Cash Flow. Cash provided by operating activities for the first nine months of fiscal 2010 was $38.4 million, or 32.3 percent, higher than the first nine months of fiscal 2009. This improvement was due to an increase in trade payables and net earnings, somewhat offset by an increase in inventory levels, as previously discussed. Cash used in investing activities was up by $17.2 million compared to the first nine months of fiscal 2009, due to an increase in purchases of property, plant, and equipment, an increase in investments in affiliates, and cash utilized for acquisitions. Cash used in financing activities for the first nine months of fiscal 2010 was higher by $71.1 million compared to the first nine months of fiscal 2009, primarily as a result of highe r levels of common stock repurchases.

Credit Lines and Other Capital Resources. Our businesses are seasonal, with accounts receivable balances historically increasing between January and April, as a result of higher sales volumes and payment terms made available to our customers and decreasing between May and December when payments are received. The seasonality of production and shipments causes our working capital requirements to fluctuate during the year. Seasonal cash requirements are financed from operations, cash on hand, and with short-term financing arrangements, including a $225.0 million unsecured senior revolving credit facility th at

expires in January 2012. Interest expense on this credit line is determined based on a LIBOR rate plus a basis point spread defined in the credit agreement. In addition, our non-U.S. operations maintain unsecured short-term lines of credit of approximately $20 million. These facilities bear interest at various rates depending on the rates in their respective countries of operation. We also have a letter of credit subfacility as part of our credit agreement. As of July 30, 2010, we had $10.4 million of outstanding standby letters of credit. We had no outstanding short-term debt as of July 30, 2010 or July 31, 2009 under these lines of credit. As of July 30, 2010, we had $245 million of unutilized availability under our credit agreements. In addition, we had $0.7 million in short-term debt for certain receivables we provided reco urse to Red Iron as of July 30, 2010.

Significant financial covenants in our credit agreement include interest coverage and debt-to-capitalization ratios. We were in compliance with all covenants related to our credit agreements as of July 30, 2010, and expect to be in compliance with all covenants during the remainder of fiscal 2010.

Customer Financing Arrangements and Contractual Obligations

Third party financing companies and Red Iron purchased $647.3 million of receivables from us during the first nine months of fiscal 2010, and $169.4 million was outstanding as of July 30, 2010. See our most recently filed Annual Report on Form 10-K for further details regarding our customer financing arrangements and contractual obligations.

Inflation

We are subject to the effects of inflation, deflation, and changing prices. In the first nine months of fiscal 2010, average prices paid for commodities we purchase were slightly lower compared to the average prices paid for commodities in the first nine months of fiscal 2009, which benefited our gross margin rate in the first nine months of fiscal 2010 compared to the first nine months of fiscal 2009. We will continue to closely follow the commodities that affect our product lines; however, we anticipate average prices paid for commodities to be slightly higher for the fourth quarter of fiscal 2010 as compared to the fourth quarter of fiscal 2009. We plan to attempt to mitigate the impact of any inflationary pressures by engaging in proactive vendor negotiations, reviewing alternative sourcing options, substituting materials, engaging in internal cost reduction efforts, and increasing prices on some of our products, as appropriate.

Significant Accounting Policies and Estimates

See our most recent Annual Report on Form 10-K for the fiscal year ended October 31, 2009 for a discussion of our critical accounting policies.

New Accounting Pronouncements to be Adopted

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820)." ASU No. 2010-06 requires new disclosures about recurring and nonrecurring fair-value measurements including significant transfers in and out of Level 1 and Level 2 fair-value measurements and a description of the reasons for the transfers. In addition, ASU No. 2010-06 requires new disclosures regarding activity in Level 3 fair value measurements, including information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. We adopted the provision of ASU No. 2010-06 for Level 1 and Level 2 fair-value measurements in our second fiscal quarter ended April 30, 2010, as required. We will adopt the provision of ASU No. 2010-06 for Level 3 fair-value measurements for our second fiscal quarter beginning on January 30, 2011, as required. We do not expect the adoption of ASU No. 2010-06 will have a material impact on our disclosures for fair-value measurements.

In December 2009, the FASB issued ASU No. 2009-16, "Accounting for Transfers of Financial Assets," which amends Accounting Standards Codification (ASC) 860, "Transfers and Servicing (FASB Statement No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140)." This ASU eliminates the qualifying special purpose entities from the consolidation guidance and clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. It requires additional disclosures about the risks from continuing involvement in transferred financial assets accounted for as sales. We will adopt ASU No. 2009-16 on November 1, 2010, as required. The adoption is not expected to have a material effect on our consoli dated financial statements.

In December 2009, the FASB issued ASU No. 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities," which amends ASC 810, "Consolidation (FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R))." This ASU requires a qualitative analysis to determine the primary beneficiary of a variable interest entity (VIE). The analysis identifies the primary beneficiary as the enterprise that has both the power to direct the activities of a

VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. The ASU also requires additional disclosures about an enterprise's involvement in a VIE. We will adopt ASU No. 2009-17 on November 1, 2010, as required. The adoption is not expected to have a material effect on our consolidated financial statements.

No other new accounting pronouncement that has been issued but not yet effective for us during fiscal 2010 has had or is expected to have a material impact on our consolidated financial statements.

Forward-Looking Information

This Quarterly Report on Form 10-Q contains not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and that are subject to the safe harbor created by those sections. In addition, we or others on our behalf may make forward-looking statements from time to time in oral presentations, including telephone conferences and/or web casts open to the public, in press releases or reports, on our web sites, or otherwise. Statements that are not historical are forward-looking and reflect expectations and assumptions. We try to identify forward-looking statements in this report and elsewher e by using words such as "expect," "strive," "looking ahead," "outlook," "forecast," "optimistic," "plan," "anticipate," "continue," "estimate," "believe," "could," "should," "will," "would," "may," "possible," "likely," "intend," and similar expressions and the use of future dates. Our forward-looking statements generally relate to our future performance, including our anticipated operating results and liquidity requirements, our business strategies and goals, and the effect of laws, rules, regulations, and new accounting pronouncements and outstanding litigation, on our business, operating results, and financial condition.

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

- Economic conditions and outlook in the United States and around the world could adversely affect our net sales and earnings, which includes but is not limited to recessionary conditions in the U.S. and other regions around the world and worldwide slow or negative economic growth rates; slow down or reductions in levels of golf course development, renovation, and improvement; slow down or reductions in levels of home ownership, construction, and home sales; consumer spending levels; credit availability or credit terms for our distributors, dealers, and end-user customers; short-term, mortgage, and other interest rates; unemployment rates; inflation; consumer confidence; and general economic and political conditions and expectations in the U.S. and the foreign economies in which we conduct business.
- Increases in the cost or disruption in the availability of raw materials and components that we purchase and increases in our other costs of doing business, including transportation costs, may adversely affect our profit margins and business.
- Weather conditions may reduce demand for some of our products and adversely affect our net sales.
- Our professional segment net sales are dependent upon golf course revenues and memberships at private golf courses and the amount of investment in golf course renovations and improvements; renewal of residential and commercial lawn service contracts and the level of homeowners' outsourcing lawn care; the level of residential and commercial construction; new golf course development; golf course closures; availability of credit on acceptable credit terms to finance product purchases; and the level of government and municipal revenue, budget, and spending levels for grounds maintenance equipment and other factors.
- Our residential segment net sales are dependent upon The Home Depot, Inc. as a major customer, the amount of product placement at retailers, consumer spending levels, consumer confidence, home construction and existing home sales, and changing buying patterns of customers.
- If we are unable to continue to enhance existing products and develop and market new products that respond to customer needs and preferences and achieve market acceptance, or if we experience unforeseen product quality or other problems in the development, production, or use of new and existing products, we may experience a decrease in demand for our products, and our business could suffer.
- We face intense competition in all of our product lines with numerous manufacturers, including from some competitors that have greater operations and financial resources than us. We may not be able to compete effectively against competitors' actions, which could harm our business and operating results.
- A significant percentage of our consolidated net sales are generated outside of the United States, and we intend to continue to expand our international operations. Our international operations require significant management attention and financial

resources, expose us to difficulties presented by international economic, cultural, political, legal, accounting, and business factors; and may not be successful or produce desired levels of net sales.

- Fluctuations in foreign currency exchange rates could result in declines in our reported net sales and net earnings.
- We manufacture our products at and distribute our products from several locations in the United States and internationally. Any disruption at any of these facilities or our inability to cost-effectively expand existing, open new, and/or move production between manufacturing and distributing facilities could adversely affect our business and operating results.
- We intend to grow our business in part through additional acquisitions, alliances, stronger customer relations, and new joint ventures and partnerships, which are risky and could harm our business, particularly if we are not able to successfully integrate such acquisitions, alliances, joint ventures, and partnerships.
- We rely on our management information systems for inventory management, distribution, and other functions. If our information systems fail to adequately perform these functions or if we experience an interruption in their operation, our business and operating results could be adversely affected.
- As a result of our financing joint venture with TCFIF, we are dependent upon the joint venture to provide competitive inventory financing programs, including floor plan and open account receivable financing, to certain distributors and dealers of our products. Any material change in the availability or terms of credit offered to our customers by the joint venture, any termination or disruption of our joint venture relationship or any delay in securing replacement credit sources could adversely affect our net sales and operating results.
- A portion of our international net sales are financed by third parties. The termination of our agreements with these third parties, any material change to the terms of our agreements with these third parties or in the availability or terms of credit offered to our international customers by these third parties, or any delay in securing replacement credit sources, could adversely affect our sales and operating results.
- Our reliance upon patents, trademark laws, and contractual provisions to protect our proprietary rights may not be sufficient to protect our intellectual property from others who may sell similar products. Our products may infringe the proprietary rights of others.
- Our business, properties, and products are subject to governmental regulation with which compliance may require us to incur expenses or modify our products or operations and non-compliance may expose us to penalties. Governmental regulation may also adversely affect the demand for some of our products and our operating results.
- Legislative enactments could impact the competitive landscape within our markets and affect demand for our products.
- We are subject to product liability claims, product quality issues, and other litigation from time to time that could adversely affect our operating results or financial condition, including without limitation the pending litigation against us and other defendants that challenges the horsepower labels on the products the plaintiffs purchased were inaccurate. In the event that the settlement with the United States plaintiffs does not become final for all purposes or in the event that the company is unable to favorably resolve the Canadian litigation and one or more of these lawsuits go to trial, even if the plaintiffs' claims are found to be without merit, we have incurred, and expect to continue to incur, substantial costs in defending the lawsuits. The lawsuits could divert the time and attention of our management and could result in adverse publicity, either of which could significantly harm our operating r esults and financial condition. In addition, an unfavorable resolution or outcome could have a material adverse effect on our operating results or financial condition.
- If we are unable to retain our key employees, and attract and retain other qualified personnel, we may not be able to meet strategic objectives and our business could suffer.
- The terms of our credit arrangements and the indentures governing our senior notes and debentures could limit our ability to conduct our business, take advantage of business opportunities, and respond to changing business, market, and economic conditions. Additionally, we are subject to counterparty risk in our credit arrangements. If we are unable to comply with the terms of our credit arrangements and indentures, especially the financial covenants, our credit arrangements could be terminated and our senior notes and debentures could become due and payable.
- Our business is subject to a number of other factors that may adversely affect our operating results, financial condition, or business, such as natural or man-made disasters or global pandemics that may result in shortages of raw materials, higher fuel costs, and an increase in insurance premiums; financial viability of our distributors and dealers, changes in distributor ownership, changes in channel distribution of our products, relationships with our distribution channel partners, our success in partnering with new dealers, and our customers' ability to pay amounts owed to us; ability of management to adapt to unplanned events; drug cartel-related violence, which may disrupt our production activities and maquiladora operations based in Juarez, Mexico; and continued threat of terrorist acts and war that may result in heightened security and higher costs for

import and export shipments of components or finished goods, reduced leisure travel, and contraction of the U.S. and world economies.

For more information regarding these and other uncertainties and factors that could cause our actual results to differ materially from what we have anticipated in our forward-looking statements or otherwise could materially adversely affect our business, financial condition, or operating results, see our most recently filed Annual Report on Form 10-K, Part I, Item 1A, “Risk Factors.”

All forward-looking statements included in this report are expressly qualified in their entirety by the foregoing cautionary statements. We wish to caution readers not to place undue reliance on any forward-looking statement which speaks only as of the date made and to recognize that forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described above, as well as others that we may consider immaterial or do not anticipate at this time. The foregoing risks and uncertainties are not exclusive and further information concerning the company and our businesses, including factors that potential ly could materially affect our financial results or condition, may emerge from time to time. We assume no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. We advise you, however, to consult any further disclosures we make on related subjects in our future annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K we file with or furnish to the Securities and Exchange Commission.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Exchange Rate Risk. In the normal course of business, we actively manage the exposure of our foreign currency exchange rate market risk by entering into various hedging instruments, authorized under company policies that place controls on these activities, with counterparties that are highly rated financial institutions. Our hedging activities involve the primary use of forward currency contracts. We use derivative instruments only in an attempt to limit underlying exposure from currency fluctuations and to minimize earnings and cash flow volatility associated with foreign currency exchange rate changes and not for trading purposes. We are exposed to foreign currency exchange ra te risk arising from transactions in the normal course of business, such as sales and loans to wholly owned foreign subsidiaries, foreign plant operations, and purchases from suppliers. Because our products are manufactured or sourced primarily from the United States and Mexico, a stronger U.S. dollar and Mexican peso generally has a negative impact on our results from operations, while a weaker dollar and peso generally has a positive effect. Our primary currency exchange rate exposures are with the Euro, the Australian dollar, the Canadian dollar, the British pound, the Mexican peso, and the Japanese yen against the U.S. dollar.

We enter into various contracts, principally forward contracts that change in value as foreign currency exchange rates change, to protect the value of existing foreign currency assets, liabilities, anticipated sales, and probable commitments. Decisions on whether to use such contracts are made based on the amount of exposures to the currency involved and an assessment of the near-term market value for each currency. Worldwide foreign currency exchange rate exposures are reviewed monthly. The gains and losses on these contracts offset changes in market values of the related exposures. Therefore, changes in market values of these hedge instruments are highly correlated with changes in market values of underlying hedged items both at inception of the hedge and over the life of the hedge contract. Additional info rmation regarding gains and losses on our derivative instruments is presented in the Notes to Condensed Consolidated Financial Statements (Unaudited) in Item 1 of this Quarterly Report on Form 10-Q, in the section entitled “Derivative Instruments and Hedging Activities.”

The following foreign currency exchange contracts held by us have maturity dates in fiscal 2010 and 2011. All items are non-trading and stated in U.S. dollars. Some derivative instruments we enter into do not meet the cash flow hedging criteria; therefore, changes in fair value are recorded in other income, net. The average contracted rate, notional amount, pre-tax value of derivative instruments in accumulated other comprehensive loss, and fair value impact of derivative instruments in other income (expense), net as of and for the fiscal period ended July 30, 2010 were as follows:

Dollars in thousands (except average contracted rate)	**Average Contracted Rate**	**Notional Amount**	**Value in Accumulated Other Comprehensive Income (Loss)**	**Fair Value Impact Gain (Loss)**
Buy US dollar/Sell Australian dollar	0.8405	$ 36,769.4	$ (558.1)	$ (3,224.4)
Buy US dollar/Sell Canadian dollar	0.9532	11,152.3	(73.5)	(232.3)
Buy US dollar/Sell Euro	1.3071	65,354.5	232.5	1,255.3
Buy US dollar/Sell British pound	1.5586	3,584.7	-	3.1
Buy Mexican peso/Sell US dollar	13.0414	18,249.6	131.2	37.4

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

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

Commodity Price Risk. Some raw materials used in our products are exposed to commodity price changes. The primary commodity price exposures are with steel, aluminum, fuel, petroleum-based resin, and linerboard. In addition, we are a purchaser of components and parts containing various commodities, including steel, aluminum, copper, lead, rubber, and others which are integrated into our end products. Further information regarding rising prices for commodities is presented in Item 2 of this Quarterly Report on Form 10-Q, in the section entitled "Inflation."

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

Item 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and op erated, can provide only reasonable assurance of achieving the desired control objectives, and we are required to apply our judgment in evaluating the cost-benefit relationship of possible internal controls. Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered in this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of such period to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer , as appropriate to allow timely decisions regarding required disclosures. There was no change in our internal control over financial reporting that occurred during our fiscal third quarter ended July 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION
Item 1. LEGAL PROCEEDINGS

General. The company is party to litigation in the ordinary course of business. Litigation occasionally involves claims for punitive as well as compensatory damages arising out of use of the company's products. Although the company is self-insured to some extent, the company maintains insurance against certain product liability losses. The company is also subject to administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment. Some of these claims assert damages and liability for remedial investigations and clean up costs. The company is also typically involved in commercial disputes, employment disputes, and patent litigation cases in the ordinary course of business. To prevent possible infringemen t of the company's patents by others, the company periodically reviews competitors' products. To avoid potential liability with respect to others' patents, the company regularly reviews certain patents issued by the United States Patent and Trademark Office (USPTO) and foreign patent offices. Management believes these activities help minimize its risk of being a defendant in patent infringement litigation. The company is currently involved in patent litigation cases, both where it is asserting patents and where it is defending against charges of infringement.

Lawnmower Engine Horsepower Marketing and Sales Practices Litigation. In June 2004, individuals who claim to have purchased lawnmowers in Illinois and Minnesota filed a class action lawsuit in Illinois state court against the company and other defendants alleging that the horsepower labels on the products the plaintiffs purchased were inaccurate. Those individuals later amended their complaint to add additional plaintiffs and an additional defendant. The plaintiffs asserted violations of the federal Racketeer Influenced and Corrupt Organizations Act (RICO) and state statutory and common law claims. The plaintiffs sought certification of a class of all persons in the United States who, beginning January 1, 1994 through the present, purchased a lawnmower containing a two-stroke or four-stroke gas combustible engine up to 30 horsepower that was manufactured or sold by the defendants. The amended complaint also sought an injunction, unspecified compensatory and punitive damages, treble damages under RICO, and attorneys' fees.

In May 2006, the case was removed to federal court in the Southern District of Illinois. In August 2006, the company, together with the other defendants other than MTD Products Inc. (MTD), filed a motion to dismiss the amended complaint. Also in August 2006, the plaintiffs filed a motion for preliminary approval of a settlement agreement with MTD and certification of a settlement class. In December 2006, another defendant, American Honda Motor Company (Honda), notified the company and the other defendants that it had reached a settlement agreement with the plaintiffs.

In May 2008, the court issued a memorandum and order that (i) dismissed the RICO claim in its entirety; (ii) dismissed all non-Illinois state-law claims but with instructions that such claims could be re-filed in local courts; and (iii) rejected the proposed settlement with MTD. The proposed Honda settlement was not under consideration by the court and was not addressed in the memorandum and order. Also in May 2008, the plaintiffs (i) re-filed the Illinois claims with the court; and (ii) filed non-Illinois claims in federal courts in the District of New Jersey and the Northern District of California with essentially the same state law claims.

In June 2008, the plaintiffs filed a motion with the United States Judicial Panel on Multidistrict Litigation (the MDL Panel) that (i) stated their intent to file lawsuits in all 50 states and the District of Columbia; and (ii) sought to have all of the cases transferred for coordinated pretrial proceedings. In August 2008, the MDL Panel issued an order denying the transfer request. Additional lawsuits, some of which included additional plaintiffs, were filed in various federal and state courts asserting essentially the same state law claims. Lawsuits were subsequently filed in federal and state courts throughout the United States, which collectively assert claims under the laws of each state.

In September 2008, the company and other defendants filed a motion with the MDL Panel that sought to transfer the multiple actions for coordinated pretrial proceedings. In early December 2008, the MDL Panel issued an order that (i) transferred 23 lawsuits, which collectively asserted claims under the laws of 16 states, for coordinated or consolidated pretrial proceedings; (ii) selected the United States District Court for the Eastern District of Wisconsin as the transferee district; and (iii) provided that additional lawsuits will be treated as "tag-along" actions in accordance with its rules.

An initial hearing was held in the United States District Court for the Eastern District of Wisconsin in January 2009. At that hearing, the Court (i) appointed lead plaintiffs' counsel, and (ii) entered a stay of all litigation so that the parties could explore mediation. Formal mediation proceedings were commenced, settlement discussions were conducted, and ultimately all defendants entered into various settlement agreements with the plaintiffs in February 2010. The settlement agreement entered into by the company and certain other defendants provides for, among other things, (i) a monetary settlement, (ii) an additional warranty period for some engines that are subject to the litigation, and (iii) injunctive relief relating to power rating labeling practices. The plaintiffs filed a motion for prelim inary approval of the settlement agreement and certification of a settlement class, and the court granted the motion.

Notice of the settlement was given to the settlement class and, in June 2010, the Court conducted a hearing to consider objections from certain members of the settlement class and to determine whether the settlement is fair, reasonable, and adequate. On August 16, 2010, the Court filed an order and judgment in which it determined that the settlement entered into by the company and certain other defendants is fair, reasonable, and adequate, and approved the settlement. The Court filed similar orders and judgments approving the settlements entered into by other defendants. Notwithstanding the orders and judgments filed by the Court, these settlements are not final for all purposes until the applicable appeal period expires without appeal or the order is affirmed on appeal. On August 23, 2010, certain objectin g members of the settlement class filed a notice with the United States Court of Appeals for the Seventh Circuit to appeal the order and judgment approving the settlement with the company and certain other defendants and the other orders and judgments approving the settlements with the other defendants. At this time, management is unable to provide assurance that the Appellate Court will uphold the Court's approval of the settlement or that the settlement will become final for all purposes.

In March 2010, individuals who claim to have purchased lawnmowers in Canada filed class action litigation against the company and other defendants that (i) contains allegations under applicable Canadian law that are similar to the allegations made by the United States plaintiffs, (ii) seeks certification of a class of all persons in Canada who, beginning January 1, 1994 through the present, purchased a lawnmower containing a gas combustible engine up to 30 horsepower that was manufactured or sold by the defendants, and (iii) seeks under applicable Canadian law unspecified compensatory and punitive damages, attorneys' costs and fees, and equitable relief.

Management continues to evaluate this litigation. If the settlement with the United States plaintiffs becomes final, the company's obligations under the settlement agreement will not have a material adverse effect on the company's operating results or financial position. The expected costs of the company's settlement obligations are consistent with accruals established in prior periods. In the event the settlement with the United States plaintiffs does not become final for all purposes or in the event that the company is unable to favorably resolve the Canadian litigation, management is unable to assess at this time whether this litigation would have a material adverse effect on the company's annual consolidated operating results or financial condition, although an unfavorable resolu tion or outcome could be material to the company's consolidated operating results for a particular period.

Item 1A. RISK FACTORS

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

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

The following table shows our third quarter of fiscal 2010 stock repurchase activity:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
May 1, 2010 through May 28, 2010	310,571	$ 51.47	310,571	2,563,586
May 29, 2010 through June 25, 2010	835,336	53.86	835,336	1,728,250
June 26, 2010 through July 30, 2010	391,583(2)	51.74	390,100	1,338,150
Total	1,537,490	$ 52.84	1,536,007	

(1) On July 21, 2009, the company's Board of Directors authorized the repurchase of 5,000,000 shares of the company's common stock in open-market or in privately negotiated transactions. This program has no expiration date but may be terminated by the company's Board of Directors at any time.

(2) Includes 1,483 units (shares) of the company's common stock purchased in open-market transactions at an average price of $50.12 per share on behalf of a rabbi trust formed to pay benefit obligations of the company to participants in deferred compensation plans. These 1,483 shares were not repurchased under the company's repurchase program described in footnote (1) above.

Item 6. EXHIBITS

(a) Exhibits

3.1 and 4.1	Restated Certificate of Incorporation of The Toro Company (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated June 17, 2008, Commission File No. 1-8649).
3.2 and 4.2	Amended and Restated Bylaws of The Toro Company (incorporated by reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K dated June 17, 2008, Commission File No. 1-8649).
4.3	Specimen Form of Common Stock Certificate (incorporated by reference to Exhibit 4(c) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended August 1, 2008, Commission File No. 1-8649).
4.4	Indenture dated as of January 31, 1997, between Registrant and First National Trust Association, as Trustee, relating to The Toro Company's 7.80% Debentures due June 15, 2027 (incorporated by reference to Exhibit 4(a) to Registrant's Current Report on Form 8-K dated June 24, 1997, Commission File No. 1-8649).
4.5	Indenture dated as of April 20, 2007, between Registrant and The Bank of New York Trust Company, N.A., as Trustee, relating to The Toro Company's 6.625% Notes due May 1, 2037 (incorporated by reference to Exhibit 4.3 to Registrant's Registration Statement on Form S-3 filed with the Securities and Exchange Commission on April 23, 2007, Registration No. 333-142282).
4.6	First Supplemental Indenture dated as of April 26, 2007, between Registrant and The Bank of New York Trust Company, N.A., as Trustee, relating to The Toro Company's 6.625% Notes due May 1, 2037 (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K dated April 23, 2007, Commission File No. 1-8649).
4.7	Form of The Toro Company 6.625% Note due May 1, 2037 (incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K dated April 23, 2007, Commission File No. 1-8649).
10.1	Form of Nonemployee Director Stock Option Agreement between The Toro Company and its Non-Employee Directors under The Toro Company 2010 Equity and Incentive Plan (filed herewith).
10.2	Form of Nonqualified Stock Option Agreement between The Toro Company and its Officers and other employees under The Toro Company 2010 Equity and Incentive Plan (filed herewith).
10.3	Form of Restricted Stock Award Agreement between The Toro Company and its Officers and other employees under The Toro Company 2010 Equity and Incentive Plan (filed herewith).
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002) (filed herewith).
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002) (filed herewith).
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	The following financial information from The Toro Company's Quarterly Report on Form 10-Q for the period ended July 30, 2010, filed with the SEC on September 2, 2010, formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Statements of Earnings for the three and nine-month periods ended July 30, 2010 and July 31, 2009, (ii) Condensed Consolidated Balance Sheets as of July 30, 2010, July 31, 2009, and October 31, 2009, (iii) Condensed Consolidated Statement of Cash Flows for the nine-month periods ended July 30, 2010 and July 31, 2009, and (iv) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.*

* Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under Sections 11 or 12 of the Securities Act of 1933, as amended, or otherwise subject to the liability of those sections, except as shall be expressly set forth by specific reference in such filings.

SIGNATURES

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

THE TORO COMPANY
(Registrant)

Date: September 2, 2010

By /s/ Stephen P. Wolfe
Stephen P. Wolfe
Vice President, Finance
and Chief Financial Officer
(duly authorized officer and principal financial officer)

10.1

Nonemployee Director Stock Option Agreement
The Toro Company 2010 Equity and Incentive Plan

This Agreement (this "Agreement") dated [________] ("Grant Date"), between The Toro Company, a Delaware corporation ("Toro"), and [______________] ("you") sets forth the terms and conditions of the grant to you of a nonqualified option (this "Option") to purchase [_________] shares of common stock, par value $1.00 per share, of Toro ("Shares") at an exercise price of $[______] per Share, under The Toro Company 2010 Equity and Incentive Plan (the "Plan"). This Option is subject to all of the terms and conditions set forth in the Plan, this Agreement and the Nonemployee Director Stock Option Acceptance Agreement should you decide to accept this Option. All of the terms in this Agreement a nd the Nonemployee Director Stock Option Acceptance Agreement that begin with a capital letter are either defined in this Agreement or in the Plan.

1. *Expiration Date*. This Option shall expire on [____________________].

2. *Vesting*. Except as provided in Sections 3, 5 and 6 of this Agreement, this Option shall vest and become exercisable in three (3) as equal as possible installments on each of the first, second and third anniversaries after the Grant Date (rounding down to the nearest whole share on the first vesting date, if necessary, and on the second vesting date, if necessary).

3. *Effect of Termination of Service as a Director of Toro*.

(a) *Disability*. If your service as a nonemployee director of Toro is terminated by reason of your Disability, this Option will vest immediately, and you or your guardian or legal representative, as the case may be, may exercise this Option until the earlier of the date this Option expires or one (1) year after the date your service as a nonemployee director of Toro terminates by reason of your Disability.

(b) *Death*. If you die, this Option will vest immediately, and your legal representatives, heirs or legatees may exercise this Option until the earlier of the date this Option expires or one (1) year after the date of your death.

(c) Other. If your service as a director of Toro is terminated for any reason other your death or Disability and you have served as a member of the Board for ten (10) full fiscal years or longer (i) this Option will continue to vest in accordance with its terms, and (ii) you may exercise the vested portion of this Option (including any portion of this Option that vests pursuant to (i)) for up to four (4) years after the date of termination, but not later than the date this Option expires. If your service as a nonemployee director of Toro is terminated for any reason other your death or Disability and you have served as a member of the B oard for less than ten (10) full fiscal years, you may exercise the then vested portion of this Option, if any, for a period of three (3) months after the date your service as a director of Toro terminates, but not later than the

date this Option expires, and any unvested portion of this Option will be canceled on the date your service as a nonemployee director of Toro terminates.

4. *No Transfer*. You may not transfer this Option other than by will or applicable laws of descent and distribution or, if approved by the Committee, pursuant to a qualified domestic relations order entered into by a court of competent jurisdiction.

5. *Adverse Action*. In addition to the other rights of the Committee under the Plan, if you are determined by the Committee, acting in its sole discretion, to have taken any action that would constitute an Adverse Action, (a) all of your rights under the Plan and any agreements evidencing an Award granted under the Plan, including this Agreement evidencing this Option, then held by you shall terminate and be forfeited without notice of any kind, and (b) the Committee in its sole discretion may require you to surrender and return to Toro all or any Shares received, or to disgorge all or any profits or any other economic value (however defined by the Committee) made or realized by you, during the period beginni ng one (1) year prior to your termination of service as a director of Toro, in connection with any Awards granted under the Plan, including this Option, or any Shares issued upon the exercise or vesting of any Awards, including this Option. Toro may defer the exercise of this Option for a period of up to ninety (90) days in order for the Committee to make any determination as to the existence of an Adverse Action. This Section 5 shall not apply following a Change of Control.

6. *Change of Control*. In the event of a Change of Control, the provisions of the Plan applicable to a Change of Control will apply to this Option.

7. *Methods of Exercise*. In order to exercise this Option, you must deliver to Toro's Vice President, Secretary and General Counsel or Director, Corporate Counsel and Assistant Secretary a written notice of exercise in a form specified or accepted by the Committee specifying the number of whole Shares with respect to which you wish to exercise this Option, accompanied by payment in full of the exercise price for the Shares to be purchased. Payment may be made (a) in cash; (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the exercise price; (c) by a cashless (broker-assisted) exercise; (d) by a "net exercise" of this Option (as further described below); (e) by any combination of (a), (b), (c) and (d); or (f) by any other method approved or accepted by the Committee in its sole discretion. In the case of a "net exercise" of this Option, Toro will reduce the number of Shares issued upon the exercise of this Option by the largest number of whole Shares that has a Fair Market Value on the exercise date that does not exceed the aggregate exercise price for the Shares exercised under this method and will require cash payment from you for any remaining exercise price. Shares will no longer be outstanding under this Option (and will therefore not thereafter be exercisable) following the exercise of this Option to the extent of (i) Shares used to pay the exercise price of this Option under the "net exercise," and (ii) Shares actually delivered to you as a result of such exercise.

8. *General Restriction*. If at any time the Committee determines that the listing, registration or qualification of the Shares subject to this Option on any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the issue or purchase of Shares upon exercise of this Option, this Option may not be exercised unless such listing, registration, qualification, consent or approval has been obtained free of conditions not acceptable to the Committee. Under certain circumstances as set forth in the Plan, if the exercise of this Option is prevented by certain provisions of the Pla n, this Option will remain exercisable until thirty (30) days after the date such exercise first would no longer be prevented by such provisions, but in any event no later than the expiration date of this Option.

9. *Shareholder Status*. You shall have no rights as a shareholder with respect to any Shares underlying this Option until such Shares have been duly issued and delivered to you in accordance with the terms of this Agreement and the Nonemployee Director Stock Option Acceptance Agreement, and no adjustment shall be made for dividends of any kind or description whatsoever or for distributions of rights of any kind or description whatsoever respecting such Shares except as expressly set forth in the Plan.

10. *Governing Law*. This Agreement and the Nonemployee Director Stock Option Acceptance Agreement 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 to the substantive law of another jurisdiction.

11. *Conflict*. To the extent the terms of this Agreement or the Nonemployee Director Stock Option Acceptance Agreement are inconsistent with the Plan, the provisions of the Plan shall control and supersede any inconsistent provision of this Agreement.

12. *Non-Negotiable Terms*. The terms of this Agreement and the Nonemployee Director Stock Option Acceptance Agreement are not negotiable, but you may refuse to accept this Option by immediately notifying Toro's Vice President, Secretary and General Counsel in writing.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by The Toro Company and has been executed by you by execution of the attached Nonemployee Director Stock Option Acceptance Agreement.

[Missing Graphic Reference]

[____________]
Chairman and CEO

By:______________________________

NONEMPLOYEE DIRECTOR STOCK OPTION ACCEPTANCE AGREEMENT

___________ __, 20__

I hereby agree to the terms and conditions governing the Option grant as set forth in the Nonemployee Director Stock Option Agreement, this Nonemployee Director Stock Option Acceptance Agreement and as supplemented by the terms and conditions set forth in the Plan.

In accepting the Option grant, I hereby acknowledge that:

(a) The Plan is established voluntarily by Toro, it is discretionary in nature and it may be modified, amended, suspended or terminated by Toro at any time, unless otherwise provided in the Plan, the Nonemployee Director Stock Option Agreement or this Nonemployee Director Stock Option Acceptance Agreement;

(b) The grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future Option grants, or benefits in lieu of Option grants, even if Option grants have been granted repeatedly in the past;

(c) All decisions with respect to future Option grants, if any, will be at the sole discretion of Toro;

(d) I am voluntarily participating in the Plan;

(e) The future value of the Shares underlying the Option is unknown and cannot be predicted with certainty and if the Option vests and I exercise the Option in accordance with the terms of the Nonemployee Director Option Agreement and this Nonemployee Director Stock Option Acceptance Agreement and am issued Shares, the value of those Shares may increase or decrease;

(f) In consideration of the grant of the Option, no claim or entitlement to compensation or damages shall arise from termination of the Option or diminution in value of the Option or Shares acquired upon exercise of the Option resulting from termination of my service as a nonemployee director of Toro and I hereby irrevocably release Toro and its Affiliates and Subsidiaries from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by acceptance of the Option grant, I shall be deemed irrevocably to have waived my entitlement to pursue such claim;

(g) Toro is not providing any tax, legal or financial advice, nor is Toro making any recommendations regarding my participation in the Plan, or my purchase or sale of the Shares underlying the Option; and

(h) I have been advised to consult with my own personal tax, legal and financial advisors regarding my participation in the Plan before taking any action related to the Plan.

I hereby acknowledge that I have received electronically a copy of the Plan, the Prospectus relating to the Plan and Toro's most recent Annual Report on Form 10-K. I hereby agree to accept electronic delivery of copies of any future amendments or supplements to the Prospectus or any future Prospectuses relating the Plan and copies of all reports, proxy statements and other communications distributed to Toro's security holders generally by email directed to my Toro email address.

Note: If you do not wish to accept the Option on the terms stated in the Nonemployee Director Option Agreement or this Nonemployee Director Stock Option Acceptance Agreement, please immediately contact Toro's Vice President, Secretary and General Counsel to decline the grant.

Signature:
Print Name:
Date:

& #

1 6 0 ; Exhibit 10.2

NONQUALIFIED STOCK OPTION AGREEMENT
THE TORO COMPANY 2010 EQUITY AND INCENTIVE PLAN

This Agreement (this "Agreement") dated [________] (the "Grant Date"), between The Toro Company, a Delaware corporation ("Toro"), and [___________] ("you") sets forth the terms and conditions of the grant to you of a nonqualified option (this "Option") to purchase [_______] shares of common stock, par value $1.00 per share, of Toro ("Shares"), at an exercise price of $[______] per Share, under The Toro Company 2010 Equity and Incentive Plan (the "Plan"). This Option is subject to all of the terms and conditions set forth in the Plan, this Agreement and the Nonqualified Stock Option Acceptance Agreement should you decide to accept this Option. All of the terms in this Agreement and the N onqualified Stock Option Acceptance Agreement that begin with a capital letter are either defined in this Agreement or in the Plan.

1. *Expiration Date*. This Option shall expire on [__________________].

2. *Vesting*. Except as provided in Sections 3, 5 and 6 of this Agreement, this Option shall vest and become exercisable in ________ (__) as equal as possible installments on each of the ____________________ anniversaries after the Grant Date (rounding down to the nearest whole share on the ________ vesting date(s), if necessary).

3. *Effect of Termination of Employment or Service*.

(a) *Disability*. If your employment or other service with Toro or any Affiliate or Subsidiary, as the case may be, is terminated by reason of your Disability, this Option will vest immediately, and you or your guardian or legal representative, as the case may be, may exercise this Option until the earlier of the date this Option expires or one (1) year after the date your employment or other service with Toro terminates by reason of your Disability.

(b) *Death*. If you die, this Option will vest immediately, and your legal representatives, heirs or legatees may exercise this Option until the earlier of the date this Option expires or one (1) year after the date of your death.

(c) *Retirement*. If your employment or other service with Toro or any Affiliate or Subsidiary, as the case may be, is terminated by reason of your Retirement on or after November 1, 20__, this Option will remain outstanding for a period of four (4) years after the date of your Retirement, but not later than the date this Option expires, and will continue to vest under Section 2 of this Agreement; provided, however, that if you become employed or retained to render services or assume responsibilities similar to those of the Toro position from which you retire, this Option shall automatically be canceled, expire and be forfeited.

(d) *Other*. If your employment or other service with Toro or any Affiliate or Subsidiary, as the case may be, is terminated for any reason other your death, Disability or Retirement, you may exercise the then vested portion of this Option, if any, for a period of three (3) months after the date your employment or other service with Toro or any Affiliate or Subsidiary, as the case may be, terminates, but not later than the date this Option expires, and any unvested portion of this Option will be canceled on the date your employment or other service with Toro or any Affiliate or Subsidiary, as the case may be, terminates.

4. *No Transfer*. You may not transfer this Option other than by will or applicable laws of descent and distribution or, if approved by the Committee, pursuant to a qualified domestic relations order entered into by a court of competent jurisdiction.

5. *Adverse Action*. In addition to the other rights of the Committee under the Plan, if you are determined by the Committee, acting in its sole discretion, to have taken any action that would constitute an Adverse Action, (a) all of your rights under the Plan and any agreements evidencing an Award granted under the Plan, including this Agreement evidencing this Option, then held by you shall terminate and be forfeited without notice of any kind, and (b) the Committee in its sole discretion may require you to surrender and return to Toro all or any Shares received, or to disgorge all or any profits or any other economic value (however defined by the Committee) made or realized by you, during the period beginni ng one (1) year prior to your termination of employment or other service with Toro, an Affiliate or a Subsidiary, in connection with any Awards granted under the Plan, including this Option, or any Shares issued upon the exercise or vesting of any Awards, including this Option. Toro may defer the exercise of this Option for a period of up to ninety (90) days in order for the Committee to make any determination as to the existence of an Adverse Action. This Section 5 shall not apply following a Change of Control.

6. *Change of Control*. In the event of a Change of Control, the provisions of the Plan applicable to a Change of Control will apply to this Option.

7. *Methods of Exercise*. In order to exercise this Option, you must deliver to Toro's Vice President, Secretary and General Counsel or Director, Total Awards and HR Services, as applicable, a written notice of exercise in a form specified or accepted by the Committee specifying the number of whole Shares with respect to which you wish to exercise this Option, accompanied by payment in full of the exercise price for the Shares to be purchased. Payment may be made (a) in cash; (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the exercise price; (c) by a cashless (broker-assisted) exercis e; (d) by a "net exercise" of this Option (as further described below); (e) by any combination of (a), (b), (c) and (d); or (f) by any other method approved or accepted by the Committee in its sole discretion. In the case of a "net exercise" of this Option, Toro will reduce the number of Shares issued upon the exercise of this Option by the largest number of whole Shares that has a Fair Market Value on the exercise date that does not exceed the aggregate exercise price for the Shares exercised under this method (and, if applicable, any required tax withholding obligations) and will require cash payment from you for any remaining exercise price (and/or tax withholding obligations). Shares will no longer be outstanding under this Option (and will therefore not thereafter be exercisable) following the exercise of this Option to the extent of (i) Shares used to pay the exercise price of this Option under the "net exercise," (ii) Shares actually delivered to you as a result of such exercise, and (iii) any Shares withheld for purposes of tax withholding pursuant to the Plan.

8. *General Restriction*. If at any time the Committee determines that the listing, registration or qualification of the Shares subject to this Option on any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the issue or purchase of Shares upon exercise of this Option, this Option may not be exercised unless such listing, registration, qualification, consent or approval has been obtained free of conditions not acceptable to the Committee. Under certain circumstances as set forth in the Plan, if the exercise of this Option is prevented by certain provisions of the Pla n, this Option will remain exercisable until thirty (30) days after the date such exercise first would no longer be prevented by such provisions, but in any event no later than the expiration date of this Option.

9. *Tax Withholding*. Toro has the right to deduct from any settlement made upon exercise of this Option or the sale of Shares acquired upon exercise of this Option, any federal, state or local taxes of any kind required by law to be withheld with respect to income recognized or to require you to pay the amount of any such taxes or to take such other action as may be necessary in the opinion of Toro to satisfy all obligations for payment of such taxes. If you elect to pay any tax withholding obligations in the form of withheld Shares or the surrender of Shares, such Shares will be valued at their Fair Market Value on the date the withholding is to be determined, but in no event shall such withholdin g exceed the minimum statutory withholding requirement. Toro also may deduct from any such settlement any amounts you may owe Toro.

10. *No Right to Continue Employment or Service*. Neither the Plan, this Option, nor any related material shall give you the right to continue in employment by or perform services to Toro or any Affiliate or Subsidiary or shall adversely affect the right of Toro or any Affiliate or Subsidiary to terminate your employment or service relationship with Toro or any Affiliate or Subsidiary with or without cause at any time.

11. *Shareholder Status*. You shall have no rights as a shareholder with respect to any Shares underlying this Option until such Shares have been duly issued and delivered to you in accordance with the terms of this Agreement and the Nonqualified Stock Option Acceptance Agreement, and no adjustment shall be made for dividends of any kind or description whatsoever or for distributions of rights of any kind or description whatsoever respecting such Shares except as expressly set forth in the Plan.

12. *Governing Law*. This Agreement and the Nonqualified Stock Option Acceptance Agreement 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 to the substantive law of another jurisdiction.

13. *Conflict*. To the extent the terms of this Agreement or the Nonqualified Stock Option Acceptance Agreement are inconsistent with the Plan, the provisions of the Plan shall control and supersede any inconsistent provision of this Agreement or the Nonqualified Stock Option Acceptance Agreement.

14. *Non-Negotiable Terms*. The terms of this Agreement and the Nonqualified Stock Option Acceptance Agreement are not negotiable, but you may refuse to accept this Option by notifying Toro's Vice President, Secretary and General Counsel, or Director, Total Rewards and HR Services, as applicable, in writing.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by The Toro Company and has been executed by you by execution of the attached Nonqualified Stock Option Acceptance Agreement.

[Missing Graphic Reference] PresoendPPrPr

[_________] By:

Chairman and CEO

NONQUALIFIED STOCK OPTION ACCEPTANCE AGREEMENT
__________ __, 20__

I hereby agree to the terms and conditions governing the Option grant as set forth in the Nonqualified Stock Option Agreement, this Nonqualified Stock Option Acceptance Agreement and as supplemented by the terms and conditions set forth in the Plan.

In accepting the Option grant, I hereby acknowledge that:

(a) The Plan is established voluntarily by Toro, it is discretionary in nature and it may be modified, amended, suspended or terminated by Toro at any time, unless otherwise provided in the Plan, the Nonqualified Stock Option Agreement or this Nonqualified Stock Option Acceptance Agreement;

(b) The grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future Option grants, or benefits in lieu of Option grants, even if Option grants have been granted repeatedly in the past;

(c) All decisions with respect to future Option grants, if any, will be at the sole discretion of Toro;

(d) I am voluntarily participating in the Plan;

(e) The Option grant is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for Toro or any Affiliate or Subsidiary;

(f) The future value of the Shares underlying the Option is unknown and cannot be predicted with certainty and if the Option vests and I exercise the Option in accordance with the terms of the Nonqualified Stock Option Agreement and this Nonqualified Stock Option Acceptance Agreement and am issued Shares, the value of those Shares may increase or decrease;

(g) In consideration of the grant of the Option, no claim or entitlement to compensation or damages shall arise from termination of the Option or diminution in value of the Option or Shares acquired upon exercise of the Option resulting from termination of my employment or service by Toro or any one of its Affiliates or Subsidiaries (for any reason whatsoever and whether or not in breach of applicable labor laws) and I hereby irrevocably release Toro and its Affiliates and Subsidiaries from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by acceptance of the Option grant, I shall be deemed irrevocably to have waived my entitlement to pursue such claim;

(h) Toro is not providing any tax, legal or financial advice, nor is Toro making any recommendations regarding my participation in the Plan, or my purchase or sale of the Shares underlying the Option; and

(i) I have been advised to consult with my own personal tax, legal and financial advisors regarding my participation in the Plan before taking any action related to the Plan.

I hereby acknowledge that I have received electronically a copy of the Plan, the Prospectus relating to the Plan and Toro's most recent Annual Report on Form 10-K. I hereby agree to accept electronic delivery of copies of any future amendments or supplements to the Prospectus or any future Prospectuses relating the Plan and copies of all reports, proxy statements and other communications distributed to Toro's security holders generally by email directed to my Toro email address.

Note: If you do not wish to accept the Option on the terms stated in the Nonqualified Stock Option Agreement and this Nonqualified Stock Option Acceptance Agreement, please immediately contact Toro's Vice President, Secretary and General Counsel, or Director, Total Rewards and HR Services, as applicable, to decline the grant.

Signature:
Print Name:
Date:

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Exhibit 10.3

RESTRICTED STOCK AWARD AGREEMENT
THE TORO COMPANY 2010 EQUITY AND INCENTIVE PLAN

This Agreement (this "Agreement") dated [________] ("Grant Date"), between The Toro Company, a Delaware corporation ("Toro"), and [___________] ("you") sets forth the terms and conditions of the grant to you of a restricted stock award (this "Restricted Stock Award") of [_______] shares of common stock, par value $1.00 per share, of Toro ("Award Shares") under The Toro Company 2010 Equity and Incentive Plan (the "Plan"). This Restricted Stock Award is subject to all of the terms and conditions set forth in the Plan, this Agreement and the Restricted Stock Award Acceptance Agreement should you decide to accept this Restricted Stock Award. All of the terms in this Agreement and the Restri cted Stock Award Acceptance Agreement that begin with a capital letter are either defined in this Agreement or in the Plan.

1. *Vesting and Forfeiture*.

(a) Except as provided in Sections 1(b), 1(c), 3 and 6 of this Agreement, your interest in the Award Shares will vest and become nonforfeitable [on ____________/in ________ (__) as equal as possible installments on each of the ______________ anniversaries after the Grant Date (rounding down to the nearest whole share on the ________ vesting date(s), if necessary)].

(b) If your employment or other service with Toro or any Affiliate or Subsidiary, as the case may be, is terminated by reason of your death or Disability before your interest in all of the Award Shares subject to this Award has vested and become nonforfeitable under Section 1(a), then you will forfeit all of the Award Shares subject to this Restricted Stock Award except those Award Shares in which you have pursuant to Section 1(a) a nonforfeitable interest on the date your employment or other service with Toro or any Affiliate or Subsidiary, as the case may be, so terminates.

(c) If your employment or other service with Toro or any Affiliate or Subsidiary, as the case may be, is terminated for any reason other than your death or Disability, before your interest in all of the Award Shares subject to this Award has vested and become nonforfeitable under Section 1(a), then you will forfeit all of the Award Shares subject to this Restricted Stock Award except those Award Shares in which you have pursuant to Section 1(a) a nonforfeitable interest on the date your employment or other service with Toro or any Affiliate or Subsidiary, as the case may be, so terminates.

2. *Shareholder Status*. Unless and until your Award Shares are forfeited, you will have the right to vote the Award Shares. If you forfeit the Award Shares, at the same time you will forfeit your right to vote the Award Shares. Any stock or cash dividends (including without limitation regular cash dividends) or other distributions of property made with respect Award Shares that remain subject to forfeiture under Section 1(a) shall be held by Toro, and your right to receive such dividends or other property shall be forfeited or shall vest and become nonforfeitable at the same time the Award Shares with respect to which the dividends or other property are attributable are forfeited or vest and become nonforfeitable. Except for the rights set forth in this Section 2, you shall have no rights as a shareholder of Toro with respect to the Award Shares until your interest in the Award Shares vests and becomes non-forfeitable.

3. *Issuance of Shares*. Toro will issue the Award Shares in book entry in your name. Toro's Vice President, Secretary and General Counsel will direct Toro's transfer agent not to honor any requests by you to transfer the Award Shares or to issue a physical stock certificate representing such Award Shares and any distributions made with respect to such Award Shares (including without limitation regular cash dividends) until such time that your interest in the Award Shares vests and becomes non-forfeitable. As soon as practicable after each date as of which your interest in any Award Shares vests and becomes nonforfeitable under Section 1(a) of this Agreement, Toro will direct its transfer agent to honor any requests thereafter by you to transfer such Award Shares (together with any distributions made with respect to such Award Shares that have been held by Toro) or to issue a physical stock certificate representing such Award Shares. If the Award Shares are forfeited under Section 1 of this Agreement or if this Restricted Stock Award is terminated and forfeited under Section 5 of this Agreement, the Award Shares (together with any distributions made with respect to such Award Shares that have been held by Toro) will automatically revert back to Toro.

4. *No Transfer*. You may not transfer this Restricted Stock Award, the Award Shares or any rights granted under this Restricted Stock Award other than by will or applicable laws of descent and distribution or, if approved by the Committee, pursuant to a qualified domestic relations order entered into by a court of competent jurisdiction.

5. *Adverse Action*. In addition to the other rights of the Committee under the Plan, if you are determined by the Committee, acting in its sole discretion, to have taken any action that would constitute an Adverse Action, (a) all of your rights under the Plan and any agreements evidencing an Award granted under the Plan, including this Agreement evidencing this Restricted Stock Award, then held by you shall terminate and be forfeited without notice of any kind, and (b) the Committee in its sole discretion may require you to surrender and return to Toro all or any Award Shares received, or to disgorge all or any profits or any other economic value (however defined by the Committee) made or realized by you, dur ing the period beginning one (1) year prior to your termination of employment or other service with Toro, an Affiliate or a Subsidiary, in connection with any Awards granted under the Plan, including this Restricted Stock Award, or any Award Shares issued upon the exercise or vesting of any Awards, including this Restricted Stock Award. This Section 5 shall not apply following a Change of Control.

6. *Change of Control*. In the event of a Change of Control, the provisions of the Plan applicable to a Change of Control will apply to this Restricted Stock Award.

7. *Section 83(b) Election*. You hereby acknowledge that you have been informed that, with respect to the grant of this Restricted Stock Award and within thirty (30) days of the Grant Date, you may file an election with the Internal Revenue Service electing pursuant to Section 83(b) of the Code to be taxed currently on the fair market value of this Restricted Stock Award on the Grant Date. You further acknowledge that it is your sole responsibility to timely file the election under Section 83(b) of the Code if you choose to make such an election. You should consult your personal tax or financial advisor with any questions regarding whether to make a Section 83(b) election. If y ou make such an election, you are required under the terms of the Plan to promptly provide Toro with a copy of the election form.

8. *Tax Withholding*. Toro will deduct or withhold from the Award Shares any federal, state, local or other taxes of any kind required by law to be withheld with respect to income recognized in connection with this Restricted Stock Award or will take such other action as may be necessary in the opinion of Toro to satisfy all obligations for the payment of such taxes. Any Award Shares withheld to pay such tax withholding obligations will be valued at their Fair Market Value on the date the withholding is to be determined, but in no event shall such withholding exceed the minimum statutory withholding requirement.

9. *No Right to Continue Employment or Service*. Neither the Plan, this Restricted Stock Award, nor any related material shall give you the right to continue in employment by or perform services to Toro or any Affiliate or Subsidiary or shall adversely affect the right of Toro or any Affiliate or Subsidiary to terminate your employment or service relationship with Toro or any Affiliate or Subsidiary with or without cause at any time.

10. *Governing Law*. This Agreement and the Restricted Stock Award Acceptance Agreement 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 to the substantive law of another jurisdiction.

11. *Conflict*. To the extent the terms of this Agreement or the Restricted Stock Award Acceptance Agreement are inconsistent with the Plan, the provisions of the Plan shall control and supersede any inconsistent provision of this Agreement or the Restricted Stock Award Acceptance Agreement.

12. *Non-Negotiable Terms*. The terms of this Agreement and the Restricted Stock Award Acceptance Agreement are not negotiable, but you may refuse to accept this Restricted Stock Award by notifying Toro's Vice President, Secretary and General Counsel, or Director, Total Rewards and HR Services, as applicable, in writing.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by The Toro Company and has been executed by you by execution of the attached Restricted Stock Award Acceptance Agreement.

[Missing Graphic Reference] PresoendPPrPr

[_________] By:
Chairman and CEO

RESTRICTED STOCK AWARD ACCEPTANCE AGREEMENT

__________ __, 20__

I hereby agree to the terms and conditions governing the Restricted Stock Award as set forth in the Restricted Stock Award Agreement, this Restricted Stock Award Acceptance Agreement and as supplemented by the terms and conditions set forth in the Plan.

In accepting the Restricted Stock Award, I hereby acknowledge that:

(a) The Plan is established voluntarily by Toro, it is discretionary in nature and it may be modified, amended, suspended or terminated by Toro at any time, unless otherwise provided in the Plan, the Restricted Stock Award Agreement or this Restricted Stock Award Acceptance Agreement;

(b) The grant of the Restricted Stock Award is voluntary and occasional and does not create any contractual or other right to receive future Restricted Stock Awards, or benefits in lieu of Restricted Stock Awards, even if Restricted Stock Awards have been granted repeatedly in the past;

(c) All decisions with respect to future Restricted Stock Award grants, if any, will be at the sole discretion of Toro;

(d) I am voluntarily participating in the Plan;

(e) The Restricted Stock Award is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for Toro or any Affiliate or Subsidiary;

(f) The future value of the Award Shares subject to the Restricted Stock Award is unknown and cannot be predicted with certainty and if the Restricted Stock Award vests and the Award Shares become non-forfeitable in accordance with the terms of the Restricted Stock Award Agreement or this Restricted Stock Award Acceptance Agreement, the value of those Award Shares may increase or decrease;

(g) In consideration of the grant of the Restricted Stock Award, no claim or entitlement to compensation or damages shall arise from termination of the Restricted Stock Award or diminution in value of the Restricted Stock Award or Award Shares resulting from termination of my employment or service by Toro or any one of its Affiliates or Subsidiaries (for any reason whatsoever and whether or not in breach of applicable labor laws) and I hereby irrevocably release Toro and its Affiliates and Subsidiaries from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by acceptance of the Restricted Stock Award, I shall be deemed irrevocably to have waived my entitlement to pursue such cl aim;

(h) Toro is not providing any tax, legal or financial advice, nor is Toro making any recommendations regarding my participation in the Plan or my acceptance of the Restricted Stock Award; and

(i) I have been advised to consult with my own personal tax, legal and financial advisors regarding my participation in the Plan before taking any action related to the Plan.

I hereby acknowledge that I have received electronically a copy of the Plan, the Prospectus relating to the Plan and Toro's most recent Annual Report on Form 10-K. I hereby agree to accept electronic delivery of copies of any future amendments or supplements to the Prospectus or any future Prospectuses relating the Plan and copies of all reports, proxy statements and other communications distributed to Toro's security holders generally by email directed to my Toro email address.

Note: If you do not wish to accept the Restricted Stock Award on the terms stated in the Restricted Stock Award Agreement or this Restricted Stock Award Acceptance Agreement, please immediately contact Toro's Vice President, Secretary and General Counsel, or Director, Total Rewards and HR Services, as applicable, to decline the grant.

Signature:
Print Name:
Date:

Exhibit 31.1

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

I, Michael J. Hoffman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Toro Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 2, 2010

/s/ Michael J. Hoffman
Michael J. Hoffman
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Stephen P. Wolfe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Toro Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 2, 2010

/s/ Stephen P. Wolfe
Stephen P. Wolfe
Vice President, Finance
and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Toro Company (the "Company") on Form 10-Q for the quarterly period ended July 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Michael J. Hoffman, Chairman of the Board, President and Chief Executive Officer of the Company, and Stephen P. Wolfe, Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael J. Hoffman
Michael J. Hoffman
Chairman of the Board, President and Chief Executive Officer
September 2, 2010

/s/ Stephen P. Wolfe
Stephen P. Wolfe
Vice President, Finance
and Chief Financial Officer
September 2, 2010

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.